

CHUCK ENGELKEN, CHAIR
Councilmember, District 2

DARYL LEONARD
Councilmember, District 3

TOMMY MOSER
Councilmember, District 4



JAY MARTIN
Alternate Member 1

DOTTIE KAMINSKI
Alternate Member 2

CITY OF LA PORTE FISCAL AFFAIRS COMMITTEE MEETING AGENDA

Notice is hereby given of a meeting of the City of La Porte Fiscal Affairs Committee to be held on March 23, 2015, in the City Hall Council Chambers, 604 W. Fairmont Parkway, La Porte, Texas, beginning at 5:00 PM regarding the items of business according to the agenda listed below:

1. Call to order
2. Consider approval of minutes of the January 26, 2015, meeting of the Fiscal Affairs Committee - P. Fogarty
3. Receive presentation of the 2014 Comprehensive Annual Financial (CAFR) Report - M. Dolby
4. Discuss audit contract renewal - M. Dolby
5. Set date for next meeting — M. Dolby
6. Administrative Reports — C. Alexander
7. Committee Comments regarding matters appearing on agenda — Committee members Engelken, Leonard, Moser, and Martin
8. Adjourn

In compliance with the Americans with Disabilities Act, the City of La Porte will provide for reasonable accommodations for persons attending public meetings. To better serve attendees, requests should be received 24 hours prior to the meetings. Please contact Patrice Fogarty, City Secretary, at 281.470.5019.

CERTIFICATION

I certify that a copy of the March 23, 2015, agenda of items to be considered by the Fiscal Affairs Committee was placed on the City Hall Bulletin Board on March 17, 2015.

Patrice Fogarty, City Secretary

CHUCK ENGELKEN, CHAIR
Councilmember District 2
Committee Member

DARYL LEONARD
Councilmember District 3
Committee Member

TOMMY MOSER
Councilmember District 4
Committee Member



JAY MARTIN
Councilmember District 5
Alternate Member 1

DOTTIE KAMINSKI
Councilmember At Large B
Alternate Member 2

MINUTES OF MEETING OF FISCAL AFFAIRS COMMITTEE JANUARY 26, 2015

The Fiscal Affairs Committee met on **January 26, 2015, at 4:45 p.m.**, in the La Porte City Hall Council Chambers, 604 West Fairmont Parkway, La Porte, Texas, to consider the following items of business:

1. Call to Order

Chairman Chuck Engelken called the meeting to order at 4:46 p.m. Present were: Committee Members Tommy Moser and Daryl Leonard, and Alternate Member 1 Jay Martin and Alternate Member 2 Dottie Kaminski. Also present: City Secretary Patrice Fogarty, City Manager Corby Alexander, Finance Director Michael Dolby, Treasurer Shelley Wolny, Controller Phyllis Rinehart, and Purchasing Manager Cherell Daeumer.

2. Consider approval of Minutes of the October 27, 2014, meeting of the Fiscal Affairs Committee – P. Fogarty

Committee Member Leonard moved to approve the minutes of the October 27, 2014, meeting. Committee Member Moser seconded. **MOTION PASSED.**

Ayes:	Chairman Engelken, Committee Members Leonard and Moser
Nays:	None
Absent:	None

Alternates members do not vote unless taking the place of an absent Committee member, in which case Alt. 1 bumps up to member status. If two Committee members are absent, Alt. 2 bumps up, as well. They are then authorized to vote.

3. Receive and review First Quarter (FY2015) Investment Report – M. Dolby

Treasurer Shelley Wolny presented the First Quarter (FY2015) Investment Report.

Committee Member Moser questioned if the \$13,184,497 Operating Account Balance is part of the \$57,472,237 for the Investment Maturity Schedule as of December 31, 2014. Treasurer Shelley Wolny responded no.

4. Receive and review month of September, October and November (FY2014) Purchasing Card Expenditures – M. Dolby

Purchasing Manager Cherell Daeumer presented the months of September, October and November (FY2014) Purchasing Card Expenditures.

Committee Member Moser questioned if the City is being reimbursed for services for the WCA Waste Company services for dumpster pick up at Pelican Bay and Bay Point Townhomes. Finance Director Michael Dolby advised he will verify and advise the committee. Committee Member Moser then questioned the type of vendor for G&K Services. Purchasing Manager Cherell Daeumer responded rental and cleaning for uniforms.

5. Set date for next meeting – M. Dolby

The Committee set March 23, 2015, at 5:00 p.m., as the date and time for the next meeting. Finance Director Michael Dolby advised the 2014 Audit Report will be presented at this meeting.

6. Administrative Reports – C. Alexander

There were no Administrative Reports.

7. Committee Comments – Matters appearing on agenda; Recognition of community members, city employees, and upcoming events; Inquiry of staff regarding specific factual information or existing policy.

There were no Committee comments.

8. Adjourn

There being no further business, the meeting was adjourned at 4:58 p.m.

Respectfully submitted,

Patrice Fogarty, City Secretary

Passed and approved on the ____ day of _____, 2015.

Chairman Chuck Engelken

REQUEST FOR FISCAL AFFAIRS COMMITTEE AGENDA ITEM

<p>Agenda Date Requested: <u>March 23, 2015</u></p> <p>Requested By: <u>Michael Dolby, Director of Finance</u></p> <p>Department: <u>Finance</u></p> <p>Report: <input checked="" type="radio"/> Resolution: <input type="radio"/> Ordinance: <input type="radio"/></p>	<p style="text-align: center;"><u>Appropriation</u></p> <p>Source of Funds:</p> <p>Account Number:</p> <p>Amount Budgeted:</p> <p>Amount Requested:</p> <p>Budgeted Item: <input checked="" type="radio"/> YES <input type="radio"/> NO</p>
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Exhibits:

- 1. FY 2014 Comprehensive Annual Financial Report**

SUMMARY & RECOMMENDATIONS

In accordance with the city charter, the 2014 audit report will be presented to Council by the external auditors Whitley Penn. The audit report provides the City with reasonable assurance that the financial statements are free of material misstatements. The auditors designed tests that provide evidence that the financial statements conform to the highest level of accounting standards. The City of La Porte received an unqualified (clean) opinion from the auditors and no management comments.

The City of La Porte has won an award for excellence in financial reporting from the Government Finance Officers Association for thirty-three consecutive years.

Action Required by the Fiscal Affairs Committee:

Receive presentation.

Approved for Fiscal Affairs Committee Agenda

Corby D. Alexander, City Manager

Date

CITY OF LA PORTE, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended September 30, 2014

**Prepared By
Department of Finance**

Draft 3/5/2015

Draft 3/5/2015

CITY OF LA PORTE, TEXAS
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Draft 3/5/2015

INTRODUCTORY SECTION

Draft 3/5/2015



Draft 3/5/2015



March 9, 2015

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

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report for the City of La Porte, Texas for the fiscal year ended September 30, 2014. This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. This report consists of management's representations concerning the finances of the City of La Porte. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of La Porte's financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits; therefore the City of La Porte's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of La Porte's financial statements have been audited by Whitley Penn, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of La Porte for the fiscal year ended September 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent audit concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of La Porte's financial statements for fiscal year ended September 30, 2014 are fairly presented in conformity with GAAP. The independent auditors' report is presented as a component of the financial section of this report.

The independent audit of the financial statements of the City of La Porte included a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of La Porte's separately issued Single Audit Report. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of La Porte's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City of La Porte, incorporated in 1892, is located in the southeast quadrant of Harris County and is bounded on the north by the Houston ship channel, on the east by Galveston Bay and the south by the Bayport channel. The City of La Porte currently encompasses 19 square miles and serves a population of 34,553.

The City is a home rule city operating under the Council-Manager form of government. Policymaking and legislative authority are vested in a governing council consisting of the mayor and eight other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager, City Secretary and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of various departments. The Council is elected on a non-partisan basis. The Mayor and Council members serve three-year staggered terms. Six of the council members are elected by district. The Mayor and the two remaining council members are elected at large. The City of La Porte provides a full range of services, including police and fire protection, the construction and maintenance of streets and other infrastructure and recreational activities and cultural events. Certain services are provided through a legally separate Water Authority, which functions, as a blended component unit and in essence, is a department of the City of La Porte, and, therefore, has been included as an integral part of the City of La Porte's financial statements. Additional information on the Water Authority and other blended component units can be found in Note 1B. of the notes to the financial statements. The City has established a Taxing Increment Reinvestment Zone one (the Zone). The zone is presented as a blended component unit and is being reported as a governmental fund type (see Note 1B). The City has also established a section 4 B Sales Tax Corporation (see Note 1B). The City also has established a Fire Control, Prevention and EMS District (see note 1B). The City's accounting records for general governmental operations are maintained on modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

The annual budget serves as the foundation for the City of La Porte's financial planning and control. Budgetary control has been established at the fund level. All agencies of the City of La Porte are required to submit requests for appropriation to the City Manager on or before May 26 of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to council for review prior to August. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 30th. The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The directors are given latitude to approve transfers of appropriations within a department. Transfers of appropriations between funds, however require the special approval of the city council. Budget-to-actual comparisons are provided in financial reports for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 52 as part of the required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 68. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds. Formal budget integration is not employed for the Debt Service and Capital Projects Funds because effective budgetary control is alternatively achieved through bond indenture provisions and legally binding construction contracts, respectively.

Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of La Porte operates.

Local Economy

The City of La Porte is located in the southeast quadrant of Harris County, which is a 1, 723 square mile county is a leading oil, gas and petrochemical areas. The County has more than 3,200 manufacturing plants, the nation's largest concentration of petrochemical plants, and the third largest United States seaport and is a corporation management center. A significant part of the County's major employers, manufacturers, education and financial institutions are located in Houston, the County seat. The Texas Medical Center, located in Harris County, is one of the nation's largest, providing medical care and educational opportunities. Higher education facilities include: University of Houston, Rice University, Texas Southern University, St. Thomas University and Houston Baptist University, all offering full four- year as well as postgraduate programs. The Lyndon B. Johnson Space Center is also located here. Located some 20 miles southeast of Houston on Galveston Bay in Harris County are the three communities that make up the La Porte Bayshore Area: La Porte, Morgan's Point and Shoreacres. The area has a combined population of approximately 40,000. Though much of the image of this area is industrial, the La Porte-Bayshore area is still characterized by an expanse of resort homes.

Strategic Plan

- **Overview**

On October 27, 2012, the Mayor, City Council, City Manager and key staff of the City of La Porte met together in a retreat planning session. The purpose of that meeting was to establish the Council's Strategic Plan for the next five years. A report was prepared outlining the City Council's Mission, Vision and Core Values, as well as six overall goals. Each goal had identified objectives and strategies, with time lines for beginning and completing the goals.

On March 9, 2013, the City Manager and his key staff met. Their purpose was two-fold. First, staff reviewed and discussed the Mission, Vision and Core Values developed by the City Council and created Leadership Statements for the staff to follow to ensure their work is consistent with the value of the City Council. Secondly, staff reviewed and clarified the goals, objectives and strategies identified by the City Council; if necessary identify additional goals consistent with the overall mission, vision and values; and establish the framework for an action plan. The result of their work is documented in this report.

The Strategic Plan will provide a blueprint for action over the next five years. When developing the annual budget, staff will be tasked with making sure that expenditures and programs further the goals and Core Values stated in this document. This provides clear direction to the staff as to what priorities are important to the Council and plans can be made accordingly to make sure that resources are allocated towards those ends. Additionally, this plan is an excellent communication tool that the Council and the staff can use when speaking with residents and businesses. Many times, ad hoc requests can derail longer-term plans. The Strategic Plan outlines a framework for receiving, prioritizing, and budgeting for resident requests.

All participants, staff and Council, agreed to commit to the success of this plan. A plan only becomes a useful and working document when all the participants (as a whole and as individuals) make a commitment to review it regularly, use it monthly, and modify it as needed. It is a tool that can and should be used regularly to track progress, make notes of variations between expectations and actuals, of timelines and expenses, to help accomplish each goal, and to hold one another accountable for updates and completion.

- **Mission Statement**

The Council reviewed and revised the Mission Statement & Vision Statement of the City and the results are as follows:

The City of La Porte embraces our heritage, community values, and opportunities, while enhancing the quality of life for our citizens

- **Vision Statement**

To provide improved infrastructure, to drive economic growth, and to enhance quality of life for our citizens.

- **Core Values**

The City Council wanted to specify the core values under which the City and its staff function. Core values are the general guidelines that establish the foundation for how an organization will operate. Staff then discussed these value statements to define and gain an understanding of what those Core Value meant to staff from a leadership perspective. Staff first discussed what the elements of each Core Value represented, then prepared a Leadership Statement for each one.

The following are the Core Values of the City of La Porte:

- **Health & Public Safety:** City employees will ensure the health and safety of our citizens by providing and maintaining superior public infrastructure and public safety services.
- **Integrity & Accountability:** City employees will be open, honest and transparent, and be accountable to the Council so that Council can be responsive to the citizens.
- **Superior Customer Service:** City employees will proactively provide superior customer service in a positive and timely manner.
- **Quality in everything we do:** City employees will strive for superiority in all services we provide.

- **Goal and Plan Development**

During the Council Retreat in October 2012, six goals were developed by the Council, with staff providing assistance to flesh out the objectives for each. In March 2013, the staff further added “meat to the bone” to outline more specifically the actions that would be necessary to achieve the stated goals. The development and implementation of the action plan will serve to provide Council a clear understanding of how and when each of their goals will be accomplished. The action plan proposes to do the following:

- Identify a team leader: Each Goal needs a champion who will lead the effort to accomplish the goal and be held accountable for the action plan that is developed. A team leader for each goal was assigned.
- Identify team members. Likewise each goal needs a larger team, consisting of fellow staff from across all departmental lines where appropriate, to assist in the implementation process.
- Identify partners. Each team should identify the partners, outside the city organization, who can provide expertise and resources to accomplish the goal.
- Define action steps. Each objective needs defined action steps showing Council how the goal will be accomplished. The action steps provide the basis for benchmarks.

- Prepare a timeline. Timelines were prepared for each of the objectives. Staff will be asked to review those timelines and recommend adjustments, once the action steps are better defined.

The Council-identified goals are:

- Improve Infrastructure
- Preserve Heritage – to preserve the structure and amenities that make La Porte unique
- Ensure that all departments and facilities are ready for any disaster
- To encourage economic development/retail development
- To provide Superior Customer Service
- To revitalize blight/146

In addition to the six Council-identified goals, it was agreed that key areas of city government were not included in the goals identified by Council. Staff was tasked with discussing other areas where they would establish goals and objectives and bring them to Council for consideration and approval to include in the Strategic Plan. Several new goals were identified and are proposed for Council consideration:

- To provide and maintain superior public safety
- Continue to improve the quality of life through recreational amenities
- Create a Neighborhood Preservation Program
- Provide diverse and timely communications that promote and influence a positive public perception of La Porte

One critical component to ensuring that the elements of the Strategic Plan are being implemented is to provide regular status reports to the City Council. Staff proposes quarterly written reports supplemented by oral reports or action items for implementation that may be necessary in-between written reports.

In fiscal year 2014, City staff appointed key department directors to carry out the major components of the strategic plan. Staff developed a matrix that identifies target dates for completion of the components of the strategic plan.

Relevant Financial Policy

City Council voted to adopt GASB 54 which resulted in the passage of a resolution that measures net financial resources available to finance expenditures of future periods.

Major Initiatives

Public Works has identified major infrastructure improvements needed in the upcoming years, consequently, we anticipate issuing up to \$10 million in certificates of obligation in fiscal year 2015.

Long Term Planning

Given the current economy and the uncertainty of the next few years, the City's existing financial position remains strong. The City has incorporated several strategies to decrease the expenses to the City over the next several years. Rising costs of personnel and the related benefits have been a challenge to the City; however, over the last few years, a healthy fund balance in the General Fund has allowed the City to weather these rising costs.

The city of La Porte is experiencing significant commercial and residential development. Over the past 18 months, multiple restaurants and retail establishments have opened in the City. A large, 30,000 square foot retail strip center opened and a new developer has begun another retail strip center development with an estimated value of \$7 million.

Additionally, the housing market in the Houston area, which included La Porte, has seen a 10% growth in the median price of homes. Residential development is underway at the City's golf course, and a Senior Housing Project with 180 units is expected. Sens Road is another area of proposed residential development.

The Panama Canal expansion is bringing about a significant growth in warehouse operations and hotels. The deepening and widening of the port is prompting expansion of the Barbour's Cut terminal, which is located in La Porte, and the Bayport Terminal, which is located 1 mile outside the city limits, to allow receiving from super container ships. We are also anticipating the opening of the Bayport Cruise terminal, which is located only 1.5 miles from La Porte. The Princess cruises are starting in November, while Norwegian is scheduled to start in the spring of 2014. Due to new "fracking" technology of oil and gas from shale deposits, we anticipate increased growth within our industry corridors as result of exporting energy to overseas markets.

Conservative revenue estimates and efforts to reduce expenditures have contributed to the City's strong financial position and have allowed the City to weather the economic slump. We are especially pleased that there have been no property taxes rate increases for a number of years. Additional capital projects are being funded by utilizing excess fund balances and previously issued debt that had been stranded. With the associated fund draw downs, the remaining fund balances continue to meet operational objectives and current fiscal policies.

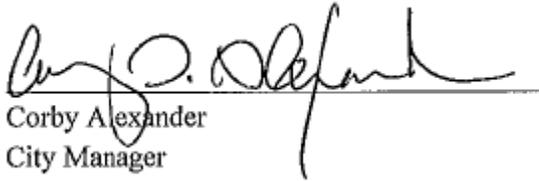
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2013. This was the thirty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

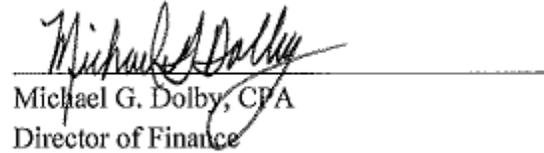
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. In addition, the government also received the GFOA's Distinguished Budget Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device. Other financial awards to the City are the Popular Financial Report Award from GFOA, the Investment Policy Award from the Government Treasurer's Organization of Texas, the Platinum level of the Financial Transparency Award from the State of Texas Comptroller and the Achievement of Excellence in Procurement Award from the National Procurement Institute.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and city council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of La Porte's finances.

Respectfully submitted,



Corby Alexander
City Manager



Michael G. Dolby, CPA
Director of Finance

Draft 3/5/2015



Government Finance Officers Association

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

Presented to

**City of La Porte
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

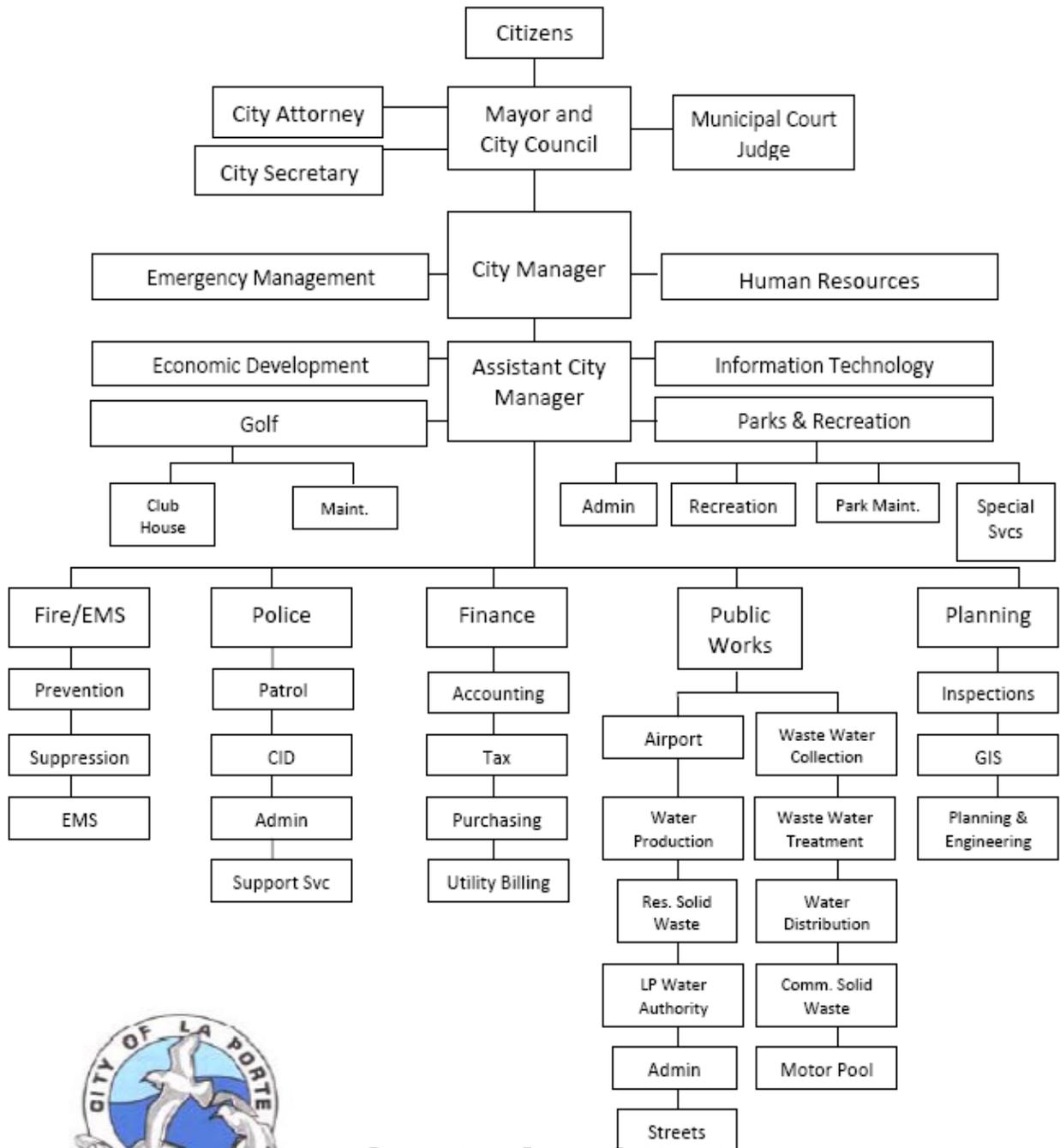
September 30, 2013

Executive Director/CEO

Draft 3/5/2015

CITY OF LA PORTE
Organizational Chart

ORGANIZATION CHART



Draft 3/5/2015

CITY OF LA PORTE, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
For the year ended September 30, 2014

Elected Officials

Louis Rigby
Danny Earp
Chuck Engelken
Daryl Leonard
Tommy Moser
Jay Martin
Mike Clausen
John Zemanek
Dottie Kaminski

Position

Mayor
Council Member - District One
Council Member - District Two
Council Member - District Three
Council Member - District Four
Council Member - District Five
Council Member - District Six
Council Member - At Large A
Mayor Protem - At Large B

City Management

Corby Alexander
Traci Leach
Ken Adcox
David Mick
Patrice Fogarty
Denise Mitrano
Michael G. Dolby

Position

City Manager
Assistant City Manager
Police Chief
Director of Public Services
City Secretary
Municipal Judge
Director of Finance

Draft 3/5/2015

FINANCIAL SECTION

Draft 3/5/2015

Draft 3/5/2015

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Council & Citizens
City of La Porte, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Porte, Texas (the "City") as of and for the year ended September 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and
Members of City Council
City of La Porte, Texas

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information and pension information system on pages 3 through 11 and 52 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date March 23, 2015, on our consideration of the City of La Porte, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of La Porte, Texas internal control over financial reporting and compliance.

Houston, Texas
March 23, 2015

Draft 3/5/2015

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of La Porte (the "City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. It should be read in conjunction with the accompanying letter of transmittal and the accompanying basic financial statements.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, health and sanitation and culture and recreation. The business-type activities of the City consist of the water and sewer utilities, airport, and the La Porte Area Water Authority.

The government-wide financial statements can be found on pages 15 through 17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental and proprietary - and utilize different accounting approaches.

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CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, debt service and capital improvements funds, which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 through 21 of this report.

Proprietary Funds. The City maintains two types of proprietary funds. Proprietary funds are used to report the same functions presented as business type activities in the government-wide statements. The City uses proprietary funds to account for its utilities, airport and water authority. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for motor pool services, technology services and insurance. Because these services predominantly benefit the governmental rather than business type functions, they have been included in the governmental activities in the government-wide financial statements.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its Utility operations, La Porte Area Water Authority and the Airport. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 50 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 52 through 54 of the City's Comprehensive Annual Financial Report.

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and supporting schedules can be found beginning on page 58 of the City's Comprehensive Annual Financial Report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows exceed liabilities and deferred inflows by \$124.7 million as of September 30, 2014, in the primary government as follows:

Condensed Schedule of Net Position

September 30, 2014 and 2013

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 60,457	\$ 59,227	\$ 7,400	\$ 6,244	\$ 67,857	\$ 65,470
Capital assets	78,536	76,430	38,086	40,153	116,622	116,582
Total Assets	138,994	135,656	45,485	46,396	184,479	182,053
Deferred Outflows of Resources						
Deferred charge on refunding	1,212	791	-	-	1,212	791
Total deferred outflows of resources	1,212	791	-	-	1,212	791
Liabilities						
Other liabilities	6,312	5,439	1,116	1,053	7,428	6,492
Long-term liabilities outstanding	49,665	50,272	3,891	4,592	53,557	54,864
Total Liabilities	55,977	55,711	5,007	5,645	60,984	61,356
Deferred Inflows of Resources						
Deferred gain on refunding	-	-	5	7	5	7
Total deferred inflows of resources	-	-	5	7	5	7
Net Position:						
Net investment in capital assets	54,506	49,304	35,873	36,347	90,379	85,651
Restricted	11,088	8,902	1,413	2,096	12,500	10,998
Unrestricted	18,635	22,530	3,187	2,301	21,822	24,831
Total Net Position	\$ 84,229	\$ 80,736	\$ 40,473	\$ 40,744	\$ 124,701	\$ 121,480

Net Investment in Capital Assets

The largest portion of the City's net position (72%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

A portion of the City's net position, \$12.5 million or 10% represents resources that are subject to external restriction on how they may be used.

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Unrestricted Net Position

The remaining balance is unrestricted net position, \$22 million or 17%, and may be used to meet the City's ongoing obligations to residents and creditors. Both of these categories remained relatively stable compared to the prior year.

The following table provides a summary of the City's operations for the year ended September 30, 2014, with comparative totals for the year ended September 30, 2013. Governmental activities increased the City's net position by \$3.5 million. Business-type activities decreased net position by \$272 thousand.

Condensed Schedule of Changes in Net Position

For the Years Ended September 30, 2014 and 2013

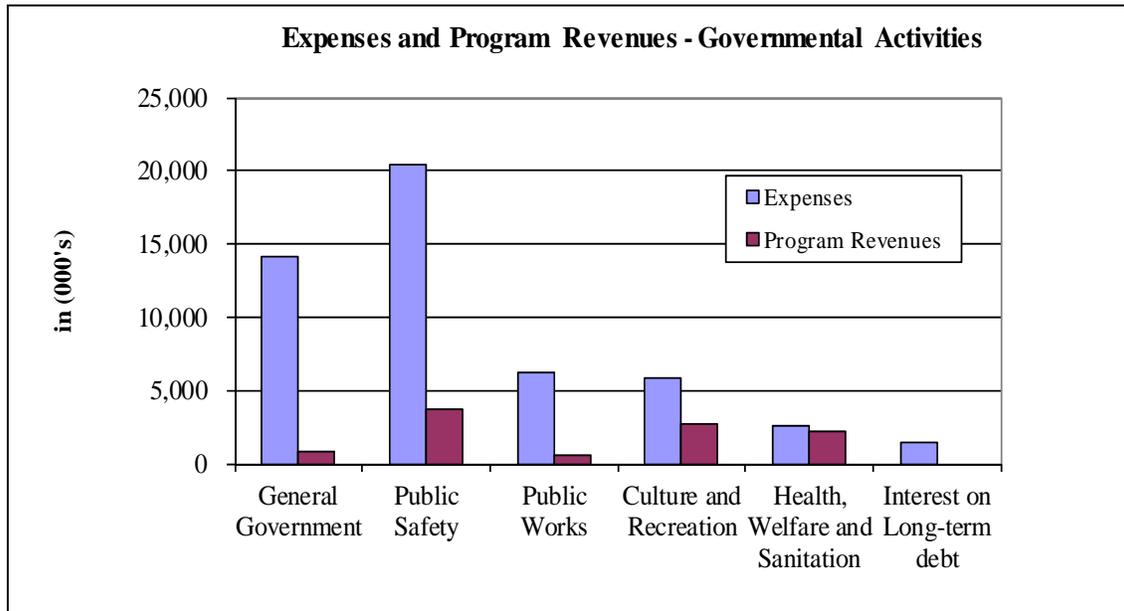
Amounts in (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenues:						
Charges for services	\$ 8,036	\$ 7,874	\$ 8,885	\$ 9,170	\$ 16,922	\$ 17,045
Operating grants and contributions	2,015	849	-	-	2,015	849
Capital grants and contributions	-	-	1,126	1,398	1,126	1,398
General revenue:						
Property taxes	19,925	17,782	-	-	19,925	17,782
Other taxes	12,357	10,902	-	-	12,357	10,902
Industrial payments	11,555	11,108	-	-	11,555	11,108
Investment earnings	106	85	9	8	115	93
Miscellaneous	459	432	101	36	560	468
Total Revenues	<u>54,453</u>	<u>49,032</u>	<u>10,120</u>	<u>10,612</u>	<u>64,573</u>	<u>59,645</u>
Expenses						
General Government	14,115	13,854	-	-	14,115	13,854
Public Safety	20,436	17,765	-	-	20,436	17,765
Public Works	6,260	4,451	-	-	6,260	4,451
Culture and Recreation	5,855	5,722	-	-	5,855	5,722
Health, Welfare and Sanitation	2,519	2,328	-	-	2,519	2,328
Interest on Long-term debt	1,404	1,384	-	-	1,404	1,384
Water Services	-	-	7,731	8,206	7,731	8,206
Sewer services	-	-	2,802	2,599	2,802	2,599
Airport	-	-	230	210	230	210
Total Expenses	<u>50,589</u>	<u>45,505</u>	<u>10,762</u>	<u>11,015</u>	<u>61,351</u>	<u>56,520</u>
Increase (decrease) in net position						
before transfers	3,864	3,526	(643)	(403)	3,221	3,123
Transfers	(371)	720	371	(720)	-	-
Increase (decrease) in net position	<u>3,493</u>	<u>4,246</u>	<u>(272)</u>	<u>(1,123)</u>	<u>3,221</u>	<u>3,123</u>
Net position - beginning	<u>80,736</u>	<u>76,490</u>	<u>40,744</u>	<u>41,867</u>	<u>121,480</u>	<u>118,357</u>
Net position - ending	<u>\$ 84,229</u>	<u>\$ 80,736</u>	<u>\$ 40,473</u>	<u>\$ 40,744</u>	<u>\$ 124,701</u>	<u>\$ 121,480</u>

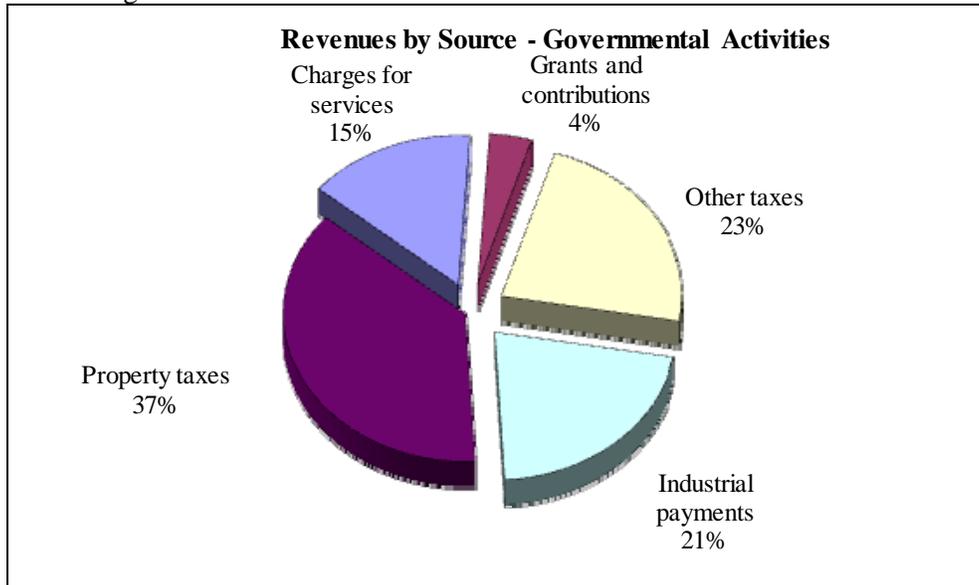
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities. A comparison of program expenses to program revenues and revenues by source for governmental activities follows:

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)



Revenue sources for governmental activities were distributed as follows:

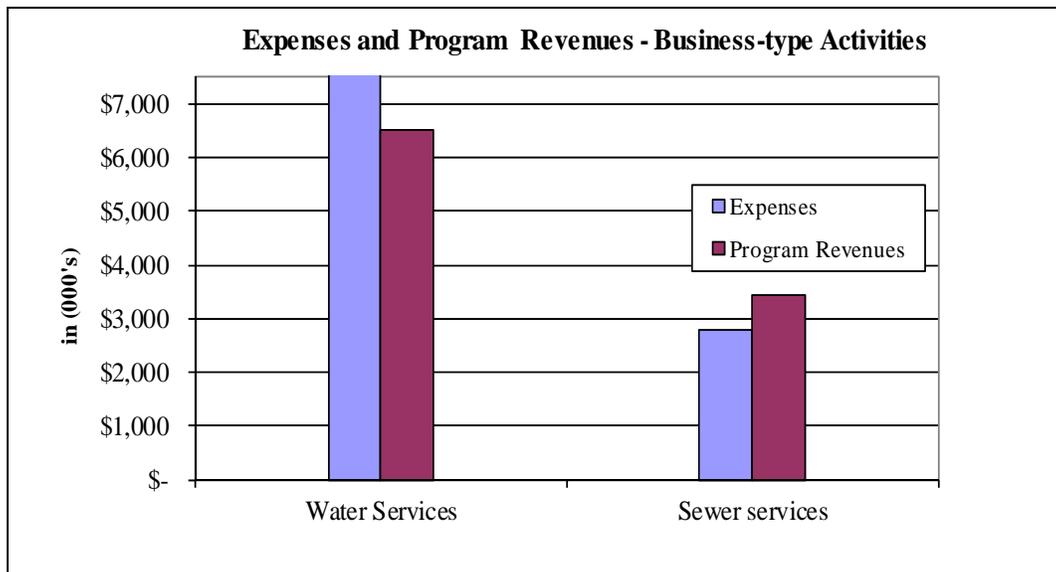


For the year ended September 30, 2014, revenues without transfers in the governmental activities totaled \$54.4 million. This represents an increase of approximately \$5.4 million or 11%.

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CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type Activities. Revenues without transfers in the business-type activities totaled \$10.1 million, a \$492 thousand decrease from the prior year. This decrease is due to a decrease in charges for services and grants and contributions. A comparison between expenses and program revenues (charges for services) relating to Utility operations follows.



Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$47.1 million, an increase of \$1.7 from the prior year. This increase is due to an increase in sales and use taxes, intergovernmental revenues, property taxes, and industrial payments.

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

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$21.3 million, an increase of \$2.4 million for commitments for construction. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 59% of total general fund expenditures and total fund balance represents 71% of the same.

The Debt Service fund had a total fund balance of approximately \$2.8 million, all of which is restricted for the payment of debt service. The net increase in fund balance from the prior year of \$278,423 was due to a debt refunding.

The Capital Projects Fund experienced a decrease in fund balance in the amount of \$2,623,779. This was a planned decrease as the City utilized bond funds to construct and acquire various capital assets.

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net position of the respective proprietary funds are Utility - \$591 thousand, La Porte Area Water Authority - \$2.2 million and Airport - \$366 thousand. The changes in net position of the proprietary funds for 2014 was as follows: Utility - decrease of \$634 thousand, La Porte Area Water Authority - increase of \$535 thousand and Airport - decrease of \$173 thousand.

General Fund Budgetary Highlights

Actual revenues exceeded the final General Fund budgeted revenues by \$1,123,864. Sales and use tax and miscellaneous revenue exceeded the projected budget by \$376,955 and \$216,379 respectively. License and fees and fines and forfeitures also exceeded budget by \$117,076 and \$122,591 respectively.

Total appropriations exceeded expenditures by \$977,508, the majority of which can be attributed to five departments. Administration had a positive variance in the amount of \$148,573 due to open positions and reduction in special programs. Planning and engineering had a positive variance in the amount of \$290,638 due to open positions. The variance in Fire and Police for \$151,929 and \$188,976 was due to open positions in the department. Culture and recreation had a positive variance of \$115,523 due to open positions.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2014, amounted to \$116.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, water and wastewater plants and service lines, machinery and equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was approximately \$39 thousand. The following table shows capital asset activity for the 2014 fiscal year (in 000's):

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 9,556	\$ 9,472	\$ 428	\$ 428	\$ 9,984	\$ 9,900
Construction in progress	11,740	12,857	178	4,073	11,918	16,930
Infrastructure	14,260	15,472	-	-	14,260	15,472
Buildings and improvements	33,276	30,917	34,353	35,313	67,629	66,230
Machinery and equipment	9,704	7,712	3,127	339	12,830	8,051
Total Capital Assets	<u>\$ 78,536</u>	<u>\$ 76,430</u>	<u>\$ 38,086</u>	<u>\$ 40,153</u>	<u>\$ 116,622</u>	<u>\$ 116,583</u>

Major capital asset events during the current year include the reporting of a drainage master plan study.

Construction in progress at year-end represents ongoing projects; to include various water and sewer projects. Additional information on capital asset activity can be found in note 5 to the financial statements.

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CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$36.1 million. Of this amount, \$34.0 million is backed by the full faith and credit of the City, and the remainder represents revenue bonds secured solely by specified revenue sources.

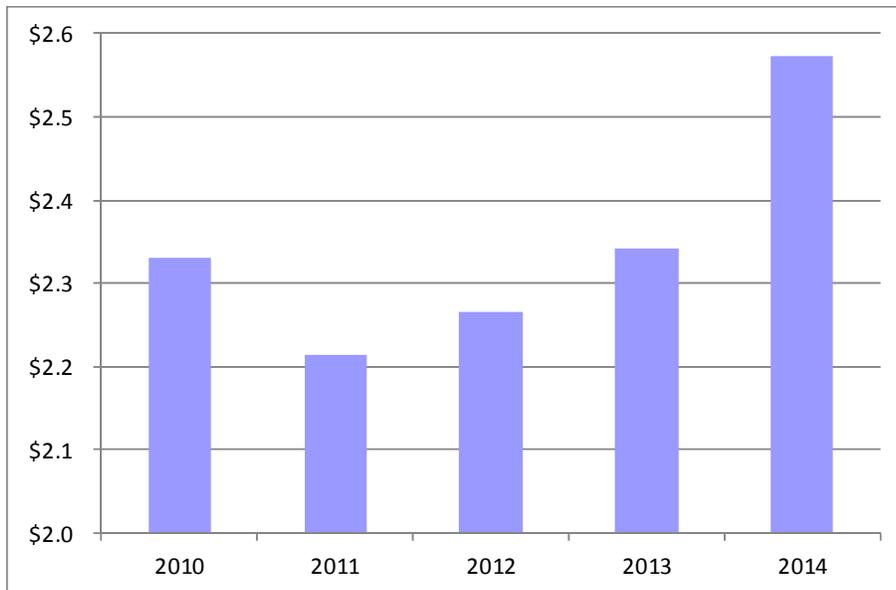
The City of La Porte maintains an "Aa2", "AA", and "AA" by Moody's, Standard and Poor's and Fitch respectively for general obligation debt. The revenue bonds have been rated "NR", "AA", "NR" by Moody's, Standard and Poor's and Fitch respectively.

Additional information on long-term debt activity can be found in note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of La Porte is currently 5.0 percent which is a decrease from the rate of 6.4 percent a year ago. This is slightly higher than the state's average unemployment rate of 4.9 percent which is less than the national average of 5.9 percent. During the upcoming year, the City will closely monitor the volatility in the housing market. Although our area has not been adversely affected by home foreclosures, we will observe future economic changes. Total assessed value for all residential and commercial property in the City of La Porte exceeded \$2.6 billion for fiscal year 2014. The trend for total assessed values has fluctuated slightly over the past five years resulting in a total increase of 10 percent.

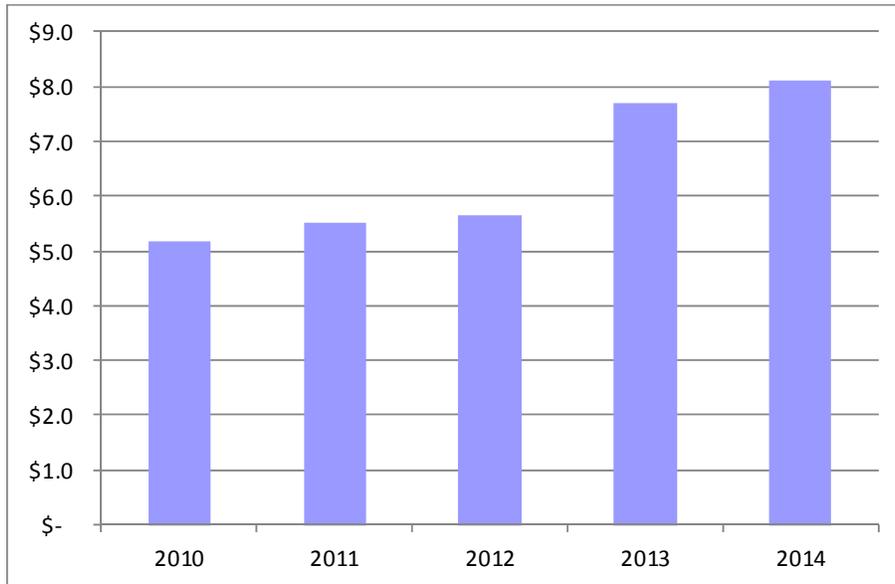
Assessed property values trends (in billions):



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CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Sales tax revenues trends (in millions):



Contacting the City's Financial Management

This financial report is designed to provide our citizens, customers and creditors a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 604 West Fairmont Parkway, La Porte, Texas, 77571.

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BASIC FINANCIAL STATEMENTS

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CITY OF LA PORTE, TEXAS
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 32,704,844	\$ 2,012,073	\$ 34,716,917
Investments	20,896,798	3,272,518	24,169,316
Receivables, net of allowance for uncollectibles	5,646,554	878,463	6,525,017
Due from Other Governmental Agencies	1,073,879	-	1,073,879
Inventories	135,197	6,000	141,197
Restricted cash and equivalents	-	1,230,457	1,230,457
Capital assets:			
Capital assets not subject to depreciation	21,296,360	605,786	21,902,146
Capital assets, net of accumulated depreciation	57,240,002	37,479,742	94,719,744
Total Capital Assets	78,536,362	38,085,528	116,621,890
Total Assets	138,993,634	45,485,039	184,478,673
Deferred Outflows of Resources			
Deferred charge on refunding	1,212,342	-	1,212,342
Total deferred outflows of resources	1,212,342	-	1,212,342
Liabilities			
Accounts payable and accrued liabilities	6,185,641	560,562	6,746,203
Accrued interest	47,173	5,770	52,943
Unearned revenues	29,670	-	29,670
Customer deposits	-	548,210	548,210
Other liabilities	49,082	1,500	50,582
Long-term liabilities:			
Due within one year	3,432,781	929,415	4,362,196
Due in more than one year	46,232,491	2,961,977	49,194,468
Total Liabilities	55,976,838	5,007,434	60,984,272
Deferred Inflows of Resources			
Deferred gain on refunding	-	5,031	5,031
Total deferred inflows of resources	-	5,031	5,031
Net Position			
Net investment in capital assets	54,506,024	35,872,947	90,378,971
Restricted for:			
Debt service	3,694,192	1,413,314	5,107,506
Economic development	3,466,985	-	3,466,985
Grants	402,925	-	402,925
Public safety	1,738,951	-	1,738,951
Public works	1,785,180	-	1,785,180
Unrestricted	18,634,881	3,186,313	21,821,194
Total Net Position	\$ 84,229,138	\$ 40,472,574	\$ 124,701,712

See Notes to Financial Statements.

CITY OF LA PORTE, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General Government	\$ 14,115,210	\$ 825,532	\$ 2,982	\$ -
Public Safety	20,436,450	3,208,256	545,738	-
Public Works	6,259,764	269,830	258,119	-
Culture and Recreation	5,854,546	1,509,412	1,207,958	292
Health, Welfare and Sanitation	2,519,298	2,223,234	-	-
Interest on Long-term debt	1,403,628	-	-	-
Total governmental activities	50,588,896	8,036,264	2,014,797	292
Business-type activities:				
Water Services	7,731,776	5,406,545	-	1,125,777
Sewer services	2,802,013	3,422,627	-	-
Airport	229,603	56,157	-	-
Total business-type activities	10,763,392	8,885,329	-	1,125,777
Total primary government	\$ 61,352,288	\$ 16,921,593	\$ 2,014,797	\$ 1,126,069

General revenues:

Taxes:

Property taxes

Sales and use taxes

Industrial payments

Franchise taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See Notes to Financial Statements.

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Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (13,286,696)	\$ -	\$ (13,286,696)
(16,682,456)	-	(16,682,456)
(5,731,815)	-	(5,731,815)
(3,136,884)	-	(3,136,884)
(296,064)	-	(296,064)
(1,403,628)	-	(1,403,628)
<u>(40,537,543)</u>	<u>-</u>	<u>(40,537,543)</u>
-	(1,199,454)	(1,199,454)
-	620,614	620,614
-	(173,446)	(173,446)
<u>-</u>	<u>(752,286)</u>	<u>(752,286)</u>
<u>(40,537,543)</u>	<u>(752,286)</u>	<u>(41,289,829)</u>
19,925,095	-	19,925,095
10,104,500	-	10,104,500
11,554,949	-	11,554,949
2,252,404	-	2,252,404
106,024	8,624	114,648
458,770	100,795	559,565
(371,039)	371,039	-
<u>44,030,703</u>	<u>480,458</u>	<u>44,511,161</u>
3,493,160	(271,828)	3,221,332
80,735,978	40,744,402	121,480,380
<u>\$ 84,229,138</u>	<u>\$ 40,472,574</u>	<u>\$ 124,701,712</u>

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CITY OF LA PORTE
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 20,004,445	\$ 2,768,922	\$ 2,093,121	\$ 6,582,371	\$ 31,448,859
Investments	12,700,474	-	1,357,977	3,241,744	17,300,195
Receivables, net of allowance for uncollectibles	4,455,101	23,898	1,783	1,049,925	5,530,707
Due from other governments	-	-	-	1,060,174	1,060,174
Due from other funds	-	-	-	662,000	662,000
Inventories	102,775	-	-	-	102,775
Total Assets	<u>\$ 37,262,795</u>	<u>\$ 2,792,820</u>	<u>\$ 3,452,881</u>	<u>\$ 12,596,214</u>	<u>\$ 56,104,710</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 4,058,981	\$ -	\$ 442,165	\$ 388,809	\$ 4,889,955
Accrued salaries payable	555,991	-	-	13,146	569,137
Due to others	-	-	48,867	-	48,867
Due to other funds	-	-	-	662,000	662,000
Unearned revenue - Grants	-	-	-	26,707	26,707
Other payables	-	-	-	98,186	98,186
Total Liabilities	<u>4,614,972</u>	<u>-</u>	<u>491,032</u>	<u>1,188,848</u>	<u>6,294,852</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	172,566	23,898	-	-	196,464
Unavailable revenue - fines and fees	558,086	-	-	-	558,086
Unavailable revenue - EMS	1,142,597	-	-	-	1,142,597
Unavailable revenue - other	799,234	-	-	-	799,234
Total Deferred Inflows of Resources	<u>2,672,483</u>	<u>23,898</u>	<u>-</u>	<u>-</u>	<u>2,696,381</u>
Fund balances:					
Nonspendable:					
Inventories	102,775	-	-	-	102,775
Restricted					
Debt service	-	2,768,922	-	948,545	3,717,467
Grants	-	-	-	402,925	402,925
Economic development	-	-	-	3,466,985	3,466,985
Public safety	-	-	-	1,738,951	1,738,951
Capital projects	-	-	-	3,065,570	3,065,570
Public works	-	-	-	1,785,180	1,785,180
Committed:					
Construction	7,000,000	-	2,961,849	-	9,961,849
Health Funds	1,500,000	-	-	-	1,500,000
Assigned:					
Assigned for encumbrances	78,182	-	-	-	78,182
Unassigned	<u>21,294,383</u>	<u>-</u>	<u>-</u>	<u>(790)</u>	<u>21,293,593</u>
Total Fund balances	<u>29,975,340</u>	<u>2,768,922</u>	<u>2,961,849</u>	<u>11,407,366</u>	<u>47,113,477</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 37,262,795</u>	<u>\$ 2,792,820</u>	<u>\$ 3,452,881</u>	<u>\$ 12,596,214</u>	<u>\$ 56,104,710</u>

See Notes to Financial Statements.

CITY OF LA PORTE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2014

Total fund balance, governmental funds	\$ 47,113,477
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	70,521,317
Certain other long-term assets (property taxes receivable and adjudicated court fines receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	2,693,418
Some liabilities and deferred outflows, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Bonds payable	(23,110,000)
Certificates of Obligation Payable	(10,845,000)
Premium or discount on bonds payable	(1,155,953)
Deferred charge on refunding	1,212,342
Accrued interest governmental activity debt	(47,173)
Compensated absences	(3,098,590)
Net pension and OPEB Obligation	(11,398,696)
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>12,343,996</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 84,229,138</u></u>

See Notes to Financial Statements.

Draft 3/5/2015

CITY OF LA PORTE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 15,286,420	\$ 2,482,675	\$ -	\$ 2,156,273	\$ 19,925,368
Sales and use taxes	4,686,476	-	-	4,631,296	9,317,772
Franchise taxes	2,252,404	-	-	-	2,252,404
Industrial payments	11,554,949	-	-	-	11,554,949
Other taxes	87,074	-	-	699,673	786,747
Licenses and permits	497,756	-	-	-	497,756
Fines and forfeits	1,594,391	-	-	196,458	1,790,849
Charges for services	5,619,555	-	174,345	511,227	6,305,127
Intergovernmental	-	-	-	1,572,360	1,572,360
Interest	67,519	8,712	8,847	11,331	96,409
Miscellaneous	256,379	-	-	4,825	261,204
Total Revenues	<u>41,902,923</u>	<u>2,491,387</u>	<u>183,192</u>	<u>9,783,443</u>	<u>54,360,945</u>
Expenditures					
Current:					
General government	9,557,118	-	2,507,446	1,763,615	13,828,179
Public safety	16,032,688	-	-	1,395,352	17,428,040
Public works	2,916,716	-	10,014	505,853	3,432,583
Health and sanitation	2,334,184	-	-	-	2,334,184
Culture and recreation	5,381,609	-	-	59,115	5,440,724
Debt Service:					
Principal	-	2,640,000	-	-	2,640,000
Interest and other charges	-	1,217,883	-	-	1,217,883
Bond issuance costs	-	153,884	-	-	153,884
Capital outlay	<u>-</u>	<u>-</u>	<u>2,448,648</u>	<u>2,997,639</u>	<u>5,446,287</u>
Total Expenditures	<u>36,222,315</u>	<u>4,011,767</u>	<u>4,966,108</u>	<u>6,721,574</u>	<u>51,921,764</u>
Excess (deficiency) of revenues over expenditures	<u>5,680,608</u>	<u>(1,520,380)</u>	<u>(4,782,916)</u>	<u>3,061,869</u>	<u>2,439,181</u>
Other Financing Sources (Uses)					
Refunding bonds issued	-	9,300,000	-	-	9,300,000
Premium on general obligation debt	-	608,166	-	-	608,166
Payments to escrow agent	-	(9,749,587)	-	-	(9,749,587)
Transfers in	107,839	1,640,224	2,159,137	4,790	3,911,990
Transfers out	(3,398,574)	-	-	(1,362,750)	(4,761,324)
Proceeds from sale of land	500	-	-	-	500
Total other financing sources and uses	<u>(3,290,235)</u>	<u>1,798,803</u>	<u>2,159,137</u>	<u>(1,357,960)</u>	<u>(690,255)</u>
Net change in fund balances	2,390,373	278,423	(2,623,779)	1,703,909	1,748,926
Fund balances - beginning	<u>27,584,967</u>	<u>2,490,499</u>	<u>5,585,628</u>	<u>9,703,457</u>	<u>45,364,551</u>
Fund balances - ending	<u>\$ 29,975,340</u>	<u>\$ 2,768,922</u>	<u>\$ 2,961,849</u>	<u>\$ 11,407,366</u>	<u>\$ 47,113,477</u>

See Notes to Financial Statements.

CITY OF LA PORTE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Net change in fund balances - total governmental funds: \$ 1,748,926

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$5,424,007 exceeded depreciation \$3,907,042 in the current period. 1,516,965

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of assets. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold and disposed. (672,340)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 82,534

Repayment of bond principal is an expenditure in the governmental fund, but the repayment of principal reduces long-term liabilities in the statement of net assets. 2,640,000

Proceeds from the issuance of long-term debt and premium on long-term debt are reported as other financing sources in the governmental funds. In the government-wide statements, proceeds are treated as an increase in long-term liabilities. (9,908,166)

Amounts paid to refunding agent are reported as other financing uses in the governmental funds. In the government-wide financial statements, amounts paid to refunding agent are treated as a decrease in long-term liabilities. 9,749,587

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable 8,557

Change in refunding loss (90,308)

Change in premiums and discounts on issuance of bonds. 49,890

Change in NPO and OPEB Obligation (1,530,789)

Change in Compensated Absences 124,091

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (225,787)

Change in net position of governmental activities \$ 3,493,160

See Notes to Financial Statements.

CITY OF LA PORTE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

	Business-type Activities				Governmental Activities
	Utility Fund	LPWA	Airport	Totals	Internal Service Fund
Assets					
Current Assets:					
Cash and cash equivalents	\$ 932,300	\$ 856,608	\$ 223,165	\$ 2,012,073	\$ 2,950,971
Investments	1,435,456	1,692,952	144,110	3,272,518	1,901,617
Accounts receivable, net of allowance for doubtful accounts	690,192	182,551	2,404	875,147	127,056
Accrued interest receivable	1,454	1,673	189	3,316	2,496
Inventories	6,000	-	-	6,000	32,422
Restricted cash and cash equivalents	540,735	689,722	-	1,230,457	-
Total Current Assets	3,606,137	3,423,506	369,868	7,399,511	5,014,562
Non-current Assets:					
Capital Assets:					
Land and improvements	224,308	-	203,504	427,812	-
Construction in progress	177,974	-	-	177,974	-
Buildings and improvements	57,620	-	-	57,620	-
Improvements other than buildings	66,734,724	15,429,680	5,778,399	87,942,803	-
Vehicles and equipment	3,549,084	6,130	-	3,555,214	16,022,421
Less Accumulated depreciation	(41,363,920)	(9,090,984)	(3,620,991)	(54,075,895)	(8,007,376)
Total Non-current Assets	29,379,790	6,344,826	2,360,912	38,085,528	8,015,045
Total Assets	32,985,927	9,768,332	2,730,780	45,485,039	13,029,607
Liabilities					
Current Liabilities:					
Accounts payable	377,431	46,595	951	424,977	29,176
Accrued salaries payable	113,943	-	1,205	115,148	24,053
Unearned Revenue	-	-	-	-	745
Other current liabilities	20,437	-	1,730	22,167	-
Interest payable	3,654	2,116	-	5,770	-
Customer deposits	548,210	-	-	548,210	-
Claims and judgments	-	-	-	-	575,349
Long-term debt, current portion	16,915	-	-	16,915	-
Compensated absences	16,915	-	-	16,915	-
Bonds payable	262,500	650,000	-	912,500	-
Total Current Liabilities	1,343,090	698,711	3,886	2,045,687	629,323
Non-current Liabilities:					
Compensated absences	194,517	-	-	194,517	57,033
Net pension obligation	276,555	-	-	276,555	-
OPEB obligation	1,195,625	-	-	1,195,625	-
Bonds payable	262,500	1,032,550	-	1,295,050	-
Total Non-current Liabilities	1,929,197	1,032,550	-	2,961,747	57,033
Total Liabilities	3,272,287	1,731,261	3,886	5,007,434	686,356
Deferred Inflows of Resources					
Deferred gain on refunding	-	5,031	-	5,031	-
Total deferred inflows of resources	-	5,031	-	5,031	-
Net Position					
Net investment in capital assets	28,173,567	4,657,245	2,360,912	35,191,724	8,015,045
Restricted for debt service	949,018	1,147,160	-	2,096,178	-
Unrestricted	591,055	2,227,635	365,982	3,184,672	4,328,206
Total Net Position	\$ 29,713,640	\$ 8,032,040	\$ 2,726,894	\$ 40,472,574	\$ 12,343,251

See Notes to Financial Statements.

CITY OF LA PORTE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	Business-type Activities			Governmental Activities	
	Utility Fund	LPAWA	Airport	Total Enterprise Funds	Internal Service Fund
Revenues					
Charges for services	\$ 7,755,333	\$ 1,195,886	\$ 56,158	\$ 9,007,377	\$ 8,193,412
Total Operating Revenues	<u>7,755,333</u>	<u>1,195,886</u>	<u>56,158</u>	<u>9,007,377</u>	<u>8,193,412</u>
Operating Expenses					
Personnel services	3,299,698	-	23,918	3,323,616	818,468
Supplies and materials	280,124	1,015	-	281,139	495,074
Purchased water	-	850,142	-	850,142	-
Repairs and maintenance	-	-	6,536	6,536	-
Other services and charges	3,382,093	29,332	31,415	3,442,840	6,472,406
Depreciation	2,164,844	465,000	167,734	2,797,578	1,072,824
Total Operating Expenses	<u>9,126,759</u>	<u>1,345,489</u>	<u>229,603</u>	<u>10,701,851</u>	<u>8,858,772</u>
Operating income	<u>(1,371,426)</u>	<u>(149,603)</u>	<u>(173,445)</u>	<u>(1,694,474)</u>	<u>(665,360)</u>
Non-operating Revenues (Expenses)					
Earnings on investments	3,176	4,854	593	8,623	9,616
Gain (loss) on disposal of capital assets	(21,252)	-	-	(21,252)	(31,955)
Interest expense	(22,903)	(38,638)	-	(61,541)	-
Total Non-operating Revenue (Expenses)	<u>(40,979)</u>	<u>(33,784)</u>	<u>593</u>	<u>(74,170)</u>	<u>(22,339)</u>
Income before contributions and transfers	<u>(1,412,405)</u>	<u>(183,387)</u>	<u>(172,852)</u>	<u>(1,768,644)</u>	<u>(687,699)</u>
Capital contributions	341,040	784,737	-	1,125,777	(16,383)
Transfers in	1,147,501	-	385	1,147,886	491,531
Transfers out	(709,685)	(66,644)	(518)	(776,847)	(13,236)
Change in net position	<u>(633,549)</u>	<u>534,706</u>	<u>(172,985)</u>	<u>(271,828)</u>	<u>(225,787)</u>
Total net position - Beginning	<u>30,347,189</u>	<u>7,497,334</u>	<u>2,899,879</u>	<u>40,744,402</u>	<u>12,569,038</u>
Total net assets - ending	<u>\$ 29,713,640</u>	<u>\$ 8,032,040</u>	<u>\$ 2,726,894</u>	<u>\$ 40,472,574</u>	<u>\$ 12,343,251</u>

See Notes to Financial Statements.

Draft 3/5/2015

CITY OF LA PORTE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	Business-type Activities			Governmental Activities	
	Utility Fund	LPAWA	Airport	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 8,070,627	\$ 1,184,749	\$ 56,131	\$ 9,311,507	\$ 8,185,741
Disbursed for personnel services	(3,076,778)	-	(23,611)	(3,100,389)	(813,044)
Disbursed for goods and services	(3,577,064)	(912,512)	(39,151)	(4,528,727)	(6,865,317)
Net cash provided (used) by operating activities	<u>1,416,785</u>	<u>272,237</u>	<u>(6,631)</u>	<u>1,682,391</u>	<u>507,380</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	1,147,501	-	385	1,147,886	491,531
Transfers to other funds	(709,685)	(66,644)	(518)	(776,847)	(13,236)
Operating grants and contributions	-	-	-	-	16,383
Net cash provided by (used by) noncapital financing activities	<u>437,816</u>	<u>(66,644)</u>	<u>(133)</u>	<u>371,039</u>	<u>494,678</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from the sale of equipment	-	-	-	-	31,955
Capital grants and contributions	341,040	-	-	341,040	-
Principal payments on debt	(262,500)	(630,000)	-	(892,500)	-
Interest paid on debt	(24,544)	(58,650)	-	(83,194)	-
Acquisition and construction of capital assets, net of dispositions	(751,272)	-	-	(751,272)	(2,429,484)
Capital contributions from participants for debt service	-	688,650	-	688,650	-
Capital contributions from participants for capital recovery	-	96,087	-	96,087	-
Net cash used by capital and related financing activities	<u>(697,276)</u>	<u>96,087</u>	<u>-</u>	<u>(601,189)</u>	<u>(2,397,529)</u>
Cash Flows from Investing Activities					
Purchase of investments	(551,846)	(343,835)	(33,843)	(929,524)	(63,983)
Sale of investments	-	-	-	-	4,901
Interest received	3,176	4,854	593	8,623	9,616
Net cash provided by (used by) investing activities	<u>(548,670)</u>	<u>(338,981)</u>	<u>(33,250)</u>	<u>(920,901)</u>	<u>(49,466)</u>
Net increase in cash and equivalents	608,655	(37,301)	(40,014)	531,340	(1,444,937)
Cash and equivalents, beginning of year	<u>864,380</u>	<u>1,583,631</u>	<u>263,179</u>	<u>2,711,190</u>	<u>4,395,908</u>
Cash and equivalents, at end of year	<u>\$ 1,473,035</u>	<u>\$ 1,546,330</u>	<u>\$ 223,165</u>	<u>\$ 3,242,530</u>	<u>\$ 2,950,971</u>
Unrestricted cash and equivalents	\$ 932,300	\$ 856,608	\$ 223,165	\$ 2,012,073	\$ 2,950,971
Restricted cash and equivalents	540,735	689,722	-	1,230,457	-
	<u>\$ 1,473,035</u>	<u>\$ 1,546,330</u>	<u>\$ 223,165</u>	<u>\$ 3,242,530</u>	<u>\$ 2,950,971</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ (1,371,426)	\$ (149,603)	\$ (173,445)	\$ (1,694,474)	\$ (665,360)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,164,844	465,000	167,734	2,797,578	1,072,824
(Increase) decrease in accounts receivable	317,694	(11,137)	(27)	306,530	(7,207)
(Increase) decrease in inventory	(2,400)	-	-	(2,400)	(1,094)
(Increase) decrease in prepaid expenses	-	-	-	-	94,765
Increase (decrease) in accounts payable	47,956	(32,023)	(1,220)	14,713	6,598
Increase (decrease) in salaries payable	11,832	-	307	12,139	55
Increase (decrease) in other current liabilities	16,329	-	20	16,349	6,054
Increase (decrease) in due to/due from other funds	-	-	-	-	745
Increase (decrease) in customer utility deposits	20,868	-	-	20,868	-
Increase (decrease) in compensated absences	1,722	-	-	1,722	-
Increase (decrease) in net pension and OPEB obligation	209,366	-	-	209,366	-
Net cash provided by operating activities	<u>\$ 1,416,785</u>	<u>\$ 272,237</u>	<u>\$ (6,631)</u>	<u>\$ 1,682,391</u>	<u>\$ 507,380</u>

See Notes to Financial Statements.

CITY OF LA PORTE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The City of La Porte, Texas (the "City"), was incorporated under the laws of the State of Texas on August 10, 1892. The City operates under a "Council- Manager" form of government and provides the following services as authorized by its charter: public safety, development services, public health and welfare, culture and recreation and waterworks.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to U.S Generally accepted Accounting Principles (GAAP) applicable to state and local governments which include the principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and the Financial Accounting Standards Board. The more significant accounting policies of the City are prescribed below.

A. Reporting Entity

The City's basic financial statements include the accounts of all City operations. The City, with its elected governing body of mayor and eight council members, is considered a primary government. As required by GAAP, the basic financial statements include the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations. All component units have been included as blended component units because of the significance of their operational and financial relationships with the City.

The La Porte Area Water Authority (the "Authority") is governed by a five-member board appointed by the City Council. Although it is a legally separate entity, the Authority provides services almost exclusively for the City's water operations, and is in substance a part of the City's primary operations. The Authority was created by the City to finance the operations involved in obtaining surface water supplies and converting these supplies to potable water. This water is sold primarily to the City of La Porte (86%) with the remainder being sold to other neighboring political subdivisions. The operations of the Authority are reported as a proprietary fund type.

The Tax Increment Reinvestment Zone One (the "Zone") is governed by a nine-member board appointed by the City Council. The Zone provides benefits exclusively for the City through reinvestment financing of ad valorem taxes, which are utilized for capital improvements for the City of La Porte. The Zone is presented as a governmental fund type.

The Section 4B Sales Tax Corporation provides services that exclusively benefit the City of La Porte and is governed by a seven-member board appointed by City Council. The Section 4B Sales Tax Corporation is presented as a governmental fund type.

Complete financial statements for each of the individual component units may be obtained through the City of La Porte.

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Position and a Statement of Activities. It requires the reclassification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivables have been recorded as unavailable revenues at year-end. Property taxes collected within 60 days subsequent to September 30, 2014, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2014, have been recorded as receivables and revenue. Licenses and permits, and fines and forfeitures are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and other community services.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general long-term debt of the City except for capital leases which are accounted for in the General Fund. The primary source of revenue for the Debt Service Fund is general property taxes.

The *Capital Improvement Fund* is used to account for projects that are generally small in nature and affect the general operation of the City.

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

The City reports the following major proprietary funds:

- The *Utility Enterprise Fund* is used to account for operations of the water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, but not limited to administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.
- *La Porte Area Water Authority* is used to account for revenues and expenses related to obtaining raw surface water and converting it to potable water
- *Airport Fund* is used to account for financial activities of the airport which includes rentals, grants and other revenues.

Additionally, the government reports the Internal Service Funds which are used to account for the Motor Pool, Technology and Insurance services provided to other departments of the City on a cost reimbursement basis.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operational expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance

1. Cash and Cash Equivalents

Cash includes amounts in demand deposits, short-term investments which mature within ninety days of the fiscal year end, and various petty cash funds. The short-term investments are stated at cost or amortized cost, which approximate fair value. The short-term investments consist of U.S. Treasury Bills and deposits in the Texas Local Government Pool (TexPool), the Local Government Investment Cooperative (LOGIC) all of which have the general characteristics of a demand deposit account. For the purpose of the statement of cash flows, Proprietary Fund types consider temporary investments with a maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools". Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investments positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool and LOGIC are reported using the pools' share price.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, liabilities deferred outflows/inflows of resources and net position/fund balance (continued)

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as “due from other funds” or “due to other funds” in the fund financial statements.

4. Inventory and Prepaid Items

Inventories are valued at costs using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. A portion of the fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the City’s continuing operations. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The City did not have any prepaid items.

5. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records exist. Donated Capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain and equipment are capitalized and Proprietary Fund Capital assets are depreciated over the remaining useful lives of the related Capital assets using the straight line method, as applicable.

Asset Description	Estimated Useful Life
Buildings	20 years
Building improvements	20 years
Infrastructure	20-30 years
Vehicles	4-10 years
Machinery and equipment	4-10 years
Water and sewer systems	20-40 years

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

**Assets, liabilities deferred outflows/inflows of resources and net position/fund balance
(continued)**

6. Compensated Employee Absences

The City's employees earn vacation and sick leave, which may either be taken or accumulated, up to a certain amount, until paid upon termination or retirement. For all funds, this liability reflects amounts attributable to cumulative employee services already rendered, where the payment is probable and can be reasonably estimated. The current and long-term portion of the governmental fund type liabilities are recorded in the Government-Wide Statement of Net Position. The Proprietary fund type liability is recorded as a liability in the individual proprietary funds since payment will be made from the resources of these funds. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Policies relating to the accrual and payment of these benefits are as follows:

- Vacation – Employees earn from 10-25 days of vacation per year. Upon separation, employees are paid for all accumulated vacation leave (up to one and one half times their annual accrual rate).
- Sick leave – Full time 8 hour employees accrue 3.70 hours per pay period. Full time 24 hour employees accrue 5.91 hours per pay period and civil service employees accrue 15 days per calendar year. The maximum sick leave time which may be accumulated by any employee shall be 90 days for regular full time employees. For 24 hour shift personnel, the maximum accrual is 1,152 hours. Civil service employees may accrue unlimited sick leave.

7. General Property Taxes

All taxes due the City on real or personal property are payable at the Office of the City Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is October 1, or as soon thereafter as practicable. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. All property located within the City limits on the first day of January of each year are charged with a special lien in favor of the City from such date for taxes due thereon.

8. Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

9. Restricted Assets

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, liabilities deferred outflows/inflows of resources and net position/fund balance (continued)

10. Fund Balance

In compliance with GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that are not in spendable form or are required to be maintained intact. As such, the inventory items have been properly classified in the Governmental Funds Balance Sheet.
- Restricted – includes amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions for retirement of fund indebtedness and other state restrictions have been properly classified in the Governmental Funds Balance Sheet.
- Committed – includes amounts that can only be used for specific purposes. Fund balances are committed by formal action of the City Council. Amendments or modifications to the committed fund balance must be approved by formal action of the City Council. Formal action shall be by resolution or majority vote. Committed fund balance will not lapse at year end. Commitments for Construction Projects and Health initiatives have been properly classified in the Governmental Funds Balance Sheet.
- Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under City Council’s adopted policy, amounts may be assigned by the City Manager under the authorization of the Fiscal Affairs Committee.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The General Fund is the only fund that is allowed to have a positive amount reported in this category.

For the purposes of fund balance classification, expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, the unassigned fund balance. The City strives to maintain a minimum reserve balance of 90 to 120 days for the General Fund and Utility Fund, and 60 to 90 days of operating expenditures in all other funds as outlined in the City’s Financial Management Policies as adopted by City Council by resolution.

11. Revenues and Expenditures/Expenses

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred. Revenues and expenses in the Government-Wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, liabilities deferred outflows/inflows of resources and net position/fund balance (continued)

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

13. Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general, special revenue funds and debt service funds. All annual appropriations lapse at fiscal year-end. Project length financial plans are adopted for all capital projects funds and are revised annually.

14. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only two types of this item, one which arises under a modified accrual basis of accounting; unavailable revenue which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other type is the deferred gain on refunding reported in the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, bankers' acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is five years from date of purchase. The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

Deposit and Investment Amounts

The City's cash and investments are classified as: cash and cash equivalents and restricted cash and investments. The cash and cash equivalents include cash on hand, fully collateralized deposits with financial institutions and in a privately-managed public funds investment pool account (TexPool, TexStar and LOGIC). The restricted cash and investments are assets restricted for specific use.

The following schedule shows the City's recorded cash and investments at year-end:

	Total Fair Value		
	Governmental Funds	Internal Service Funds	Business Type Activities
Cash deposits	\$ 5,534,049	\$ 331,686	\$ 504,752
Investment Pools	25,914,810	2,619,285	2,737,778
US Agency Securities	17,300,195	1,901,617	3,272,518
	<u>\$ 48,749,054</u>	<u>\$ 4,852,588</u>	<u>\$ 6,515,048</u>

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Investment Risks

Interest Rate Risk

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. GAAP, by investment type:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Weighted Average Maturity (months)</u>
Public funds investment pools	\$ 31,271,873	1.7
Federal Home Loan Mortgage Corporation (FHLMC)	7,989,916	28.3
Federal Farm Credit Bank (FFCB)	4,997,212	18.0
Federal National Mortgage Association (FNMA)	1,998,520	19.7
Farmer Mac (FAMCA)	1,500,273	1.1
Federal Home Loan Bank (FHLB)	5,988,409	29.6
Total fair value	<u>\$ 53,746,203</u>	
Portfolio weighted average maturity		<u>14.3</u>

The City's investment policy specifies the maximum stated maturity from the date of purchase for any individual investments may not exceed 5 years and the maximum dollar weighted average maturity for the pooled fund group (investment portfolio) may not exceed 2 years.

Concentration of Credit Risk

The policy does require investments to be staggered in a way that protects interest income from the volatility of interest rates. The policy has not established limitations on percentages of the total portfolio that may be invested in securities other than the repurchase agreements, Treasury bills and notes or insured and collateralized Certificates of Deposits.

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Percentage of Total Portfolio</u>
Investment Pools	\$ 31,271,873	58%
US Agency Securities	22,474,330	42%
Total	<u>\$ 53,746,203</u>	<u>100%</u>

Credit Risk

The primary objective of the City's adopted Investment Policy is the safety of principal. Credit risk within the City's portfolio among authorized investments approved by the City's adopted Investment Policy is represented in U.S. Treasury Bills, Notes or Bonds, and other securities which are guaranteed as to principal and interest by the full faith and credit of the United States of America, collateralized or fully insured certificates of deposits, FDIC insured banks in the State of Texas, repurchase agreements if secured by U.S. Treasury Bills, Notes or Bonds and Public Funds Investment Pools.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 - Property Tax

The appraisal of property within the City is the responsibility of the Harris County Appraisal District (the "Appraisal District"). The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for repayment of general obligation bonds and other contractual obligations, adjusted for new improvements, exceeds the effective tax rate and the rollback rate tax rate, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than the rollback tax rate. The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value, assessed at 100% of appraised value and certified by the Harris County Appraisal District Board of Review. The City's property taxes are billed and collected by the City's Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the current calendar year. The City is permitted, by Article XI, Section 5, of the State of Texas Constitution and the City Charter, to levy property taxes up to \$2.50 per \$100 of assessed valuation for general governmental services. Within the \$2.50 maximum levy, there is no legal limit upon the amount of property taxes, which can be levied for debt service. The property tax rates to finance general governmental services and debt service for the 2012-13 tax year were \$0.614 and \$0.096, respectively, per \$100 of assessed valuation. The 2013 assessed value and total tax levy as adjusted through September 30, 2014 were \$2,572,844,865 and \$18,267,201 respectively. The City has enacted an ordinance providing for the exemption of twenty percent (20%) of the assessed value of residential homesteads plus an additional \$60,000 for persons 65 years of age or older for property taxes. An exemption of \$60,000 is allowed for disabled persons on homesteads and up to \$12,000 is allowed for disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

Note 4 - Receivables

Amounts recorded as receivables as of for the government's individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Utility Fund</u>	<u>LPAWA</u>	<u>Internal Service Funds</u>	<u>All Other Funds</u>	<u>Total</u>
Receivables								
Taxes	\$ 2,007,102	\$ 108,989	\$ -	\$ -	\$ -	\$ -	\$ 1,030,831	\$ 3,146,922
Intergovernmental	-	-	-	-	-	127,056	1,058,254	1,185,310
Accounts	3,680,973	-	-	722,639	182,551	-	2,404	4,588,567
Interest	16,670	-	1,783	1,454	1,673	2,496	4,029	28,105
Other	-	-	-	1,214	-	-	17,174	18,388
Allowance for uncollectibles	(1,249,644)	(85,091)	-	(33,661)	-	-	-	(1,368,396)
	<u>\$ 4,455,101</u>	<u>\$ 23,898</u>	<u>\$ 1,783</u>	<u>\$ 691,646</u>	<u>\$ 184,224</u>	<u>\$ 129,552</u>	<u>\$ 2,112,692</u>	<u>\$ 7,598,896</u>

Property taxes are levied by October 1 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. The Harris County Central Appraisal District ("HCCAD") establishes appraised values. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets

A summary of activity for capital assets capitalized by the City for the year ended September 30, 2014 follows:

	Balance September 30, 2013	Increases	Reclassification/ (Decreases)	Balance September 30, 2014
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 9,471,718	\$ 84,481		\$ 9,556,199
Construction in progress	12,856,918	2,510,189	(3,626,946)	11,740,161
Total capital assets not being depreciated	<u>22,328,636</u>	<u>2,594,670</u>	<u>(3,626,946)</u>	<u>21,296,360</u>
Other capital assets:				
Buildings and improvements	33,514,649	532,880	3,040,621	37,088,150
Improvements other than buildings	24,689,909	1,042,985	(560,002)	25,172,892
Infrastructure	39,742,061	334,077	(38,843)	40,037,295
Machinery and equipment	18,140,766	3,364,894	(1,076,587)	20,429,073
Total other capital assets	<u>116,087,385</u>	<u>5,274,836</u>	<u>1,365,189</u>	<u>122,727,410</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,847,721)	(1,302,866)	312,898	(17,837,689)
Improvements other than buildings	(10,439,992)	(717,166)	9,878	(11,147,280)
Infrastructure	(24,269,606)	(1,530,644)	23,140	(25,777,110)
Machinery and equipment	(10,429,138)	(1,429,190)	1,132,999	(10,725,329)
Total accumulated depreciation	<u>(61,986,457)</u>	<u>(4,979,866)</u>	<u>1,478,915</u>	<u>(65,487,408)</u>
Other capital assets, net	<u>54,100,928</u>	<u>294,970</u>	<u>2,844,104</u>	<u>57,240,002</u>
Totals	<u>\$ 76,429,564</u>	<u>\$ 2,889,640</u>	<u>\$ (782,842)</u>	<u>\$ 78,536,362</u>
	Balance September 30, 2013	Increases	Reclassification/ (Decreases)	Balance September 30, 2014
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 427,812	\$ -	\$ -	\$ 427,812
Construction in progress	4,072,479	106,088	(4,000,593)	177,974
Total capital assets not being depreciated	<u>4,500,291</u>	<u>106,088</u>	<u>(4,000,593)</u>	<u>605,786</u>
Other capital assets:				
Buildings and improvements	57,620	-	-	57,620
Improvements other than buildings	86,265,195	408,955	1,268,653	87,942,803
Machinery and equipment	688,949	236,424	2,629,841	3,555,214
Total other capital assets	<u>87,011,764</u>	<u>645,379</u>	<u>3,898,494</u>	<u>91,555,637</u>
Less accumulated depreciation for:				
Buildings and improvements	(49,888)	(551)	-	(49,888)
Improvements other than buildings	(50,880,619)	(2,757,937)	80,847	(53,597,352)
Machinery and equipment	(428,655)	(39,090)	-	(428,655)
Total accumulated depreciation	<u>(51,359,162)</u>	<u>(2,797,578)</u>	<u>80,847</u>	<u>(54,075,895)</u>
Total capital assets being depreciated, net	<u>35,652,602</u>	<u>(2,152,199)</u>	<u>3,979,341</u>	<u>37,479,742</u>
Totals	<u>\$ 40,152,893</u>	<u>\$ (2,046,111)</u>	<u>\$ (21,252)</u>	<u>\$ 38,085,528</u>

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets (continued)

Depreciation was charged to functions of the primary government as follows:

General government	\$ 625,997
Public safety	997,753
Public works	1,595,726
Parks and recreation	687,566
Internal Service funds	1,072,824
Total Governmental Activities	<u><u>\$ 4,979,866</u></u>
Water and sewer	\$ 2,629,844
Airport	167,734
Total Business-Type Activities	<u><u>\$ 2,797,578</u></u>

Construction contract commitments outstanding as of September 30, 2014, are as follows:

Governmental Activities

Fund	Total In Progress	Remaining Commitment
TIRZ Fund	201,170	
General CIP Fund	2,891,989	106,963
2006 GO Bonds	48,700	
Drainage Improvement	8,598,302	76,857
Totals	<u><u>\$ 11,740,161</u></u>	<u><u>\$ 183,820</u></u>

Business-Type Activities

Fund	Total In Progress	Remaining Commitment
Utility Fund	\$ 177,974	\$ 69,527
Totals	<u><u>\$ 177,974</u></u>	<u><u>\$ 69,527</u></u>

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business type activities. These instruments include general obligation bonds, certificates of obligation and revenue bonds. Future ad valorem tax revenues, water and sewer system revenues or liens on property and equipment secure these debt obligations.

The following is a summary of the terms of obligations, general obligation bonds, certificates of obligations and revenue bonds outstanding as of September 30, 2014:

	<u>Governmental</u>	<u>Business-type</u>
2002 Limited Tax Bonds due in annual installments of \$270,000 through March 15, 2025; interest at 4.25% to 5%; \$5,400,000 issued for wastewater treatment plant and fire station improvements.	\$ 540,000	\$ -
2004 Certificates of Obligation due in annual installments through March 15, 2025; interest at 3.6% to 4.45% \$7,000,000 issued for paving and drainage improvements, street extension and land acquisition.	325,000	-
2005 General Obligation Serial Bonds due in annual payments through March 15, 2025; interest at 3.75% to 4.25% \$7,675,000 issued to construct a police facility.	1,145,000	-
2005 Certificates of Obligation due in annual payments through March 15, 2015; interest at 2.8% to 3.8% \$1,800,000 issued for water and sewer improvements and fire truck.	265,000	-
2006 Public Property Finance contractual Obligation due in annual payments through January 25, 2016; interest at 3.74% \$2,625,000 issued for automated meter replacement program.	-	525,000
2006 General Obligation Serial Bonds due in annual payments through March 15, 2025; interest at 3.625% to 4.25% \$1,200,000 issued for park improvements.	265,000	-
2006 Certificates of Obligation due in annual payments through March 15, 2025; interest at 3.75% to 4.3% \$5,765,000 issued for police facility, sports and water and sewer improvements.	905,000	-
2007 Certificates of Obligation due in annual payments through March 15, 2029; interest at 4.00% to 4.25% \$8,075,000 issued for wastewater treatment plant improvements, sports complex and golf cart path improvements.	4,090,000	-
2010 Certificates of Obligation due in annual payments through March 15, 2026; interest at 3.00% to 4.00% \$6,265,000 issued for street, drainage and park improvements.	5,260,000	-
2010 General Obligation Refunding Bonds due in annual payments through March 15, 2020; interest at 2.00% to 4.00% \$4,295,000 issued to refund previous debt.	2,655,000	-
2010 LPAWA Contract Revenue Refunding Bonds due in annual payments through March 15, 2017; interest at 2.50% to 4.00% \$4,085,000 issued to refund previous debt.	-	1,640,000
2012 General Obligation Refunding Bonds due in annual payments through March 15, 2025; interest at 2.65% to 3.00% \$9,435,000 issued to refund previous debt.	9,285,000	-
2014 General Obligation Refunding Bonds due in annual payments through March 15, 2025; interest at 2.00% to 3.50% \$9,300,000 issued to refund previous debt.	9,220,000	-
Total Bonds Payable	<u>\$ 33,955,000</u>	<u>\$ 2,165,000</u>

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt

During the year ended September 30, 2014, the following changes occurred in long-term liabilities:

	Balance September 30, 2013	Additions	(Reductions)	Balance September 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 17,550,000	\$ 9,300,000	\$ (3,740,000)	\$ 23,110,000	\$ 1,890,000
Certificates of obligation	18,905,000	-	(8,060,000)	10,845,000	1,385,000
Premium/Discount on bond issuance	675,372	608,166	(127,585)	1,155,953	-
Total bonds payable	37,130,372	9,908,166	(11,927,585)	35,110,953	3,275,000
Compensated Absences	3,273,660	120,556	(238,593)	3,155,623	157,781
Net pension obligation	2,336,170	3,179,939	(3,156,875)	2,359,234	-
Net OPEB obligation	7,531,737	2,285,135	(777,410)	9,039,462	-
Total Governmental Activities	\$ 50,271,939	\$ 15,493,796	\$ (16,100,463)	\$ 49,665,272	\$ 3,432,781
	Balance September 30, 2013	Additions	(Reductions)	Balance September 30, 2014	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 2,270,000	\$ -	\$ (630,000)	\$ 1,640,000	\$ 650,000
Public property finance certificates of obligation	787,500	-	(262,500)	525,000	262,500
Premium on bond issuance	59,862	-	(17,312)	42,550	-
Total Bonds Payable	3,117,362	-	(909,812)	2,207,550	912,500
Compensated absences	211,931	2,477	(2,976)	211,432	16,915
Net pension obligation	274,194	372,955	(370,364)	276,785	-
OPEB obligation	988,830	309,621	(102,826)	1,195,625	-
Total Business-type Activities	\$ 4,592,317	\$ 685,053	\$ (1,385,978)	\$ 3,891,392	\$ 929,415

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Compensated absences generally are paid by the General Fund for the governmental activities. Net pension obligation is liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

General Obligation Bonds and Certificates of Obligations

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligations Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each years bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

In April 2014, the City issued General Obligation Refunding Bonds, Series 2014 in the amount of \$9,300,000. The interest rate ranges from 2.0%-3.5%. The bonds were issued at a premium totaling \$608,166. The proceeds of the bonds were used to refund a portion of the City's outstanding bonds and pay costs of issuance related to the bonds. A portion of the proceeds were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the outstanding bonds. As a result \$9,160,000 of the 2002 Limited Tax Bonds, 2004, 2005, 2006 and 2007 Certificates of Obligation, and 2005 and 2006 General Obligation Bonds are considered to be defeased and the liability has been removed from the books. The purpose of the bonds was to lower the City's debt service payments. Sale of the bonds resulted in an economic gain of \$545,637 and a deferred loss on refunding of \$511,892.

Revenue Bonds

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water system. The Revenue Bonds are collateralized by the revenue of the water system, water sales to participant cities and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions, which, among other items, restrict the issuance of additional Revenue Bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. The City is in compliance with all significant financial requirements as of September 30, 2014.

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2014 are as follows:

Fiscal Year	General Obligation Bonds		Certificates of Obligation	
	Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2015	\$ 1,890,000	\$ 679,456	\$ 1,385,000	\$ 404,266
2016	1,540,000	625,860	1,100,000	347,294
2017	1,395,000	577,192	1,140,000	303,431
2018	1,855,000	526,972	765,000	274,600
2019	2,470,000	464,881	410,000	251,100
2020	2,465,000	391,250	425,000	234,400
2021	2,270,000	318,600	445,000	217,000
2022	2,335,000	249,525	460,000	199,763
2023	2,395,000	178,575	475,000	182,520
2024	2,460,000	103,225	495,000	164,023
2025	2,035,000	31,900	1,010,000	133,923
2026	-	-	1,050,000	92,092
2027	-	-	540,000	59,430
2028	-	-	560,000	36,330
2029	-	-	585,000	12,285
2030	-	-	-	-
	<u>\$ 23,110,000</u>	<u>\$ 4,147,436</u>	<u>\$ 10,845,000</u>	<u>\$ 2,912,457</u>

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

Fiscal Year	Contract Revenue Bonds		Public Property Finance CO	
	Business-Type Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 650,000	\$ 41,838	\$ 262,500	\$ 14,727
2016	670,000	22,850	262,500	4,909
2017	320,000	6,400	-	-
2018	-	-	-	-
	<u>\$ 1,640,000</u>	<u>\$ 71,088</u>	<u>\$ 525,000</u>	<u>\$ 19,636</u>

Prior Year Refunding of Debt

The City defeased certain outstanding revenue bonds by placing proceeds of new bonds in irrevocable trust to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bond are not included in the City's financial statements. As of September 30, 2014 approximately \$2,490,000 and \$1,695,000 of previously refunded bonds outstanding are considered defeased in association with the governmental activities and the business-type activities respectively.

Note 7 - Interfund Activities

Transfers between the primary government funds during the year were as follows:

Transfers from	Transfers to	Amount	Purpose
Utility Fund	Debt Service Fund	\$ 661,974	Annual transfer for debt service
Utility Fund	Insurance Fund	47,711	Transfer for liability insurance and workers comp
Airport Fund	Insurance Fund	518	Transfer for liability insurance and workers comp
La Porte Area Water Authority	General Fund	65,339	Operators agreement
La Porte Area Water Authority	Insurance Fund	1,305	Transfer for liability insurance and workers comp
Vehicle Maintenance Fund	Insurance Fund	13,236	Transfer for liability insurance and workers comp
Hotel/Motel Fund	General CIP Fund	165,000	Transfer for capital projects
Hotel/Motel Fund	General Fund	42,500	Transfer for golf course advertising and city bordering bay for golf expenditures
General Fund	Insurance Fund	416,878	Transfer for liability insurance and workers comp
General Fund	General CIP Fund	1,817,137	Transfer for capital projects
General Fund	Airport Fund	385	Transfer for pay adjustments
General Fund	Utility Fund	1,147,501	Transfer for capital projects
General Fund	Vehicle Maintenance	11,883	Transfer for pay adjustments
General Fund	Hotel/Motel Fund	1,981	Transfer for pay adjustments
General Fund	Emergency Services Sales Tax Fund	1,598	Transfer for pay adjustments
General Fund	La Porte Development Corporation (4B)	1,211	Transfer for pay adjustments
La Porte Development Corporation (4B)	Debt Service Fund	948,545	Transfer for debt service
La Porte Development Corporation (4B)	General CIP Fund	177,000	Transfer for capital projects
Fund	Debt Service Fund	29,705	Transfer for debt service
		<u>\$ 5,551,407</u>	

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Interfund Activities (continued)

Interfund receivables at year end were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
2006 Certificates of Obligation Fund	TIRZ One	<u>\$ 662,000</u>	Sewer improvements paid by the City

Note 8 - Employee Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees, except firefighters, through a non-traditional, joint contributory, hybrid defined benefit plan (the “Plan”) in the statewide Texas Municipal Retirement System (TMRS), an agent multi-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report provides detailed explanation of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. The report is also available on the TMRS website at www.TMRS.com.

The City provides pension benefits to its volunteer firemen through the Texas Statewide Emergency Services Personnel Retirement Fund, one of 150 administered by the Fire Fighters’ Pension Commissioner, a cost sharing multiple employer pension system. That report may be obtained by writing to the Firefighters Pension Commission, P.O. Box 12577, Austin, TX 78711. Both plans are more fully described below.

Texas Municipal Retirement System

Contributions and Annual Pension Cost

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using Projected Unit Credit actuarial cost method. This rate consist of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member’s projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) for the current year is calculated as follows:

	<u>2014</u>
Annual Required Contribution (ARC)	\$3,527,239
Interest on net pension obligation (NPO)	182,725
Adjustment to ARC	<u>(157,070)</u>
Annual Pension Cost (APC)	3,552,894
Contributions	<u>(3,527,239)</u>
Change in NPO	25,655
NPO, beginning of the year	<u>2,610,364</u>
NPO, ending of the year	<u><u>\$2,636,019</u></u>
Percentage of APC contributed	99.3%

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	20.0 Years - Closed Period
Asset Valuation Method	10-year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.0%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost-of-Living Adjustments	2.1%

Funded Status

The funded status of the Plan as of December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2013	\$ 109,712,849	\$ 130,990,617	84%	\$21,277,768	\$20,124,979	106%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Three-year Trend Information

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual Required Contribution (ARC)	\$3,527,239	\$3,450,780	\$ 3,624,410
Interest on net pension obligation (NPO)	182,725	180,947	173,583
Adjustment to ARC	<u>(157,070)</u>	<u>(155,542)</u>	<u>(139,265)</u>
Annual Pension Cost (APC)	3,552,894	3,476,185	3,658,728
Contributions	<u>(3,527,239)</u>	<u>(3,450,780)</u>	<u>(3,388,213)</u>
Change in NPO	25,655	25,405	270,515
NPO, beginning of the year	<u>2,610,364</u>	<u>2,584,959</u>	<u>2,314,444</u>
NPO, ending of the year	<u>\$2,636,019</u>	<u>\$2,610,364</u>	<u>\$ 2,584,959</u>
Percentage of APC contributed	99.3%	99.3%	92.6%

Texas Statewide Emergency Services Personnel Retirement Fund

Summary of Significant Accounting Policies and Plan Asset Matters

The Texas Statewide Emergency Services Personnel Retirement Fund financial statements are prepared using the accrual basis of accounting. The Fund's fiscal year is from September 1 through the following August 31. Contributions are recognized as revenues in the period in which they are due to the Fund. No contributions applicable to the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) are included herein.

The Texas Statewide Emergency Services Personnel Retirement Fund investments are reported at a smoothed market-related value.

The Fire Fighters' Pension Commission is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund, a cost sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without monetary remuneration. The Texas Statewide Emergency Services Personnel Retirement Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2014 there were 198 member departments participating in the pension system. The following table summarizes the pension system membership as of August 31, 2014:

Retirees and beneficiaries currently receiving benefits	3,073
Terminated members entitled to benefits but not yet receiving those	2,161
Current active members (vested and non-vested)	4,036

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

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Texas Statewide Emergency Services Personnel Retirement Fund (continued)

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

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

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislative, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating department members are required to contribute at least the minimum prescribed amount per month for each active member. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

Annual Required Contribution

The contribution requirement per active emergency services personnel member per month is not actually determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions and served by the member volunteer emergency services personnel. The state appropriated \$1,530,343 for the fiscal year ending August 31, 2014.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2014 stated TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS, and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. The City's annual contributions for fiscal year ending September 30, 2014, 2013 and 2012 were \$21,168, \$24,624, and \$27,216 respectively.

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City's risk management program encompasses various means of protecting the City against loss by obtaining property, casualty and liability coverage from participation in a risk pool. The participation of the City in the risk pool is limited to the payment of premiums. Further information regarding the pool is provided below. Settled claims have not exceeded insurance coverage in any of the three previous fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

Health Insurance Benefits

The City self-insures a portion of health insurance benefits provided to employees. The City uses an internal service fund to account for the revenues and expenses for providing health care coverage. Charges are assessed to various City divisions based on their full-time employee count.

Activity during the year included:

Revenues	
Charges to divisions	\$ 4,752,435
Interfund transfers	479,648
Charges to employees	455,459
Charges to retirees	113,739
Cobra charges	8,521
Interest revenue	2,895
Total revenues	<u>\$ 5,812,697</u>
Expenses	
Personnel expenses	\$ 139,935
Other expenses	395,605
Claims administration	202,188
Claims incurred	5,485,633
Re-insurance premiums	380,034
Total health services expenses	<u>\$ 6,603,395</u>

Included in the claims paid amount is \$575,349 for incurred but not reported claims.

Settled claims have not exceeded insurance coverage in any of the previous four fiscal years. Estimates of claims payable and of claims incurred but not reported at September 30, 2014, are reflected as liabilities of the Internal Service Fund. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements and damage awards, the process used in computing claims liability is an estimate based on historical claims. Analysis of claims liability for the fiscal years 2012, 2013, and 2014 are as follows:

	Beginning of year accrual	Current year estimates	Payments for claims	End of year accrual
09/30/12	\$ 573,894	\$ 4,290,891	\$ 4,365,339	\$ 499,446
09/30/13	499,446	4,096,890	4,115,752	480,584
09/30/14	480,584	5,580,398	5,485,633	575,349

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Risk Management (continued)

Risk Pool

The City is a member of the Texas Municipal League Intergovernmental Risk Pool, an unincorporated association of 1,860 political subdivisions of the State of Texas. The Pool contracts with a third party administrator for administration, investigation and adjustment services in the handling of claims. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the Pool.

Note 10 - Commitments and Contingencies

The City is a defendant in lawsuits. Although the outcome of the lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 11 - Post-employment Benefits

Plan Description. In addition to pension benefits described in Note 6, employees who retire from the City and are eligible for pension benefits shall be provided medical coverage by the City to the extent and subject to the conditions of such coverage that is provided to current employees of the City. The City administers this single-employer defined benefit medical plan (“the Retiree Medical Plan”). The plan provides medical coverage for eligible retirees and their dependents through the City’s self-health insurance plan, which covers both active and retired members. Benefit provisions are established and amended by City Council. The Retiree Medical Plan does not issue a publicly available financial report.

Funding Policy. This coverage for retired employees is provided at the option of City council through adoption of the annual budget. The City funds these premiums in the same manner as it funds similar premiums for current employees. Employees, who retired from the City before October 1, 1992, have 100% of their coverage paid for by the City. Employees who retired from the City in 1993 and up to December 31, 1999, with 20 or more years of service have 100% of their coverage paid for by the City. Prior to January 1, 2000, employees who have 15 years but less than 20 years of service are required to pay for 10% of the cost and employees who have 10 years but less than 15 years of service are required to pay for 20% of their costs. For employees who retire after January 1, 2000, the following applies:

<u>Years of service with the City</u>	<u>Retiree Cost</u>	<u>City Cost</u>	<u>Retiree cost per year</u>
At least 10 but less than 15	55%	45%	\$ 3,300
At least 15 but less than 20	25%	75%	1,500
At least 20	0%	100%	-

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11 - Post-employment Benefits (continued)

Employees who are eligible for the post-employment benefits are employees who retire after January 1, 2006 and who have a combination of years of service with the City of La Porte plus age totaling 80 and who retire as a qualified annuitant under the Texas Municipal Retirement System; who retire in accordance with the City of La Porte Employee Policies Handbook; who complete at least 20 years of service with the City of La Porte are currently employed by the City of La Porte at the time of their retirement. The total premium cost is the total annual dollar allocated by budget as approved by City Council for the City of La Porte for health insurance for each employee, including employee and employer contributions. The cost allocation shall be as follows:

Years of service with the City	Retiree Cost	City Cost
at least 20 years	60%+dependent premiums	40%
21 years	55%+dependent premiums	45%
22 years	50%+dependent premiums	50%
23 years	45%+dependent premiums	55%
24 years	40%+dependent premiums	60%
25 years	35%+dependent premiums	65%
26 years	30%+dependent premiums	70%
27 years	25%+dependent premiums	75%
28 years	20%+dependent premiums	80%
29 years	15%+dependent premiums	85%
30 years	Active employee/dependent rate	

Retirees who are entitled to receive retirement benefits under the City’s retirement plan may purchase continued health benefits for the retiree and the retiree’s dependents. The person must inform the City no later than the day on which the person retires that the person elects to continue coverage. If the retiree elects to continue coverage for himself and/or his dependents, once he decides to drop either type of coverage, the person and/or his dependents become eligible for coverage at the next open enrollment period. The level of coverage provided is the same level of coverage provided to current employees. The City’s coverage is secondary to Medicare when the person becomes eligible for those benefits. Payment for dependent coverage will be at the same rate as payments for current employees.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s OPEB obligation to the postemployment medical plan shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s OPEB obligation to the postemployment medical plan.

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CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11 - Post-employment Benefits (continued)

	Fiscal Year		
	2014	2013	2012
Annual Required Contribution (ARC)	\$ 2,566,570	\$ 2,491,816	\$ 2,280,768
Interest on net pension obligation (NPO)	383,426	311,056	236,921
Adjustment to ARC	(355,240)	(288,190)	(219,505)
Annual Pension Cost (APC)	2,594,756	2,514,682	2,298,184
Contributions	(880,236)	(906,463)	(650,741)
Change in NPO	1,714,520	1,608,219	1,647,443
NPO, beginning of the year	8,520,567	6,912,348	5,264,905
NPO, ending of the year	<u>\$ 10,235,087</u>	<u>\$ 8,520,567</u>	<u>\$ 6,912,348</u>
Percentage of ARC contribution	33.9%	36.0%	28.3%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014, 2013 and 2012 are as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2012	\$ 2,298,184	28.32%	\$ 6,912,348
9/30/2013	2,514,682	36.05%	8,520,567
9/30/2014	2,594,756	33.92%	10,235,087

Funded Status and Funding Progress. The funding status of the post-employment medical plan as of the most recent actuarial valuation date is as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
December 31, 2013	\$ -	\$ 32,167,407	0%	\$ 32,167,407	\$ 19,908,162	61.89%

Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress presents multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The 2013 actuarial valuation is the most recent actuarial valuation available.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11 - Post-employment Benefits (continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return compounded annually (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years, and a payroll growth rate for projecting normal cost of 3 percent. These rates include a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of payroll contributions over a 30 year open amortization period assuming payroll growth of 3 percent. The remaining amortization period at September 30, 2014, was 27 years.

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit, “ or OPEB. The city contributes to SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee’s entire careers

The City’s contributions to the TMRS SDBF for the fiscal year ended 2014, 2013, and 2012 were \$29,311, \$30,365 and \$36,232 respectively, which equaled to the required contributions.

Schedule of Contribution Rates			
Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.03%	0.03%	100%
2013	0.03%	0.03%	100%
2014	0.03%	0.03%	100%

Note 12 - Deficit Fund Equity

At September 30, 2014, the tax reinvestment zone fund has a deficit fund balance of \$790. The City plans to recover this money through future earnings.

REQUIRED SUPPLEMENTARY INFORMATION

Draft 3/5/2015

CITY OF LA PORTE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the year ended September 30, 2014

	2014			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 13,860,500	\$ 15,193,638	\$ 15,286,420	\$ 92,782
Franchise fees	2,218,479	2,176,449	2,252,404	75,955
Sales and use taxes	3,978,875	4,309,521	4,686,476	376,955
Industrial payments	11,086,500	11,556,546	11,554,949	(1,597)
Miscellaneous taxes	60,000	60,000	87,074	27,074
Licenses and permits	368,175	380,680	497,756	117,076
Fines and forfeitures	1,586,700	1,471,800	1,594,391	122,591
Interest earnings	71,000	71,000	67,519	(3,481)
Charges for services	5,463,658	5,519,425	5,619,555	100,130
Miscellaneous	40,000	40,000	256,379	216,379
Total Revenues	38,733,887	40,779,059	41,902,923	1,123,864
Expenditures				
General government				
Administration	4,871,720	4,959,947	4,811,374	148,573
Finance	4,106,117	3,264,243	3,196,190	68,053
Planning and engineering	1,978,772	1,840,192	1,549,554	290,638
Public safety				
Fire	4,563,805	4,562,599	4,410,670	151,929
Police	11,726,102	11,810,994	11,622,018	188,976
Public works				
Public works administration	351,697	393,265	370,710	22,555
Streets	2,565,695	2,553,888	2,546,006	7,882
Health and sanitation				
Solidwaste	2,335,282	2,337,563	2,334,184	3,379
Culture and recreation	5,484,281	5,497,132	5,381,609	115,523
Total Expenditures	37,983,471	37,219,823	36,222,315	997,508
Excess (deficiency) of revenues over expenditures	750,416	3,559,236	5,680,608	2,121,372
Other Financing Sources (Uses)				
Transfers in	107,839	107,839	107,839	-
Transfers out	(3,441,876)	(3,812,161)	(3,398,574)	413,587
Proceeds from sale capital assets	-	-	500	500
Total other financing sources and uses	(3,334,037)	(3,704,322)	(3,290,235)	414,087
Net change in fund balances	(2,583,621)	(145,086)	2,390,373	2,535,459
Fund balances, beginning of year	27,584,967	27,584,967	27,584,967	-
Fund balances at year end	\$ 25,001,346	\$ 27,439,881	\$ 29,975,340	\$ 2,535,459

CITY OF LA PORTE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Budgetary Controls and Procedures

The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. The City Manager is required by charter to submit a proposed budget and accompanying message to City Council by August 1. The Council shall review and revise the proposed budget as they deem appropriate prior to circulation for the public hearing. A summary of the proposed budget and notice of the public hearing must be posted in City Hall and be published in the official newspaper at least 2 weeks prior to the hearing. Annual budgets for General, Debt Service, Special Revenue and Enterprise Funds are legally adopted by ordinance and must be done so no later than September 27th. Budgetary control for capital projects funds is achieved through legally binding construction contracts and project length budgets.

The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each department. The City manager is authorized to transfer part or all of any unencumbered appropriation balance among programs within a department. All other amendments and/or transfers must be approved by Council.

Annual appropriated budgets are adopted for the general, special revenue, and debt service funds, using the same basis of accounting as for financial reporting. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt project length budgets. The City adopts separate budgets for each of the special revenue funds rather than as a whole. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter is the total approved budget for each department. The City Manager may transfer appropriations within a department without seeking the approval of City Council; however, any revisions that alter total expenditures for any department must be approved by City Council. Appropriations lapse at the end of the year, excluding capital project budgets.

Draft 3/5/2015

CITY OF LA PORTE, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2014

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2013	\$ 109,712,849	\$ 130,990,617	84%	\$21,277,768	\$20,124,979	106%
2012	102,718,435	118,112,651	87%	15,394,216	19,658,099	78%
2011	94,972,036	112,727,995	84%	17,755,959	19,680,971	90%

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Draft 3/5/2015

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Draft 3/5/2015

Nonmajor Governmental Funds

Special Revenue Funds

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

Hotel / Motel Occupancy Tax Fund – This fund is used to account for the accumulation of resources from the Hotel/Motel Tax assessment levied by the City. These monies are to be spent to promote the development or progress of the City within the guidelines set forth on disposition of revenues collected under the authority of the Texas Hotel Occupancy Act (Article 1269; Vernon’s Texas Civil Statutes).

Section 4B Sales Tax Fund – This fund is used to account for funds received from the ½ cent sales tax dedicated to certain economic and infrastructure projects.

Tax Increment Reinvestment Zone One Fund (TIRZ) – This fund is used to account for the disposition of property taxes collected on specific parcels within the boundaries of the TIRZ for the exclusive benefit of the City’s capital improvement programs.

Grant Fund – This fund is used to account for funds received from another government or organization to be used for a specific purpose activity or facility.

Street Maintenance Sales Tax Fund – This fund is used to account for the additional sales tax collected for street maintenance.

Emergency Services Sales Tax Fund – This fund is used to account for the additional sales tax collected for emergency services.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

2006 Certificate of Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures related to the Police Facility, a Sports Complex (Joint Venture), South La Porte Trunk Sewer and various other Water/Sewer projects.

2010 Certificates of Obligation Bond Fund – This fund is used to account for the proceeds and expenditures related to street, drainage and park improvements.

Drainage Improvements – This fund is used to account for the proceeds and expenditures related to the drainage fees collected.

Draft 3/5/2015

CITY OF LA PORTE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

Special Revenue Funds

	Hotel Motel Tax	Section 4b Sales Tax	Tax Increment Reinvestment Zone	Grant Fund
Assets				
Cash and cash equivalents	\$ 592,900	\$ 1,742,126	\$ 662,290	\$ 155,088
Investments	382,336	1,128,960	-	623,939
Receivables, net of allowance	139,035	452,155	-	403
Intergovernmental receivable	-	-	1,920	1,058,254
Due from other funds	-	-	-	-
Total Assets	\$ 1,114,271	\$ 3,323,241	\$ 664,210	\$ 1,837,684
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,360	\$ 7,167	\$ -	\$ 290,339
Accrued salaries payable	4,770	2,685	-	5,691
Other payables	-	-	3,000	90,051
Due to other funds	-	-	662,000	-
Unearned revenue - Grants	-	-	-	26,707
Total Liabilities	12,130	9,852	665,000	412,788
Fund balances:				
Restricted				
Debt service	-	948,545	-	-
Grants	-	-	-	402,925
Economic development	1,102,141	2,364,844	-	-
Public safety	-	-	-	1,021,971
Capital projects	-	-	-	-
Public works	-	-	-	-
Unassigned	-	-	(790)	-
Total Fund balances	1,102,141	3,313,389	(790)	1,424,896
Total Liabilities and Fund Balances	\$ 1,114,271	\$ 3,323,241	\$ 664,210	\$ 1,837,684

Draft 3/5/2015

Special Revenue Funds

Street Maintenance Sales Tax Fund	Emergency Services Sales Tax Fund	Total Special Revenue Funds
\$ 990,132	\$ 311,240	\$ 4,453,776
625,336	199,856	2,960,427
226,158	216,550	1,034,301
-	-	1,060,174
-	-	-
<u>\$ 1,841,626</u>	<u>\$ 727,646</u>	<u>\$ 9,508,678</u>

\$ 55,385	\$ 6,807	\$ 367,058
-	-	13,146
1,061	3,859	97,971
-	-	662,000
-	-	26,707
<u>56,446</u>	<u>10,666</u>	<u>1,166,882</u>

-	-	948,545
-	-	402,925
-	-	3,466,985
-	716,980	1,738,951
-	-	-
1,785,180	-	1,785,180
-	-	(790)
<u>1,785,180</u>	<u>716,980</u>	<u>8,341,796</u>
<u>\$ 1,841,626</u>	<u>\$ 727,646</u>	<u>\$ 9,508,678</u>

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CITY OF LA PORTE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

Capital Projects Funds

	2000 Certificate of Obligation Bonds	2006 Certificate of Obligation Bonds	2010 Certificate of Obligation Bonds
Assets			
Cash and cash equivalents	\$ 10	\$ 63	\$ 1,716,869
Investments	6	41	14,197
Receivables, net of allowance	-	-	19
Intergovernmental receivable	-	-	-
Due from other funds	-	662,000	-
Total Assets	\$ 16	\$ 662,104	\$ 1,731,085
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 17,614
Accrued salaries payable	-	-	-
Other payables	-	-	215
Due to other funds	-	-	-
Unearned revenue - Grants	-	-	-
Total Liabilities	-	-	17,829
Fund balances:			
Restricted			
Debt service	-	-	-
Grants	-	-	-
Economic development	-	-	-
Public safety	-	-	-
Capital projects	16	662,104	1,713,256
Public works	-	-	-
Unassigned	-	-	-
Total Fund balances	16	662,104	1,713,256
Total Liabilities and Fund Balances	\$ 16	\$ 662,104	\$ 1,731,085

Draft 3/5/2015

<u>Drainage Improvements</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 411,653	\$ 2,128,595	\$ 6,582,371
267,073	281,317	3,241,744
15,605	15,624	1,049,925
-	-	1,060,174
-	662,000	662,000
<u>\$ 694,331</u>	<u>\$ 3,087,536</u>	<u>\$ 12,596,214</u>
\$ 4,137	\$ 21,751	\$ 388,809
-	-	13,146
-	215	98,186
-	-	662,000
-	-	26,707
<u>4,137</u>	<u>21,966</u>	<u>1,188,848</u>
-	-	948,545
-	-	402,925
-	-	3,466,985
-	-	1,738,951
690,194	3,065,570	3,065,570
-	-	1,785,180
-	-	(790)
<u>690,194</u>	<u>3,065,570</u>	<u>11,407,366</u>
<u>\$ 694,331</u>	<u>\$ 3,087,536</u>	<u>\$ 12,596,214</u>

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CITY OF LA PORTE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	Special Revenue Funds			
	Hotel Motel Tax	Section 4b Sales Tax	Tax Increment Reinvestment Zone	Grant Fund
Revenues				
Property Taxes	\$ -	\$ -	\$ 2,156,273	\$ -
Sales and use taxes	-	2,343,234	-	-
Other taxes	699,673	-	-	-
Fines and forfeitures	-	-	-	196,458
Charges for services	-	-	-	242,997
Intergovernmental	-	-	-	1,572,360
Interest	1,538	4,170	511	1,472
Miscellaneous	4,825	-	-	-
Total revenues	706,036	2,347,404	2,156,784	2,013,287
Expenditures				
Current:				
General government	467,379	677,836	560,757	57,643
Public safety	-	-	-	492,473
Public Works	-	-	-	234,952
Culture and recreation	-	-	-	59,115
Capital outlay	-	-	1,851,875	900,860
Total Expenditures	467,379	677,836	2,412,632	1,745,043
Excess (deficiency) of revenues over expenditures	238,657	1,669,568	(255,848)	268,244
Other Financing Sources (Uses)				
Transfers in	1,981	1,211	-	-
Transfers out	(207,500)	(1,125,545)	-	-
Total other financing sources (uses)	(205,519)	(1,124,334)	-	-
Net change in fund balances	33,138	545,234	(255,848)	268,244
Fund balances - beginning	1,069,003	2,768,155	255,058	1,156,652
Fund balances - ending	\$ 1,102,141	\$ 3,313,389	\$ (790)	\$ 1,424,896

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<u>Special Revenue Funds</u>		
<u>Street Maintenance Sales Tax Fund</u>	<u>Emergency Services Sales Tax Fund</u>	<u>Total Special Revenue Funds</u>
\$ -	\$ -	\$ 2,156,273
1,171,617	1,116,445	4,631,296
-	-	699,673
-	-	196,458
-	-	242,997
-	-	1,572,360
1,758	348	9,797
-	-	4,825
<u>1,173,375</u>	<u>1,116,793</u>	<u>9,513,679</u>
-	-	1,763,615
-	902,879	1,395,352
173,104	-	408,056
-	-	59,115
170,437	-	2,923,172
<u>343,541</u>	<u>902,879</u>	<u>6,549,310</u>
<u>829,834</u>	<u>213,914</u>	<u>2,964,369</u>
-	1,598	4,790
-	-	(1,333,045)
-	<u>1,598</u>	<u>(1,328,255)</u>
829,834	215,512	1,636,114
955,346	501,468	6,705,682
<u>\$ 1,785,180</u>	<u>\$ 716,980</u>	<u>\$ 8,341,796</u>

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CITY OF LA PORTE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	Capital Projects Funds	
	2000	2006
	Certificate of	Certificate of
	Obligation	Obligation
	Bonds	Bonds
Revenues		
Property Taxes	\$ -	\$ -
Sales and use taxes	-	-
Other taxes	-	-
Fines and forfeitures	-	-
Charges for services	-	-
Intergovernmental	-	-
Interest	16	-
Miscellaneous	-	-
Total revenues	<u>16</u>	<u>-</u>
Expenditures		
Current:		
General government	-	-
Public safety	-	-
Public Works	-	-
Culture and recreation	-	-
Capital outlay	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>16</u>	<u>-</u>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(29,705)	-
Total other financing sources (uses)	<u>(29,705)</u>	<u>-</u>
Net change in fund balances	(29,689)	-
Fund balances - beginning	29,705	662,104
Fund balances - ending	<u>\$ 16</u>	<u>\$ 662,104</u>

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<u>Capital Projects Funds</u>			
<u>2010 Certificate of Obligation Bonds</u>	<u>Drainage Improvements</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 2,156,273
-	-	-	4,631,296
-	-	-	699,673
-	-	-	196,458
-	268,230	268,230	511,227
-	-	-	1,572,360
604	914	1,534	11,331
-	-	-	4,825
<u>604</u>	<u>269,144</u>	<u>269,764</u>	<u>9,783,443</u>
-	-	-	1,763,615
-	-	-	1,395,352
-	97,797	97,797	505,853
-	-	-	59,115
74,467	-	74,467	2,997,639
<u>74,467</u>	<u>97,797</u>	<u>172,264</u>	<u>6,721,574</u>
<u>(73,863)</u>	<u>171,347</u>	<u>97,500</u>	<u>3,061,869</u>
-	-	-	4,790
-	-	(29,705)	(1,362,750)
-	-	(29,705)	(1,357,960)
(73,863)	171,347	67,795	1,703,909
1,787,119	518,847	2,997,775	9,703,457
<u>\$ 1,713,256</u>	<u>\$ 690,194</u>	<u>\$ 3,065,570</u>	<u>\$ 11,407,366</u>

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
– BUDGET TO ACTUAL**

**Special Revenue Fund
Capital Projects Fund**

Draft 3/5/2015

CITY OF LA PORTE, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
With comparative actual totals for the year ended September 30, 2013

	2014		Variance Positive / (Negative)	2013
	Final Budget	Actual		
Revenues				
Property taxes	\$ 2,423,341	\$ 2,482,675	\$ 59,334	\$ 1,652,943
Investment earnings	7,072	8,712	1,640	4,736
Total Revenues	<u>2,430,413</u>	<u>2,491,387</u>	<u>60,974</u>	<u>1,657,679</u>
Expenditures				
Principal	2,170,000	2,640,000	(470,000)	2,365,000
Interest and other charges	1,576,270	1,217,883	358,387	1,385,204
Bond issuance costs	-	153,884	(153,884)	
Total Expenditures	<u>3,746,270</u>	<u>4,011,767</u>	<u>(265,497)</u>	<u>3,750,204</u>
Revenues over (under) expenditures	<u>(1,315,857)</u>	<u>(1,520,380)</u>	<u>(204,523)</u>	<u>(2,092,525)</u>
Other Financing Sources (Uses)				
Issuance of debt	-	9,300,000	9,300,000	
Premium on bonds	-	608,166	608,166	
Payment to escrow agent	-	(9,749,587)	(9,749,587)	
Transfers in	1,610,519	1,640,224	29,705	1,492,488
Total Other Financing Sources (Uses)	<u>1,610,519</u>	<u>1,798,803</u>	<u>188,284</u>	<u>1,492,488</u>
Net change in fund balance	294,662	278,423	(16,239)	(600,037)
Fund balances, beginning of year	<u>2,490,499</u>	<u>2,490,499</u>	<u>-</u>	<u>3,090,536</u>
Fund balances at year end	<u>\$ 2,785,161</u>	<u>\$ 2,768,922</u>	<u>\$ (16,239)</u>	<u>\$ 2,490,499</u>

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CITY OF LA PORTE, TEXAS

SPECIAL REVENUE FUND - HOTEL MOTEL TAX

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

With comparative actual totals for the year ended September 30, 2013

	2014		Variance Positive / (Negative)	2013
	Final Budget	Actual		
Revenues				
Other taxes	\$ 500,000	\$ 699,673	\$ 199,673	\$ 565,562
Investment earnings	1,500	1,538	38	1,396
Miscellaneous	-	4,825	4,825	3,770
Total Revenues	<u>501,500</u>	<u>706,036</u>	<u>204,536</u>	<u>570,728</u>
Expenditures				
Current:				
General government	519,579	467,379	52,200	344,743
Total Expenditures	<u>519,579</u>	<u>467,379</u>	<u>52,200</u>	<u>344,743</u>
Revenues over (under) expenditures	(18,079)	238,657	256,736	225,985
Other Financing Sources (Uses)				
Transfers in	1,981	1,981	-	
Transfers (out)	(207,500)	(207,500)	-	(187,500)
Total Other Financing Sources (Uses)	<u>(205,519)</u>	<u>(205,519)</u>	<u>-</u>	<u>(187,500)</u>
Net change in fund balance	(223,598)	33,138	256,736	38,485
Fund balances, beginning of year	<u>1,069,003</u>	<u>1,069,003</u>	<u>-</u>	<u>1,030,518</u>
Fund balances at year end	<u><u>\$ 845,405</u></u>	<u><u>\$ 1,102,141</u></u>	<u><u>\$ 256,736</u></u>	<u><u>\$ 1,069,003</u></u>

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CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - SECTION 4B SALES TAX
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
With comparative actual totals for the year ended September 30, 2013

	2014		Variance Positive / (Negative)	2013
	Final Budget	Actual		
Revenues				
Sales and Use Tax	\$ 1,989,438	\$ 2,343,234	\$ 353,796	\$ 2,037,823
Investment Earnings	3,500	4,170	670	3,832
Total Revenues	<u>1,992,938</u>	<u>2,347,404</u>	<u>354,466</u>	<u>2,041,663</u>
Expenditures				
Current:				
General government	872,799	677,836	194,963	600,153
Total Expenditures	<u>872,799</u>	<u>677,836</u>	<u>194,963</u>	<u>600,153</u>
Revenues over (under) expenditures	1,120,139	1,669,568	549,429	1,441,510
Other Financing Sources (Uses)				
Transfers in	1,211	1,211	-	-
Transfers (out)	<u>(1,125,545)</u>	<u>(1,125,545)</u>	<u>-</u>	<u>(1,105,061)</u>
Total Other Financing Sources (Uses)	<u>(1,124,334)</u>	<u>(1,124,334)</u>	<u>-</u>	<u>(1,105,061)</u>
Net change in fund balance	(4,195)	545,234	549,429	336,449
Fund balances, beginning of year	<u>2,768,155</u>	<u>2,768,155</u>	<u>-</u>	<u>2,431,706</u>
Fund balances at year end	<u><u>\$ 2,763,960</u></u>	<u><u>\$ 3,313,389</u></u>	<u><u>\$ 549,429</u></u>	<u><u>\$ 2,768,155</u></u>

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CITY OF LA PORTE, TEXAS

SPECIAL REVENUE FUND - TAX INCREMENT REINVESTMENT ZONE

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

With comparative actual totals for the year ended September 30, 2013

	2014		Variance	
	Final Budget	Actual	Positive / (Negative)	2013
Revenues				
Property Taxes	\$ 2,604,929	\$ 2,156,273	\$ (448,656)	\$ 1,542,391
Investment Earnings	520	511	(9)	581
Total Revenues	<u>2,605,449</u>	<u>2,156,784</u>	<u>(448,665)</u>	<u>1,542,972</u>
Expenditures				
Current:				
General government	600,000	560,757	39,243	573,446
Capital outlay	2,250,080	1,851,875	398,205	1,231,449
Total Expenditures	<u>2,850,080</u>	<u>2,412,632</u>	<u>437,448</u>	<u>1,804,895</u>
Net change in fund balance	(244,631)	(255,848)	(11,217)	(261,923)
Fund balances, beginning of year	<u>255,058</u>	<u>255,058</u>	<u>-</u>	<u>516,981</u>
Fund balances at year end	<u>\$ 10,427</u>	<u>\$ (790)</u>	<u>\$ (11,217)</u>	<u>\$ 255,058</u>

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CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
With comparative actual totals for the year ended September 30, 2013

	2014		Variance Positive / (Negative)	2013
	Final Budget	Actual		
Revenues				
Fines and forfeitures	\$ 125,000	\$ 196,458	\$ 71,458	\$ 221,008
Charges for services	4,000	242,997	238,997	55,010
Intergovernmental	688,864	1,572,360	883,496	568,052
Investment earnings	-	1,472	1,472	1,617
Miscellaneous	850		(850)	2,500
Total Revenues	818,714	2,013,287	1,194,573	848,187
Expenditures				
Current:				
General Government	163,246	57,643	105,603	206,319
Public Safety	943,980	492,473	451,507	356,611
Public Works	332,526	234,952	97,574	
Culture and recreation	65,628	59,115	6,513	48,206
Capital Outlay	4,055,980	900,860	3,155,120	248,980
Total Expenditures	5,561,360	1,745,043	3,816,317	860,116
Net change in fund balance	(4,742,646)	268,244	5,010,890	(11,929)
Fund balances, beginning of year	1,156,652	1,156,652	-	1,168,581
Fund balances at year end	\$ (3,585,994)	\$ 1,424,896	\$ 5,010,890	\$ 1,156,652

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CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - STREET MAINTENANCE SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
With comparative actual totals for the year ended September 30, 2013

	2014		Variance Positive / (Negative)	2013
	Final Budget	Actual		
Revenues				
Sales and use tax	\$ 994,719	\$ 1,171,617	\$ 176,898	\$ 1,018,912
Investment earnings	1,000	1,758	758	1,438
Total Revenues	<u>995,719</u>	<u>1,173,375</u>	<u>177,656</u>	<u>1,020,350</u>
Expenditures				
Current:				
Public Works	-	173,104	(173,104)	380,450
Capital Outlay	1,422,000	170,437	1,251,563	471,591
Total Expenditures	<u>1,422,000</u>	<u>343,541</u>	<u>1,078,459</u>	<u>852,041</u>
Net change in fund balance	(426,281)	829,834	1,256,115	168,309
Fund balances, beginning of year	<u>955,346</u>	<u>955,346</u>	<u>-</u>	<u>787,037</u>
Fund balances at year end	<u><u>\$ 529,065</u></u>	<u><u>\$ 1,785,180</u></u>	<u><u>\$ 1,256,115</u></u>	<u><u>\$ 955,346</u></u>

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CITY OF LA PORTE, TEXAS

SPECIAL REVENUE FUND - EMERGENCY SERVICES SALES TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

With comparative actual totals for the year ended September 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Sales and use tax	\$ 900,000	\$ 1,116,445	\$ 216,445	\$ 960,568
Investment earnings	300	348	48	145
Total Revenues	<u>900,300</u>	<u>1,116,793</u>	<u>216,493</u>	<u>960,713</u>
Expenditures				
Current:				
Public Safety	988,151	902,879	85,272	680,162
Capital outlay	35,000	-	35,000	26,256
Total Expenditures	<u>1,023,151</u>	<u>902,879</u>	<u>120,272</u>	<u>706,418</u>
Revenues over (under) expenditures	(122,851)	213,914	336,765	254,295
Other Financing Sources (Uses)				
Transfers in	1,598	1,598	-	-
Net change in fund balance	(121,253)	215,512	336,765	254,295
Fund balances, beginning of year	<u>501,468</u>	<u>501,468</u>	<u>-</u>	<u>247,173</u>
Fund balances at year end	<u>\$ 380,215</u>	<u>\$ 716,980</u>	<u>\$ 336,765</u>	<u>\$ 501,468</u>

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CITY OF LA PORTE, TEXAS
CAPITAL PROJECTS FUND - 2006 CERTIFICATE OF OBLIGATION BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
With comparative actual totals for the year ended September 30, 2013

	2014		Variance Positive / (Negative)	2013
	Final Budget	Actual		
Revenues				
Investment earnings	\$ -	\$ -	\$ -	\$ 104
Miscellaneous	-	-	-	130,500
Total Revenues	-	-	-	130,604
Other Financing Sources (Uses)				
Transfers (out)	-	-	-	(78,662)
Net change in fund balance	-	-	-	51,942
Fund balances, beginning of year	662,104	662,104	-	610,162
Fund balances at year end	\$ 662,104	\$ 662,104	\$ -	\$ 662,104

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CITY OF LA PORTE, TEXAS

CAPITAL PROJECTS FUND - 2010 CERTIFICATE OF OBLIGATION BONDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

With comparative actual totals for the year ended September 30, 2013

	2014		Variance Positive / (Negative)	2013
	Final Budget	Actual		
Revenues				
Investment earnings	\$ -	\$ 604	\$ 604	\$ 1,783
Total Revenues	<u>-</u>	<u>604</u>	<u>604</u>	<u>1,783</u>
Expenditures				
Capital outlay	90,235	74,467	15,768	150,011
Total Expenditures	<u>90,235</u>	<u>74,467</u>	<u>15,768</u>	<u>150,011</u>
Net change in fund balance	(90,235)	(73,863)	16,372	(148,228)
Fund balances, beginning of year	<u>1,787,119</u>	<u>1,787,119</u>	<u>-</u>	<u>1,935,347</u>
Fund balances at year end	<u><u>\$ 1,696,884</u></u>	<u><u>\$ 1,713,256</u></u>	<u><u>\$ 16,372</u></u>	<u><u>\$ 1,787,119</u></u>

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CITY OF LA PORTE, TEXAS
CAPITAL PROJECTS FUND - DRAINAGE IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
With comparative actual totals for the year ended September 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Charges for services	\$ 266,000	\$ 268,230	\$ 2,230	\$ 265,362
Investment earnings	500	914	414	570
Total Revenues	<u>266,500</u>	<u>269,144</u>	<u>2,644</u>	<u>265,932</u>
Expenditures				
Current:				
Public Works	453,000	97,797	355,203	74,524
Total Expenditures	<u>453,000</u>	<u>97,797</u>	<u>355,203</u>	<u>74,524</u>
Net change in fund balance	(186,500)	171,347	357,847	191,408
Fund balances, beginning of year	<u>518,847</u>	<u>518,847</u>	<u>-</u>	<u>327,439</u>
Fund balances at year end	<u><u>\$ 332,347</u></u>	<u><u>\$ 690,194</u></u>	<u><u>\$ 357,847</u></u>	<u><u>\$ 518,847</u></u>

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**SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES
General Fund**

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CITY OF LA PORTE, TEXAS

General Fund

Schedule of Revenues - Budget and Actual

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem:				
Current	\$ 13,600,000	\$ 14,933,138	\$ 14,990,218	\$ 1,390,218
Delinquent	100,000	100,000	120,787	20,787
Industrial Payments	11,086,500	11,556,546	11,554,949	468,449
Total ad valorem	<u>24,786,500</u>	<u>26,589,684</u>	<u>26,665,954</u>	<u>76,270</u>
Penalty and interest	160,500	160,500	175,415	14,915
Sales Taxes	3,978,875	4,309,521	4,686,476	707,601
Other Taxes	60,000	60,000	87,074	27,074
Franchise Fees:				
Electrical	1,312,105	1,261,449	1,257,497	(3,952)
Gas	150,000	150,000	180,072	30,072
Telephone	300,000	275,000	346,087	71,087
Cable	371,374	400,000	382,611	(17,389)
Commercial Solidwaste	85,000	90,000	86,137	(3,863)
Total Franchise Fees	<u>2,218,479</u>	<u>2,176,449</u>	<u>2,252,404</u>	<u>75,955</u>
Charges for Services:				
Public safety service fees	1,433,596	1,444,606	1,543,742	99,136
Health and sanitation service fees	2,146,600	2,212,500	2,227,342	14,842
Culture and recreation fees	1,462,941	1,419,948	1,507,896	87,948
Other service fees	420,521	442,371	340,575	(101,796)
Total Charges for Services	<u>5,463,658</u>	<u>5,519,425</u>	<u>5,619,555</u>	<u>100,130</u>
Licenses and permits:				
Building permits	346,475	359,895	475,464	115,569
Licenses	21,700	20,785	22,292	1,507
Total Licenses and permits	<u>368,175</u>	<u>380,680</u>	<u>497,756</u>	<u>117,076</u>
Investment income	71,000	71,000	67,519	(3,481)
Fines and forfeitures	1,586,700	1,471,800	1,594,391	122,591
Miscellaneous	40,000	40,000	256,379	216,379
Total revenues	<u>\$38,733,887</u>	<u>\$40,779,059</u>	<u>\$41,902,923</u>	<u>\$ 1,123,864</u>

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General Fund

Schedule of Expenditures - Budget and Actual

For the year ended September 30, 2014

General Government	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Administration:				
Emergency Management:				
Personal services	\$ 211,345	\$ 219,855	\$ 219,328	\$ 527
Supplies	7,397	9,169	8,920	249
Other services and charges	89,873	86,037	84,500	1,537
Total Emergency Management	308,615	315,061	312,748	2,313
General Administration:				
Personal services	433,444	447,546	446,692	854
Supplies	5,689	4,414	5,156	(742)
Other services and charges	75,710	73,875	36,266	37,609
Total General Administration	514,843	525,835	488,114	37,721
Community Investment:				
Supplies	27,650	29,550	27,744	1,806
Other services and charges	124,500	125,772	101,776	23,996
Total Community Investment	152,150	155,322	129,520	25,802
Human Resources:				
Personal services	261,723	250,115	219,504	30,611
Supplies	2,250	5,122	3,811	1,311
Other services and charges	165,112	154,376	146,585	7,791
Total Human Resources	429,085	409,613	369,900	39,713
Information Technology				
Personal services	509,855	535,393	535,070	323
Supplies	82,387	192,848	142,727	50,121
Other services and charges	1,210,515	1,125,805	1,175,646	(49,841)
Total Information Technology	1,802,757	1,854,046	1,853,443	603
Municipal Court:				
Personal services	622,052	655,418	655,100	318
Supplies and materials	19,750	16,250	15,740	510
Other services and charges	136,789	109,314	101,229	8,085
Total Municipal Court	778,591	780,982	772,069	8,913
Purchasing:				
Personal services	219,266	230,105	229,904	201
Supplies	1,450	1,520	1,334	186
Other services and charges	5,320	6,600	6,187	413
Total Purchasing	226,036	238,225	237,425	800
City Secretary:				
Personal services	345,267	317,512	341,513	(24,001)
Supplies and materials	11,450	16,583	13,230	3,353
Other services and charges	44,170	114,345	68,348	45,997
Total City Secretary	400,887	448,440	423,091	25,349
Legal:				
Personal services	20,844	20,844	20,844	-
Other services and charges	179,000	154,105	151,693	2,412
Total Legal	199,844	174,949	172,537	2,412
City Council:				
Personal services	38,754	37,147	36,192	955
Supplies and materials	2,100	2,400	2,041	359
Other services and charges	18,058	17,927	14,294	3,633
Total City Council	58,912	57,474	52,527	4,947
Total Administration	4,871,720	4,959,947	4,811,374	148,573

General Fund

Schedule of Expenditures - Budget and Actual

For the year ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (continued)				
Finance:				
Accounting:				
Personal services	\$ 693,121	\$ 719,433	\$ 718,718	\$ 715
Supplies	14,050	14,409	14,207	202
Other services and charges	88,946	81,906	79,962	1,944
Total Accounting	<u>796,117</u>	<u>815,748</u>	<u>812,887</u>	<u>2,861</u>
Nondepartmental:				
Personal services	907,237	1,050,998	1,050,379	619
Supplies	5,000	5,300	1,869	3,431
Other services and charges	1,987,858	973,498	914,392	59,106
Total Nondepartmental	<u>2,900,095</u>	<u>2,029,796</u>	<u>1,966,640</u>	<u>63,156</u>
Tax Office:				
Personal services	204,235	210,933	209,909	1,024
Supplies and materials	12,200	12,831	12,206	625
Other services and charges	193,470	194,935	194,548	387
Total Tax Office	<u>409,905</u>	<u>418,699</u>	<u>416,663</u>	<u>2,036</u>
Total Finance	<u>4,106,117</u>	<u>3,264,243</u>	<u>3,196,190</u>	<u>68,053</u>
Planning and Engineering:				
Planning and Engineering:				
Personal services	914,612	800,214	715,256	84,958
Supplies	14,223	11,894	11,340	554
Other services and charges	112,885	127,946	93,305	34,641
Total Planning and Engineering	<u>1,041,720</u>	<u>940,054</u>	<u>819,901</u>	<u>120,153</u>
Inspection:				
Personal services	760,077	734,056	663,289	70,767
Supplies	33,843	23,293	20,793	2,500
Other services and charges	143,132	142,789	45,571	97,218
Total Inspection	<u>937,052</u>	<u>900,138</u>	<u>729,653</u>	<u>170,485</u>
Total Planning and Engineering	<u>1,978,772</u>	<u>1,840,192</u>	<u>1,549,554</u>	<u>290,638</u>
Total General Government	<u>10,956,609</u>	<u>10,064,382</u>	<u>9,557,118</u>	<u>507,264</u>
Public Safety				
Fire				
Fire Prevention:				
Personal services	283,837	290,482	289,882	600
Supplies	7,416	9,666	9,438	228
Other services and charges	7,952	9,372	9,199	173
Total Fire Prevention	<u>299,205</u>	<u>309,520</u>	<u>308,519</u>	<u>1,001</u>
Fire suppression:				
Personal services	1,415,321	1,400,538	1,400,110	428
Supplies	34,393	39,572	38,899	673
Other services and charges	234,388	232,188	225,872	6,316
Total Fire Suppression	<u>1,684,102</u>	<u>1,672,298</u>	<u>1,664,881</u>	<u>7,417</u>
Emergency medical services:				
Personal services	2,305,943	2,286,013	2,158,522	127,491
Supplies	148,501	165,164	154,264	10,900
Other services and charges	126,054	129,604	124,484	5,120
Total Emergency Services	<u>2,580,498</u>	<u>2,580,781</u>	<u>2,437,270</u>	<u>143,511</u>
Total Fire	<u>4,563,805</u>	<u>4,562,599</u>	<u>4,410,670</u>	<u>151,929</u>

General Fund

Schedule of Expenditures - Budget and Actual

For the year ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety (continued)				
Police				
Police Administration:				
Personal services	\$ 662,835	\$ 701,580	\$ 700,799	\$ 781
Supplies	22,710	23,121	22,343	778
Other services and charges	252,011	283,647	268,199	15,448
Total Police Administration	937,556	1,008,348	991,341	17,007.00
Police Patrol:				
Personal services	4,796,088	4,826,689	4,801,837	24,852
Supplies	281,898	296,133	288,913	7,220
Other services and charges	823,581	802,307	792,762	9,545
Capital Outlay	147,500	140,999	135,262	5,737
Total Police Patrol	6,049,067	6,066,128	6,018,774	47,354
Criminal Investigation:				
Personal services	2,003,827	1,986,465	1,886,092	100,373
Supplies	63,982	56,081	48,094	7,987
Other services and charges	129,027	128,943	122,253	6,690
Total Criminal Investigation	2,196,836	2,171,489	2,056,439	115,050
Support Services:				
Personal services	2,316,029	2,333,906	2,333,875	31
Supplies	87,213	107,161	100,214	6,947
Other services and charges	139,401	123,962	121,375	2,587
Total Support Services	2,542,643	2,565,029	2,555,464	9,565
Total Police	11,726,102	11,810,994	11,622,018	188,976
Total Public Safety	16,289,907	16,373,593	16,032,688	340,905
Public Works				
Public Works Administration:				
Personal services	296,491	307,716	307,250	466
Supplies and materials	4,954	5,950	4,801	1,149
Other services and charges	50,252	79,599	58,659	20,940
Total Public Works Administration	351,697	393,265	370,710	22,555
Streets:				
Personal services	1,597,921	1,602,957	1,596,836	6,121
Supplies	166,768	180,739	174,865	5,874
Other services and charges	794,506	764,572	768,685	(4,113)
Capital Outlay	6,500	5,620	5,620	
Total Streets	2,565,695	2,553,888	2,546,006	7,882
Total Public Works	2,917,392	2,947,153	2,916,716	30,437
Health and Sanitation				
Residential solidwaste:				
Personal services	1,186,172	1,071,237	1,109,155	(37,918)
Supplies	256,276	278,485	277,531	954
Other services and charges	877,334	971,061	930,818	40,243
Total Residential Solidwaste	2,319,782	2,320,783	2,317,504	3,279
Commercial solidwaste:				
Other services and charges	15,500	16,780	16,680	100
Total Commercial Solidwaste	15,500	16,780	16,680	100
Total Health and Sanitation	2,335,282	2,337,563	2,334,184	3,379

General Fund

Schedule of Expenditures - Budget and Actual

For the year ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture & Recreation				
Park Maintenance:				
Personal services	\$ 1,263,174	\$ 1,320,077	\$ 1,312,147	\$ 7,930
Supplies and materials	132,800	134,208	133,899	309
Other services and charges	768,520	849,318	817,584	31,734
Capital outlay	46,150	(19,828)	8,350	(28,178)
Total Park Maintenance	<u>2,210,644</u>	<u>2,283,775</u>	<u>2,271,980</u>	<u>11,795</u>
Recreation:				
Personal services	510,487	474,577	427,143	47,434
Supplies	39,033	41,522	41,493	29
Other services and charges	179,699	180,682	168,466	12,216
Total Recreation	<u>729,219</u>	<u>696,781</u>	<u>637,102</u>	<u>59,679</u>
Special Services:				
Personal services	387,059	377,242	363,728	13,514
Supplies	23,895	24,227	23,745	482
Other services and charges	48,853	47,717	46,251	1,466
Total Special Services	<u>459,807</u>	<u>449,186</u>	<u>433,724</u>	<u>15,462</u>
Parks Administration:				
Personal Services	535,440	556,201	555,674	527
Supplies	5,850	9,577	9,056	521
Other Services and Charges	21,015	20,649	19,886	763
Total Parks Administration	<u>562,305</u>	<u>586,427</u>	<u>584,616</u>	<u>1,811</u>
Golf Course - Club House				
Personal Services	407,044	415,576	415,195	381
Supplies	56,178	54,796	54,298	498
Other Services and Charges	75,195	65,884	58,509	7,375
Total Golf Course	<u>538,417</u>	<u>536,256</u>	<u>528,002</u>	<u>8,254</u>
Golf Course - Maintenance				
Personal Services	630,026	620,018	618,824	1,194
Supplies	147,250	149,893	146,603	3,290
Other Services and Charges	206,613	174,796	160,758	14,038
Total Golf Course	<u>983,889</u>	<u>944,707</u>	<u>926,185</u>	<u>18,522</u>
Total Culture & Recreation	<u>5,484,281</u>	<u>5,497,132</u>	<u>5,381,609</u>	<u>115,523</u>
Total General Fund	<u>\$ 37,983,471</u>	<u>\$ 37,219,823</u>	<u>\$ 36,222,315</u>	<u>\$ 997,508</u>

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COMBINING FINANCIAL STATEMENTS

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Internal Service Funds

Internal Service Funds account for the financing of goods or services provided by one City department for another.

Motor Pool Fund – This fund is used to account for the cost of operating and maintaining automotive and other equipment used by City departments and the purchase of general government vehicles (those not used by proprietary fund activities). Service charges are billed to departments on a monthly basis to cover all expenses of the fund.

Technology Fund – This fund is used to account for the cost of operating and maintaining computer software and equipment used by City departments. Service charges are billed to departments on a monthly basis to cover all expenses of the fund.

Insurance Fund – This fund is used to account for the provision of group health coverage for all City employees and others eligible under the City’s plan, including employee dependents and retirees.

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CITY OF LA PORTE, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2014

	Vehicle Replacement Fund	Employee Health Insurance	Technology	Total
Assts				
Current assets:				
Cash and cash equivalents	\$ 1,521,602	\$ 739,815	\$ 689,554	\$ 2,950,971
Investments	974,249	479,998	447,370	1,901,617
Accounts Receivables, net	-	120,672	6,384	127,056
Other receivables	1,279	630	587	2,496
Inventories	32,422	-	-	32,422
Total current assets	2,529,552	1,341,115	1,143,895	5,014,562
Non-current assets:				
Capital Assets:				
Equipment and Furniture	15,725,087	-	297,334	16,022,421
Less Accumulated depreciation	(7,802,140)	-	(205,236)	(8,007,376)
Total non-current assets	7,922,947	-	92,098	8,015,045
Total assets	10,452,499	1,341,115	1,235,993	13,029,607
Liabilities				
Current Liabilities:				
Accounts payable	24,307	2,666	2,203	29,176
Salaries payable	24,053	-	-	24,053
Unearned revenue	-	745	-	745
Claims and judgments	-	575,349	-	575,349
Total current liabilities	48,360	578,760	2,203	629,323
Non-current liabilities:				
Compensated absences	57,033	-	-	57,033
Total non-current liabilities	57,033	-	-	57,033
Total liabilities	105,393	578,760	2,203	686,356
Net Position				
Investment in capital assets	7,922,947	-	92,098	8,015,045
Unrestricted	2,424,159	762,355	1,141,692	4,328,206
Total net position	\$ 10,347,106	\$ 762,355	\$ 1,233,790	\$ 12,343,251

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CITY OF LA PORTE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2014

	Vehicle Replacement Fund	Employee Health Insurance	Technology	Total
Revenues				
Charges for services	\$ 2,542,143	\$ 5,330,154	\$ 321,115	\$ 8,193,412
Total operating revenues	<u>2,542,143</u>	<u>5,330,154</u>	<u>321,115</u>	<u>8,193,412</u>
Operating Expenses				
Personal services	678,533	139,935	-	818,468
Supplies and materials	408,772	-	86,302	495,074
Other expenses	-	6,463,460	8,946	6,472,406
Depreciation	1,055,662	-	17,162	1,072,824
Total operating expenses	<u>2,142,967</u>	<u>6,603,395</u>	<u>112,410</u>	<u>8,858,772</u>
Operating income (loss)	<u>399,176</u>	<u>(1,273,241)</u>	<u>208,705</u>	<u>(665,360)</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	5,011	2,895	1,710	9,616
Gain (loss) on disposal of capital assets	(31,955)	-	-	(31,955)
Total non-operating revenue (expenses)	<u>(26,944)</u>	<u>2,895</u>	<u>1,710</u>	<u>(22,339)</u>
Income (loss) before transfers	372,232	(1,270,346)	210,415	(687,699)
Capital contributions	(16,383)	-	-	(16,383)
Transfers in	11,883	479,648	-	491,531
Transfers out	(13,236)	-	-	(13,236)
Change in net position	354,496	(790,698)	210,415	(225,787)
Total net position - beginning	<u>9,992,610</u>	<u>1,553,053</u>	<u>1,023,375</u>	<u>12,569,038</u>
Total net position - ending	<u>\$ 10,347,106</u>	<u>\$ 762,355</u>	<u>\$ 1,233,790</u>	<u>\$ 12,343,251</u>

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CITY OF LA PORTE, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2014

	Vehicle Replacement Fund	Employee Health Insurance	Technology	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 2,541,054	\$ 5,330,154	\$ 314,533	\$ 8,185,741
Disbursed for personnel services	(672,479)	(140,565)	-	(813,044)
Disbursed for goods and services	(401,824)	(6,370,448)	(93,045)	(6,865,317)
Net cash provided (used) by operating activities	1,466,751	(1,180,859)	221,488	507,380
Cash Flows from NonCapital Financing Activities				
Transfers from other funds	11,883	479,648	-	491,531
Transfers to other funds	(13,236)	-	-	(13,236)
Operating grants and contributions	16,383	-	-	16,383
Net cash provided by (used by) noncapital financing activities	15,030	479,648	-	494,678
Cash Flows from Capital and Related Financing Activities				
Proceeds from the sale of equipment	31,955	-	-	31,955
Acquisition and construction of capital assets, net of disposals	(2,338,095)	-	(91,389)	(2,429,484)
Net cash used by capital and related financing activities	(2,306,140)	-	(91,389)	(2,397,529)
Cash Flows from Investing Activities				
Purchase of investments	-	86,525	(150,508)	(63,983)
Sale of investments	4,901	-	-	4,901
Interest received	5,011	2,895	1,710	9,616
Net cash provided by (used by) investing activities	9,912	89,420	(148,798)	(49,466)
Net increase in cash and equivalents	(814,447)	(611,791)	(18,699)	(1,444,937)
Cash and equivalents, beginning of year	2,336,049	1,351,606	708,253	4,395,908
Cash and equivalents, at end of year	\$ 1,521,602	\$ 739,815	\$ 689,554	\$ 2,950,971
Unrestricted cash and equivalents	\$ 1,521,602	\$ 739,815	\$ 689,554	\$ 2,950,971
	<u>\$ 1,521,602</u>	<u>\$ 739,815</u>	<u>\$ 689,554</u>	<u>\$ 2,950,971</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 399,176	\$ (1,273,241)	\$ 208,705	\$ (665,360)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,055,662	-	17,162	1,072,824
(Increase) decrease in accounts receivable	5	(630)	(6,582)	(7,207)
(Increase) decrease in inventory	(1,094)	-	-	(1,094)
Increase (decrease) in claims and judgments payable	-	94,765	-	94,765
Increase (decrease) in accounts payable	6,893	(2,498)	2,203	6,598
Increase (decrease) in salaries payable	55	-	-	55
Increase (decrease) in compensated absences	6,054	-	-	6,054
Increase (decrease) in unearned revenue	-	745	-	745
Net cash provided by operating activities	\$ 1,466,751	\$ (1,180,859)	\$ 221,488	\$ 507,380

STATISTICAL SECTION

(Unaudited)

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Unaudited Statistical Section

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

Contents	Page
Financial Trends	94
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	104
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax.</i>	
Debt Capacity	110
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	115
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	117
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

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CITY OF LA PORTE, TEXAS**NET POSITION BY COMPONENT***Last Ten Fiscal Years**Amounts in (000's)**(Accrual Basis of Accounting)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities					
Net investment in capital assets	\$ 28,933	\$ 28,424	\$ 27,529	\$ 24,923	\$ 32,667
Restricted	6,642	7,363	13,317	16,567	16,170
Unrestricted	19,370	18,984	19,986	18,985	16,838
Total governmental activities net position	<u>\$ 54,945</u>	<u>\$ 54,771</u>	<u>\$ 60,832</u>	<u>\$ 60,475</u>	<u>\$ 65,676</u>
Business-type Activities					
Net investment in capital assets	\$ 26,590	\$ 29,642	\$ 29,481	\$ 35,483	\$ 40,206
Restricted	3,407	2,186	2,185	2,188	1,353
Unrestricted	1,265	3,397	3,296	3,799	2,473
Total business-type activities net position	<u>\$ 31,262</u>	<u>\$ 35,225</u>	<u>\$ 34,962</u>	<u>\$ 41,471</u>	<u>\$ 44,032</u>
Primary Government					
Net investment in capital assets	\$ 55,523	\$ 58,066	\$ 57,010	\$ 60,406	\$ 72,874
Restricted	10,050	9,549	15,501	18,755	17,523
Unrestricted	20,635	22,380	23,281	22,785	19,311
Total primary government net position	<u>\$ 86,207</u>	<u>\$ 89,996</u>	<u>\$ 95,793</u>	<u>\$ 101,945</u>	<u>\$ 109,707</u>

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Exhibit 1

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 35,195	\$ 37,324	\$ 46,814	\$ 49,304	\$ 54,506
18,108	8,060	8,728	8,902	11,088
13,904	26,859	21,621	22,530	18,635
<u>\$ 67,207</u>	<u>\$ 72,243</u>	<u>\$ 77,163</u>	<u>\$ 80,736</u>	<u>\$ 84,229</u>
\$ 40,595	\$ 37,606	\$ 37,567	\$ 36,347	\$ 35,873
1,460	680	559	2,096	1,413
2,027	4,199	3,791	2,301	3,187
<u>\$ 44,082</u>	<u>\$ 42,485</u>	<u>\$ 41,917</u>	<u>\$ 40,744</u>	<u>\$ 40,473</u>
\$ 75,790	\$ 74,930	\$ 84,381	\$ 85,651	\$ 90,379
19,568	8,740	9,287	10,998	12,501
15,932	31,058	25,412	24,831	21,822
<u>\$ 111,290</u>	<u>\$ 114,728</u>	<u>\$ 119,080</u>	<u>\$ 121,480</u>	<u>\$ 124,702</u>

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CITY OF LA PORTE, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Amounts in (000's)

(Accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses					
Governmental activities:					
General government	\$ 7,411	\$ 7,349	\$ 8,411	\$ 10,056	\$ 11,443
Public safety	10,368	11,603	12,153	16,267	15,495
Public works	5,165	5,210	3,668	4,348	8,095
Health, welfare and sanitation	1,887	1,862	2,488	2,465	2,379
Culture and recreation	3,718	3,580	3,120	4,004	4,223
Interest on long-term debt	864	1,226	1,353	1,695	1,527
Total governmental activities expenses	29,413	30,830	31,193	38,836	43,162
Business-type activities:					
Water Services	6,478	6,845	6,548	6,631	4,833
Sewer services	1,820	1,894	2,087	2,247	2,603
Airport	157	123	124	156	183
Bay Forest Golf Course	1,243	1,285	1,311	1,362	1,437
Sylvan Beach Convention Center	212	215	218	225	26
Total business-type activities expenses	9,909	10,361	10,288	10,621	9,082
Total primary government expenses	\$ 39,322	\$ 41,191	\$ 41,481	\$ 49,458	\$ 52,244
Program Revenue					
Governmental activities:					
Charges for services					
General government	\$ 670	\$ 1,002	\$ 2,007	\$ 2,725	\$ 3,061
Public safety	1,498	1,333	435	591	1,681
Public works	24	-	-	-	-
Health, welfare and sanitation	1,430	1,771	1,856	1,889	1,849
Culture and recreation	461	430	418	418	448
Operating grants and contributions	2,640	1,031	992	4,648	5,165
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital grants and contributions					
General government	-	-	-	235	1,260
Culture and recreation	-	-	-	-	-
Total governmental activities program revenues	6,723	5,567	5,708	10,505	13,463
Business-type activities:					
Charges for services					
Water Services	4,500	5,439	4,790	6,133	4,520
Sewer services	2,591	2,842	2,764	3,670	3,363
Airport	33	36	42	65	53
Bay Forest Golf Course	966	956	911	1,032	1,067
Sylvan Beach Convention Center	164	163	189	161	2
Capital grants and contributions	-	-	1,061	2,338	1,786
Total business-type activities program revenues	8,254	9,435	9,758	13,398	10,791
Total primary government program revenues	\$ 14,977	\$ 15,003	\$ 15,465	\$ 23,903	\$ 24,255
Net (Expense)/Revenue					
Governmental activities	\$ (22,689)	\$ (25,263)	\$ (25,486)	\$ (28,331)	\$ (29,699)
Business-type activities	(1,655)	(926)	(530)	2,777	1,710
Total primary government net expense	\$ (24,344)	\$ (26,189)	\$ (26,016)	\$ (25,554)	\$ (27,990)

Exhibit 2
Page 1 of 2

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 11,497	\$ 14,575	\$ 14,091	\$ 13,854	\$ 14,115
17,109	16,306	17,375	17,765	20,436
4,601	6,280	3,784	4,451	6,260
2,521	2,453	2,424	2,328	2,519
6,483	6,033	6,361	5,722	5,855
1,557	1,871	1,268	1,385	1,404
<u>43,769</u>	<u>47,518</u>	<u>45,303</u>	<u>45,505</u>	<u>50,589</u>
5,721	5,720	7,692	8,206	7,731
2,674	2,674	2,932	2,599	2,802
181	181	213	210	230
1,485	1,485	-	-	-
-	-	-	-	-
<u>10,062</u>	<u>10,061</u>	<u>10,836</u>	<u>11,015</u>	<u>10,763</u>
<u>\$ 53,831</u>	<u>\$ 57,579</u>	<u>\$ 56,139</u>	<u>\$ 56,520</u>	<u>\$ 61,352</u>

\$ 3,116	\$ 712	\$ 844	\$ 646	\$ 826
1,593	3,506	3,128	3,314	3,208
1,067	330	268	266	270
1,842	2,046	2,197	2,204	2,223
661	1,474	1,385	1,444	1,509
1,004	-	-	-	-
-	8	240	3	3
-	611	431	433	546
-	428	766	20	258
-	107	78	393	1,208
-	-	-	-	-
-	1	1	-	-
<u>9,283</u>	<u>9,223</u>	<u>9,338</u>	<u>8,723</u>	<u>10,051</u>

3,850	6,267	6,055	5,694	5,407
3,307	3,535	3,601	3,420	3,423
53	56	60	55	56
1,002	-	-	-	-
-	-	-	-	-
860	1,442	859	1,398	1,126
<u>9,073</u>	<u>11,300</u>	<u>10,575</u>	<u>10,568</u>	<u>10,012</u>
<u>\$ 18,356</u>	<u>\$ 20,523</u>	<u>\$ 19,913</u>	<u>\$ 19,292</u>	<u>\$ 20,062</u>

\$ (34,485)	\$ (38,295)	\$ (35,965)	\$ (36,782)	\$ (40,537)
(989)	1,239	(261)	(447)	(752)
<u>\$ (35,474)</u>	<u>\$ (37,056)</u>	<u>\$ (36,226)</u>	<u>\$ (37,229)</u>	<u>\$ (41,290)</u>

CITY OF LA PORTE, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Amounts in (000's)

(Accrual basis of accounting)

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes	\$ 11,062	\$ 11,816	\$ 12,197	\$ 13,066	\$ 13,683
Industrial payments	6,896	6,992	7,660	8,189	7,959
Sales and use taxes	3,263	3,460	4,068	5,736	5,803
Franchise taxes	1,719	1,886	1,987	2,004	2,165
Investment earnings	376	720	1,875	2,387	1,783
Other revenues	495	857	1,213	89	115
Gain/(Loss) on sale of capital assets	-	-	-	-	-
Transfers	685	382	(3,910)	76	(3,533)
Total governmental activities	<u>24,496</u>	<u>26,112</u>	<u>25,089</u>	<u>31,546</u>	<u>27,975</u>
Business-type activities:					
Investment earnings	89	165	300	343	199
Other revenues	874	827	695	-	-
Gain/(Loss) on sale of capital assets	(6)	-	(16)	-	-
Transfers	(685)	(382)	3,910	(76)	3,533
Total business-type activities	<u>272</u>	<u>611</u>	<u>4,889</u>	<u>267</u>	<u>3,732</u>
Total primary government	<u>\$ 24,768</u>	<u>\$ 26,723</u>	<u>\$ 29,978</u>	<u>\$ 31,813</u>	<u>\$ 31,707</u>
Change in Net Position					
Governmental activities	\$ 1,807	\$ 850	\$ (396)	\$ 3,215	\$ (1,725)
Business-type activities	(1,383)	(315)	4,359	3,044	5,442
Total primary government	<u>\$ 424</u>	<u>\$ 535</u>	<u>\$ 3,962</u>	<u>\$ 6,259</u>	<u>\$ 3,717</u>

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<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 16,391	\$ 17,742	\$ 17,251	\$ 17,782	\$ 19,925
10,555	10,732	10,471	11,108	11,555
5,787	5,914	8,267	8,718	10,105
2,160	2,171	2,312	2,184	2,252
688	294	143	84	106
93	164	168	432	459
-	-	1,941	-	-
(779)	(1,000)	334	720	(371)
<u>34,895</u>	<u>36,017</u>	<u>40,887</u>	<u>41,029</u>	<u>44,031</u>
73	39	12	8	9
-	-	16	36	100
-	-	-	-	-
779	1,000	(334)	(720)	371
<u>852</u>	<u>1,040</u>	<u>(306)</u>	<u>(676)</u>	<u>480</u>
<u>\$ 35,747</u>	<u>\$ 37,057</u>	<u>\$ 40,581</u>	<u>\$ 40,353</u>	<u>\$ 44,511</u>
\$ 410	\$ (2,278)	\$ 4,922	\$ 4,244	\$ 3,493
(137)	2,279	(568)	(1,124)	(271)
<u>\$ 273</u>	<u>\$ 1</u>	<u>\$ 4,354</u>	<u>\$ 3,120</u>	<u>\$ 3,221</u>

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CITY OF LA PORTE, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund					
Nonspendable	\$ 69	\$ 70	\$ 83	\$ 105	\$ 102
Committed	-	-	-	-	-
Assigned	550	126	134	296	199
Unassigned	8,644	11,582	14,494	14,405	13,758
Total general fund	\$ 9,263	\$11,778	\$14,711	\$14,806	\$14,059
All Other Governmental Funds					
Restricted	\$ 6,236	\$ 6,705	\$ 9,318	\$ 8,489	\$ 5,813
Committed	16,488	18,814	18,660	19,933	17,944
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	\$22,724	\$25,519	\$27,979	\$28,423	\$23,757

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Exhibit 3

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 135	\$ 139	\$ 94	\$ 125	\$ 103
-	-	-	3,500	8,500
151	96	30	104	78
<u>12,274</u>	<u>19,119</u>	<u>23,839</u>	<u>23,856</u>	<u>21,294</u>
<u>\$12,561</u>	<u>\$19,352</u>	<u>\$23,964</u>	<u>\$27,585</u>	<u>\$ 29,975</u>
\$ 7,644	\$14,084	\$12,573	\$12,194	\$ 14,177
20,331	9,079	6,553	5,586	2,962
7	-	-	-	-
-	-	(31)	-	(1)
<u>\$27,983</u>	<u>\$23,163</u>	<u>\$19,096</u>	<u>\$17,780</u>	<u>\$ 17,138</u>

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CITY OF LA PORTE, TEXAS

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last ten Fiscal Years

Amounts in (000's)

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
Revenues					
Taxes	\$ 24,046	\$ 25,688	\$ 28,919	\$ 30,060	\$ 34,930
Donations	30	-	30	-	-
Harris County Joint Ventures	1,752	-	-	-	-
Licenses and permits	531	683	920	560	642
Fines and forfeits	678	848	1,244	1,726	1,833
Charges for services	3,233	3,888	3,967	3,958	4,470
Intergovernmental	1,113	1,174	716	4,755	4,868
Interest	631	1,709	2,117	1,883	610
Miscellaneous	184	163	77	90	105
Total Revenues	<u>32,197</u>	<u>34,154</u>	<u>37,990</u>	<u>43,033</u>	<u>47,458</u>
Expenditures					
General government	6,849	7,237	7,696	8,418	9,869
Public safety	10,533	11,072	11,769	15,610	13,859
Public works	2,430	2,360	2,407	2,909	6,664
Health and sanitation	1,808	1,814	1,973	2,479	2,087
Culture and recreation	3,068	3,011	3,103	3,470	3,817
Debt service:					
Principal	1,330	1,195	1,235	1,655	1,695
Interest	820	1,180	1,428	1,758	1,572
Bond issuance cost	211	195	154	-	-
Capital outlay	8,566	6,550	10,013	6,351	15,557
Total Expenditures	<u>35,615</u>	<u>34,613</u>	<u>39,779</u>	<u>42,650</u>	<u>55,120</u>
Excess of revenues over (under) expenditures	(3,418)	(459)	(1,789)	383	(7,662)
Other Financing Sources (Uses)					
General obligation bonds issued	16,587	6,965	8,075	-	-
Refunding bonds issued	-	-	-	-	-
Premium on refunding bonds issued	-	191	38	-	-
Payment to refunded bond escrow agent	3,222	6,056	4,197	7,625	14,232
Transfers in	(3,774)	(7,533)	(5,148)	(7,501)	(12,119)
Transfers out	42	90	21	32	137
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>16,077</u>	<u>5,769</u>	<u>7,183</u>	<u>156</u>	<u>2,250</u>
Net change in fund balances	<u>\$ 12,659</u>	<u>\$ 5,310</u>	<u>\$ 5,393</u>	<u>\$ 538</u>	<u>\$ (5,412)</u>
Debt service as a percentage of noncapital expenditures	8.7%	9.2%	9.5%	9.4%	8.3%

Exhibit 4

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	36,682	35,761	38,353	39,835	43,837
	-	-	-	-	-
	-	-	-	-	-
	476	313	465	368	498
	1,803	1,724	1,758	1,887	1,791
	6,084	5,680	5,957	6,009	6,305
	989	917	1,239	568	1,572
	263	193	129	76	97
	125	242	36	426	261
	<u>46,421</u>	<u>44,831</u>	<u>47,937</u>	<u>49,169</u>	<u>54,361</u>
	9,788	10,289	10,462	11,043	13,828
	14,612	15,688	15,752	16,322	17,428
	2,819	3,118	3,439	3,247	3,433
	2,233	2,182	2,226	2,244	2,334
	5,048	5,314	5,261	5,227	5,441
	1,755	1,740	2,170	2,365	2,640
	1,388	1,871	1,520	1,385	1,218
	200	-	151	-	154
	10,843	8,714	8,583	5,500	5,446
	<u>48,686</u>	<u>48,916</u>	<u>49,563</u>	<u>47,333</u>	<u>51,922</u>
	(2,264)	(4,085)	(1,627)	1,835	2,439
	6,265	-	-	-	-
	4,295	-	9,435	-	9,300
	225	-	364	-	608
	(4,410)	-	(9,639)	-	(9,749)
	9,158	4,248	2,711	3,884	3,912
	(10,545)	(5,012)	(2,644)	(3,630)	(4,761)
	5	6,822	1,941	215	
	<u>4,993</u>	<u>6,058</u>	<u>2,168</u>	<u>469</u>	<u>(690)</u>
\$	<u>2,729</u>	<u>\$ 1,972</u>	<u>\$ 543</u>	<u>\$ 2,304</u>	<u>\$ 1,749</u>
	8.8%	9.0%	9.4%	9.0%	8.3%

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CITY OF LA PORTE, TEXAS**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY***Last Ten Fiscal Years**(unaudited)*

Fiscal Year	Tax Year	Real Property	Personal Property	Less Tax Exempt Real Property	Less Other Exemptions and Abatements	Total Taxable Assessed Value
2005	2004	\$ 1,601,433,200	\$ 311,721,280	\$ -	278,265,540	\$ 1,634,888,940
2006	2005	1,777,351,563	325,549,640	-	407,734,605	1,695,166,598
2007	2006	1,861,821,075	350,191,031	-	419,779,423	1,792,232,683
2008	2007	2,007,113,146	372,331,715	-	428,955,092	1,950,489,769
2009	2008	2,237,095,319	469,916,389	-	502,091,647	2,204,920,061
2010	2009	2,261,046,846	582,963,159	-	515,111,496	2,328,898,509
2011	2010	2,055,914,368	672,621,147	-	514,928,797	2,213,606,718
2012	2011	2,079,843,021	720,515,678	-	535,441,621	2,264,917,078
2013	2012	2,080,199,179	797,558,553	-	536,721,284	2,341,036,448
2014	2013	2,176,582,621	986,494,475	-	590,232,231	2,572,844,865

Source: Harris County Certified Tax Rolls and Corrections.

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Exhibit 5

Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percent of Actual Taxable Value
\$ 0.710000	\$ 1,634,888,940	100%
0.710000	1,695,166,598	100%
0.710000	1,792,232,683	100%
0.710000	1,950,489,769	100%
0.710000	2,204,920,061	100%
0.710000	2,328,898,509	100%
0.710000	2,213,606,718	100%
0.710000	2,264,917,078	100%
0.710000	2,341,036,448	100%
0.710000	2,572,844,865	100%

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CITY OF LA PORTE, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City of La Porte by fund:					
General	\$ 0.61100	\$0.61100	\$0.61200	\$0.61900	\$0.61900
Debt service	<u>0.09900</u>	<u>0.09900</u>	<u>0.09800</u>	<u>0.09100</u>	<u>0.09100</u>
Total Direct Rates	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>
Harris County Flood Control District	0.03322	0.03241	0.03106	0.03086	0.02922
Harris County	0.39986	0.40239	0.39239	0.38923	0.39224
Port of Houston Authority	0.01474	0.01302	0.01437	0.01773	0.01636
Harris County Board of Education	0.00629	0.00629	0.00585	0.00584	0.00605
Hospital District	0.19020	0.19216	0.19216	0.19216	0.19216
La Porte I.S.D.	1.73400	1.73400	1.30500	1.32500	1.32500
San Jacinto Jr. College District	<u>0.14537</u>	<u>0.14537</u>	<u>0.14537</u>	<u>0.16341</u>	<u>0.17080</u>
Total Direct and Overlapping Rates	<u><u>\$ 3.23368</u></u>	<u><u>\$3.23564</u></u>	<u><u>\$2.79620</u></u>	<u><u>\$2.83423</u></u>	<u><u>\$2.84183</u></u>

Tax rates per \$100 of assessed valuation
 Source: Harris County Appraisal District

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Exhibit 6

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$0.61900	\$0.60500	\$0.60500	\$ 0.64000	\$ 0.61400
<u>0.09100</u>	<u>0.10500</u>	<u>0.10500</u>	<u>0.07000</u>	<u>0.09600</u>
<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>
0.02923	0.02809	0.02809	0.02827	0.02736
0.38805	0.39117	0.40021	0.41455	0.41731
0.02054	0.01856	0.01952	0.01716	0.01531
0.00658	0.00658	0.00662	0.00636	0.00600
0.19216	0.19216	0.18216	0.17000	0.17000
1.32500	1.35500	1.33000	1.33000	1.33000
<u>0.17628</u>	<u>0.18560</u>	<u>0.18560</u>	<u>0.18560</u>	<u>0.18560</u>
<u>\$2.84784</u>	<u>\$2.88716</u>	<u>\$2.86220</u>	<u>\$ 2.86194</u>	<u>\$ 2.86158</u>

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CITY OF LA PORTE, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and 10 Years Ago

Exhibit 7

Property Tax Payer	2014			Property Tax Payer	2005		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value		Taxable Assessed Value	Rank	% of Taxable Assessed Value
Nov Wilson LP	\$ 74,053,442	1	2.88%	Oxy Vinyls LP	\$ 49,186,150	1	3.01%
Conoco Phillips Co.	52,030,495	2	2.02%	Conoco Phillips, Inc.	48,612,640	2	2.97%
Equistar Chemicals LP	50,527,188	3	1.96%	Equistar Chemicals LP	45,125,300	3	2.76%
Granite Underwood Dist. Ctr LP	47,208,417	4	1.83%	BP Solvay	38,054,910	4	2.33%
Oxy Vinyls LP	40,697,859	5	1.58%	Centerpoint Energy	23,824,970	5	1.46%
Ineos USA LLC	37,999,780	6	1.48%	PPG Industries	23,585,660	6	1.45%
Underwood Distibution Ctr. LP	36,700,000	7	1.43%	Attofin Petrochemicals	22,293,400	7	1.36%
The Dow Chemical Company	28,089,314	8	1.09%	Dow Chemicals	20,710,190	8	1.28%
Port Crossing Land LP	26,996,451	9	1.05%	DuPont Dow Elastomers	17,664,140	9	1.08%
Dow Chemical	26,288,138	10	1.02%	Calpine Corporation	13,445,270	10	0.82%
Subtotal	420,591,084		16.35%		302,502,630		18.50%
Other Taxpayers	2,152,253,781		83.65%		1,332,386,310		81.50%
Total	\$ 2,572,844,865		100.00%		\$ 1,634,888,940		100.00%

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

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

Exhibit 8

Fiscal Year Ended Sept 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 11,669,473	\$11,334,572	97.1%	\$ 279,643	\$ 11,614,215	99.5%
2006	12,080,351	11,755,121	97.3%	278,102	12,033,223	99.6%
2007	12,703,850	12,418,873	97.8%	247,655	12,666,528	99.7%
2008	13,857,467	13,476,872	97.3%	355,344	13,832,216	99.8%
2009	15,654,937	15,377,149	98.2%	235,260	15,612,409	99.7%
2010	16,542,483	16,309,818	98.6%	150,949	16,460,767	99.5%
2011	15,871,498	15,599,930	98.3%	220,779	15,820,709	99.7%
2012	16,080,911	15,860,664	98.6%	176,608	16,037,272	99.7%
2013	16,621,361	16,518,207	99.4%	97,385	16,615,592	100.0%
2014	18,267,201	18,090,456	99.0%	-	18,090,456	99.0%

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CITY OF LA PORTE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Certificates of Obligation Bonds	Limited Tax Bonds	Revenue Bonds	General Obligation Bonds	Other * Obligations
2005	\$ 11,925	\$ 11,050	\$ 5,400	\$ 500	\$ 145	\$ 6,500
2006	12,610	16,405	5,130	375	-	8,680
2007	12,070	24,055	4,860	250	-	7,958
2008	11,475	23,265	4,590	125	-	7,210
2009	10,870	22,445	4,320	-	-	6,443
2010	11,665	26,350	4,050	-	-	5,660
2011	10,940	25,605	3,780	-	-	4,813
2012	17,050	20,150	1,620	-	-	3,945
2013	16,875	18,905	1,350	-	-	3,117
2014	23,726	10,845	540	-	-	2,208

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See Demographic and Economic Statistics for personal income and population data.

* - Includes premium on bonds

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Exhibit 9

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 35,520	N/A	\$ 1,028
43,200	N/A	1,240
49,193	N/A	1,413
46,665	N/A	1,320
44,078	N/A	1,241
47,725	N/A	1,298
45,138	N/A	1,322
42,765	N/A	1,212
40,248	N/A	1,165
37,319	N/A	1,072

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CITY OF LA PORTE, TEXAS

Exhibit 10

**RATIO OF GENERAL BONDED DEBT TO TAXABLE VALUE,
GENERAL BONDED DEBT PER CAPITA,
AND TAXABLE VALUE OF ALL PROPERTY
Last Ten Fiscal Years
(dollars in thousands, except per capita)**

Fiscal Year	Tax Year	General Obligation Bonds	Certificates of Obligation	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
2005	2004	\$ 28,375	\$ 11,050	1,584	\$ 37,841	2.3%	N/A	\$ 345
2006	2005	17,740	16,405	1,705	32,440	1.9%	N/A	772
2007	2006	16,930	24,055	1,814	39,171	2.2%	N/A	928
2008	2007	16,065	23,265	1,926	37,404	1.9%	N/A	1,105
2009	2008	15,190	22,445	2,000	35,635	1.6%	N/A	1,051
2010	2009	15,715	26,350	2,151	39,914	1.7%	N/A	965
2011	2010	14,720	25,605	3,118	37,207	1.7%	N/A	1,152
2012	2011	18,670	20,150	3,113	35,707	1.6%	N/A	1,090
2013	2012	18,225	18,905	2,490	34,640	1.5%	N/A	1,165
2014	2013	24,266	10,845	2,769	32,342	1.3%	N/A	1,072

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

(2) Population data can be found in demographic and economic statistics table.

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CITY OF LA PORTE, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 September 30, 2014
 (dollars in thousands, except per capita)

Exhibit 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Harris County	\$ 2,474,458,204	0.80%	\$ 19,795,666
Harris County Department of Education	7,410,000	0.80%	59,280
Harris County Flood Control District	89,990,000	0.80%	719,920
Harris County Toll Road	-	0.80%	-
La Porte ISD	292,055,000	37.54%	109,637,447
Port of Houston Authority	717,624,397	0.80%	5,740,995
San Jacinto Jr. College District	288,044,848	6.07%	17,484,322
Total Net Overlapping Debt	<u>\$ 3,869,582,449</u>		153,437,630
City of La Porte direct debt^b	37,318,503	100%	<u>37,318,503</u>
Total direct and overlapping debt			<u>\$ 190,756,133</u>

^b Approximately \$16,152,236 of the City's outstanding debt is self-supporting
 Source: Texas Municipal Reports
 Percentages are based on total property values

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CITY OF LA PORTE, TEXAS

Exhibit 12

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2005	\$6,193,451	\$5,259,943	\$ 933,508	\$565,000	\$ 43,161	\$ 608,161	1.5
2006	7,438,016	5,389,783	2,048,233	270,000	111,712	381,712	5.4
2007	6,722,774	5,681,548	1,041,226	262,500	106,828	369,328	2.8
2008	8,916,777	5,653,497	3,263,280	387,500	91,605	479,105	6.8
2009	7,920,114	5,743,725	2,176,389	387,500	76,350	463,850	4.7
2010	7,822,294	6,514,343	1,307,951	525,000	216,458	741,458	1.8
2011	8,569,767	6,458,483	2,111,284	585,000	104,488	689,488	3.1
2012	8,383,162	6,641,482	1,741,680	605,000	88,150	693,150	2.5
2013	7,940,580	7,256,098	684,482	625,000	73,556	698,556	1.0
2014	7,758,509	6,961,915	796,594	630,000	58,650	688,650	1.2

⁽¹⁾ Total revenues including interest

⁽²⁾ Total operating expenses less depreciation

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

Exhibit 13

Fiscal Year Ended Sept. 30,	Population (¹)	Personal Income⁽²⁾	Per Capita Personal Income⁽²⁾	Median Age⁽³⁾	School Enrollment⁽⁴⁾	Unemployment Rate⁽⁵⁾
2005	34,538	N/A	N/A	N/A	7,808	5.3%
2006	34,825	N/A	N/A	N/A	7,786	4.7%
2007	35,362	N/A	N/A	N/A	7,889	4.4%
2008	35,518	N/A	N/A	N/A	7,940	5.2%
2009	36,779	N/A	N/A	N/A	7,830	9.4%
2010	33,800	N/A	N/A	33	7,781	8.2%
2011	34,138	N/A	N/A	33	7,732	9.0%
2012	35,280	N/A	N/A	33	7,739	6.3%
2013	34,553	N/A	N/A	33	7,729	6.3%
2014	34,813	N/A	N/A	33	7,634	5.0%

Data sources:

- (1) Estimated population provided by city staff
- (2) Personal income and per capita personal income is currently unavailable
- (3) Median age data prior to 2010 is not available, median age provided by 2010 Census
- (4) School enrollment provided by La Porte Independent School District
- (5) Unemployment rates provided from the Bureau of Labor Statistics

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CITY OF LA PORTE, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Eight Years Ago

Exhibit 14

2014			2006		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
La Porte Independent School District	1,049	5.46%	La Porte ISD	1,000	5.29%
City of La Porte	381	1.98%	E.I. DuPont De Nemours & Co.	580	3.07%
Mistras Group Inc	500	2.60%	City of La Porte	368	1.95%
International Plant Svcs LLC	376	1.96%	Fumanite Worldwide	334	1.77%
Sulzer Turbo Svcs Houston Inc	330	1.72%	A & L Industrial Services Inc	300	1.59%
A&L Industrial Services Inc	300	1.56%	CCC Group, Inc	300	1.59%
CCC Group Inc	300	1.56%	Aker Kvaerner Industrial Constructors, Inc	250	1.32%
Evergreen Envmtl Svcs LLC	275	1.43%	James H. Jackson Industries Inc	250	1.32%
Pfeiffer Holdings LLC	271	1.41%	Occidental Chemical Corp.	175	0.92%
Contech Control Services Inc	250	1.30%	Intercontinental Terminal Co.	160	0.85%
Total	4,032	20.98%	Total	3,717	19.67%

Source: Centerpoint Energy

Note: This list includes companies within the City limits of La Porte and within the industrial districts.

Note: Employment data prior to 2006 was not available

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CITY OF LA PORTE, TEXAS
FULL-TIME EMPLOYEES BY FUNCTION/PROGRAM
Last Nine Fiscal Years

Exhibit 15

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government	76	80	79	78	79	90	90	88	88
Public Safety:	138	147	142	143	144	144	151	152	154
Public Works	32	32	32	32	32	32	32	30	30
Health and Sanitation	21	21	22	22	22	24	24	23	23
Culture and recreation	45	44	45	45	46	46	46	42	42
Water services	27	25	25	25	25	25	25	25	24
Sewer Services	20	20	20	20	20	20	20	20	20
Golf Course	13	12	12	12	12	-	-	-	-
Sylvan Beach									
Convention Center	3	4	4	4	-	-	-	-	-
Total	<u>375</u>	<u>385</u>	<u>381</u>	<u>381</u>	<u>380</u>	<u>381</u>	<u>388</u>	<u>380</u>	<u>381</u>

Note: Data not available for fiscal years prior to 2005.

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CITY OF LA PORTE, TEXAS
OPERATING INDICATORS BY FUNCTION / PROGRAM
Last Ten Fiscal Years

Function / Program	Fiscal Year				
	2005	2006	2007	2008	2009
Police					
Physical arrests	2,330	2,465	2,489	2,642	2,737
Tickets processed	6,877	8,212	9,652	15,352	16,098
Fire					
Number of calls answered	1,747	2,028	1,603	1,799	1,409
Inspections	500	N/A	600	320	600
Highways and streets					
Street resurfacing (linear feet)	22,975	27,835	22,100	19,887	23,559
Potholes repaired	531	321	1,260	996	1,012
Sanitation					
Cu. Yds. Garbage collected	30,022	30,795	29,279	29,282	29,894
Cu. Yds Trash collected	49,140	49,140	52,250	48,136	78,900
Culture and recreation					
Fitness center admissions	81,868	70,558	62,828	62,245	53,401
Water					
Number of water meters	11,391	11,592	11,743	11,913	11,968
Average daily consumption (millions of gallons)	4.1	3.9	3.8	4.0	4.0
Water main breaks	437	483	467	455	498
Wastewater					
Average daily sewage treatment (thousands of gallons)	3.5	2.8	3.9	3.2	2.8
Golf Course					
Number of Paid Rounds Played	34,961	32,731	32,433	35,839	36,009

Source: Various City departments

Notes: N/A - Data not available

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Exhibit 16

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
2,538	2,354	2,311	2,205	2,032
16,603	14,619	13,221	13,861	14,151
1,559	1,483	1,195	1,219	1,262
690	725	812	950	1,020
38,365	60,472	69,580	13,520	11,183
1,236	465	1,173	271	165
29,642	27,961	42,589	30,625	54,812
48,368	45,778	54,641	32,137	40,701
78,118	64,989	64,279	64,587	90,765
12,015	12,061	12,129	12,234	12,321
3.9	4.6	4.3	4.0	3.8
417	666	311	379	411
3.7	2.8	3.3	2.7	2.6
31,271	34,848	34,038	32,257	32,741

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CITY OF LA PORTE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
Last Ten Fiscal Years

Function / Program	Fiscal Year				
	2005	2006	2007	2008	2009
Public Safety					
Police Station	1	1	1	1	1
Police Officers	72	73	74	74	74
Reserve Officers	5	5	6	2	1
Fire Stations	4	4	4	4	4
Sanitation					
Collection trucks	14	14	14	14	14
Highways and streets					
Streets (miles)	211	217	211	295	126
Streetlights	2,192	1,803	1,804	2,400	2,387
Traffic signals	3	3	3	3	7
Culture and recreation					
Parks acreage	337	339	347	347	356
Parks	21	21	22	22	21
Swimming pools	6	6	6	6	6
Recreation Centers	1	1	1	1	1
Senior Center	1	1	1	1	1
Water and Sewer					
Water mains (miles)	165	168	176	178	180
Fire hydrants	1,800	1,800	1,076	1,161	1,168
Sanitary Sewers (miles)	187	187	189	189	191
Storm sewers (miles)	89	92	92	92	92

Source: City Departments

Draft 3/5/2015

Exhibit 17

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1	1	1	1	1
75	75	74	74	74
2	2	2	6	2
4	4	4	4	4
14	14	12	12	12
126	126	125	297	297
2,387	2,415	2,415	2,415	2,415
5	5	6	6	6
356	356	188	188	188
21	21	22	22	22
5	5	5	5	5
4	4	3	3	2
1	1	1	1	1
180	181	182	183	184
1,179	1,186	1,199	1,226	1,256
191	192	192	192	192
95	97	60	112	112

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REQUEST FOR FISCAL AFFAIRS COMMITTEE AGENDA ITEM

Agenda Date Requested: <u>March 23, 2015</u> Requested By: <u>Michael Dolby, Director of Finance</u> Department: <u>Finance</u> Report: <input checked="" type="radio"/> Resolution: <input type="radio"/> Ordinance: <input type="radio"/>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;"><u>Appropriation</u></th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Source of Funds:</td> <td><u>001 & 016</u></td> </tr> <tr> <td>Account Number:</td> <td><u>5001-Audit</u></td> </tr> <tr> <td>Amount Budgeted:</td> <td><u>\$69,500</u></td> </tr> <tr> <td>Amount Requested:</td> <td><u>\$69,500</u></td> </tr> <tr> <td>Budgeted Item:</td> <td><input checked="" type="radio"/> YES <input type="radio"/> NO</td> </tr> </tbody> </table>	<u>Appropriation</u>		Source of Funds:	<u>001 & 016</u>	Account Number:	<u>5001-Audit</u>	Amount Budgeted:	<u>\$69,500</u>	Amount Requested:	<u>\$69,500</u>	Budgeted Item:	<input checked="" type="radio"/> YES <input type="radio"/> NO
<u>Appropriation</u>													
Source of Funds:	<u>001 & 016</u>												
Account Number:	<u>5001-Audit</u>												
Amount Budgeted:	<u>\$69,500</u>												
Amount Requested:	<u>\$69,500</u>												
Budgeted Item:	<input checked="" type="radio"/> YES <input type="radio"/> NO												

Exhibits:

SUMMARY & RECOMMENDATIONS

The finance office is requesting to continue the current contract with Whitley Penn to perform the September 30, 2015 year end audit. The extension is requested due to the conversion of the financial software to One Solution. The general ledger, accounts payable, accounts receivable, cash and fixed assets software will be implemented on October 1, 2015 and payroll and human resources will be implemented January 1, 2016. Use of the current auditors will allow the staff to have additional time to prepare the workpapers and adjustments required at year end as well as learn how to manage with the new software. A change of auditors will require additional staff time to familiarize them with City operations. Workflow and policies have to be communicated and demonstrated.

Additionally, GASB is requiring new reporting standards that will also increase staff time for preparation and reporting.

Whitley Penn has performed the city's year end audit for the past four years and offer stability and continuity to the City of La Porte. Based on performance and experience, staff believes Whitley Penn will do an excellent job. The City appreciates the size of the firm, the qualifications and availability of professional personnel assigned to the audit. Whitley Penn has assisted staff in preparing an award winning CAFR. Staff believes the firm is well qualified to perform the financial audit of the City. The audit fee proposed by Whitley Penn is \$69,500. There are sufficient funds budgeted for the audit fees. At this time, staff recommends we proceed with a one year engagement with Whitley Penn for financial auditing services for the City of La Porte for fiscal year 2015. The RFP for audit services was bid out in 2011 with a three year contract with two additional renewable years.

Action Required by the Fiscal Affairs Committee:

Discuss audit contract renewal.

Approved for Fiscal Affairs Committee Agenda

Corby D. Alexander, City Manager

Date