

CITY OF LA PORTE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
September 30, 2003

Prepared by:
Department of Finance

City of La Porte
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2003

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INTRODUCTORY SECTION





City of La Porte

Established 1892

February 18, 2004

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

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report for the City of La Porte, Texas for the fiscal year ended September 30, 2003. 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. Because the cost of internal controls should not outweigh their benefits, 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 Null-Lairson, 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, 2003 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 auditor 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, 2003, are fairly presented in conformity with GAAP. The independent auditor's 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 33,789.

The City is a home rule city operating under the Council-Manager form of government. Policy-making 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 both the City's manager and attorney. The City's 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, as 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 can be found in Note 1.B. of the notes to the financial statements.

The City's accounting records for general governmental operations are maintained on a 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 individual department level. All agencies of the City of La Porte are required to submit requests for appropriation to the City's manager on or before August the 15th of each year. The City's manager uses these requests as the starting point

for developing a proposed budget. The City's manager then presents this proposed budget to council for review prior to September 30. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 30, the close of the City of La Porte's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager must approve transfers of appropriations within a department. Transfers of appropriations between departments, 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 37 as part of the basic financial statements for the governmental funds. 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 78.

Factors Affecting Financial 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 1,788 square mile county leading in oil, gas and petrochemical areas, having over \$23 million average annual production of petroleum, natural gas and natural liquid gas. It has more than 3,000 manufacturing plants, the nation's largest concentration of petrochemical plants, the second largest United States seaport, and is a corporation management center. The Texas Medical Center is one of the nation's largest, providing medical care and educational opportunities. The county's 57 acute care hospitals have 14,914 beds of which 7,000 are in the Texas Medical Center. Higher education facilities includes: University of Houston, Rice University, Texas Southern University, St. Thomas University and Houston Baptist College, all offering full four-year as well as postgraduate programs. The LBJ Manned Spacecraft 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. Because of this, and the metropolitan advantages of Houston, La Porte is one of the few communities in the Gulf Coast area that offers this favorable combination.

Future planning. The La Porte 2020 Comprehensive Plan is a 20-year master plan adopted by the City Council to guide policy decisions relating to the physical and economic development of the community. In general, the plan indicates how the community desires to develop and redevelop over the course of the next twenty years. The comprehensive plan is a physical plan; it is long-range, comprehensive, and states the goals, objectives and policies of the local government. The comprehensive plan provides clear direction through specific statements of action to achieve the desired results envisioned by citizens and the leadership of the community.

The essential objectives of the comprehensive plan are as follows:

- ❖ It is a plan to guide the future physical development and redevelopment of the community;
- ❖ The time frame is long, extending over a twenty-year horizon;
- ❖ It encompasses a large geographic area including the corporate limits and ETJ of the community;
- ❖ It is general in nature, allowing some issues to be resolved and many decisions to be made;
- ❖ It articulates ideas in a framework of goals and objectives, policies and actions, and plans and projects;
- ❖ It is intended foremost, to serve as a continuing guide to decision-making, to provide a common direction, and to provide stability as issues are addressed and future decisions are made.

Residential Development. Neighborhoods are one of La Porte's greatest assets as they form a foundation for a sound quality of life. The City is made up of several distinct neighborhood areas, each with somewhat different physical characteristics such as the age of housing, street configuration, and the sizes of structures and lots. Much of the City's overall image and identity is due to the unique character of its neighborhoods, and these distinguishing features should therefore be preserved. Neighborhoods that are safe, well maintained and have character will maintain property values and thus maintain a sound neighborhood environment and a stable residential tax base.

The attractive appearance and environmental quality of existing and future low-density residential neighborhoods should be protected and improvements made where necessary to maintain the value of properties and enhance the quality of life. As the city continues to develop it is important that the integrity of the neighborhoods is preserved and the value and enjoyment of property is maintained and enhanced.

Goals for residential development:

- ❖ Consider programs to revitalize and rehabilitate existing housing where needed.
- ❖ Meet the future housing needs by providing for a variety of housing options.
- ❖ Encourage the rehabilitation or replacement of substandard housing.
- ❖ Promote a standard of home ownership encouraging well-maintained residential properties.
- ❖ Preserve the integrity of existing neighborhoods and create livable and safe neighborhood environments.
- ❖ Protect the attractive appearance and environmental quality of existing neighborhoods and make necessary improvements to maintain the value of properties and enhance the quality of life.

Beautification and Conservation. Citizens have expressed great interest for enhancing the visual appearance of La Porte and the redevelopment and reinvestment in Downtown, along major corridors, and in nonresidential areas. Through public involvement it is apparent that citizens visualize attractive shopping centers, livable neighborhoods, landscaped roadways, pleasant places to walk, and an enhanced quality of life. They want successful shopping areas that appeal to shoppers. They see the opportunities in the downtown to create a destination that combines a lively entertainment district in a historically significant area, retail stores interspersed with restaurants and professional offices and a blend of residential units as well.

Goals for Beautification:

- ❖ Improve the community character to make it a more desirable place to live, work, and visit.
- ❖ Improve the aesthetic visual environment through enhancement of site design, signage, roadways, parking areas, open space, and landscaping.
- ❖ Invest in Downtown to establish a vibrant mix of places to work, live, and visit, with shops, restaurants, entertainment, and a variety of dwelling units.

Redevelopment Strategy. Urban redevelopment efforts require cooperative action to encourage new and sustained private investment and to provide supporting rehabilitation of public infrastructure. A key part of the process is determining what strategic actions the community should take to achieve its redevelopment goals and objectives. Successful redevelopment will often require cooperation and coordination between agencies at different levels of government as well as non-profit community organizations. This should include coordination of physical improvements with social service programs, which aim to enhance the health and economic capacity of residents in targeted neighborhoods.

Redevelopment Goals:

- ❖ Stabilize and improve the quality of neighborhoods and other areas in decline by attracting renewed private investment activity.
- ❖ Revitalize the City's historic downtown area.

Cash management policies and practices. Cash temporarily idle during the year was invested in demand deposits and obligations of the U.S. Treasury. The maturities of the investments range from 30 days to 2 years, with an average maturity of 5 months. The average yield on investments was 1.66% for the government. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Pension and other post employment benefits. The City of La Porte sponsors a single-employer defined benefit pension plan for its emergency services employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City of La Porte must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis.

The City of La Porte also provides pension benefits for its non emergency services employees. These benefits are provided through a state-wide plan managed by Texas Municipal Retirement System (TMRS). The City of La Porte has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to TMRS.

The City of La Porte also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 45 retired employees receiving these benefits.

Additional information on the City of La Porte's pension arrangements and post employment benefits can be found in Notes 6 and 11 in the notes to the financial statements.

Awards and Acknowledgements

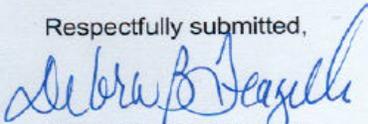
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This was the twenty-second consecutive year that the City has received 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 are submitting it to the GFOA to determine its eligibility for another certificate.

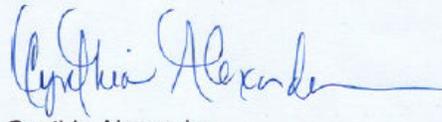
In addition, the government also received the GFOA's Distinguished Budget Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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,



Debra Brooks Feazelle
City Manager



Cynthia Alexander
Assistant City Manager

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, 2002

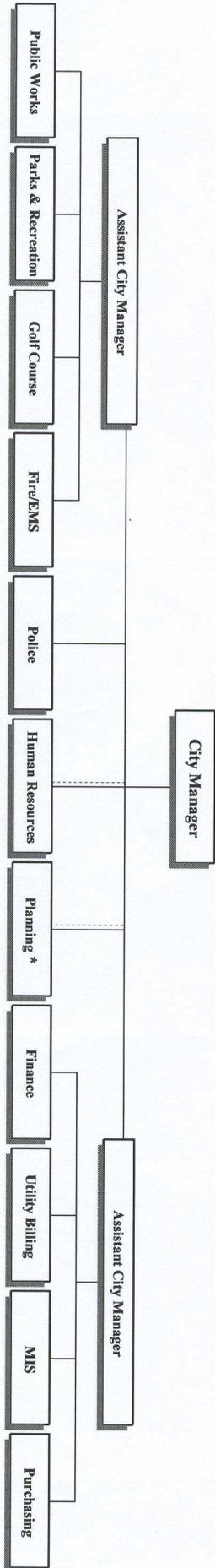
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

**CITY OF LA PORTE
ORGANIZATION CHART**



** Interim*

Effective Date: 09/01/2003

CITY OF LA PORTE

LIST OF ELECTED OFFICIALS

NORMAN L. MALONE
MAYOR

PETER GRIFFITHS
MAYOR PRO TEMPORE
AT LARGE A

BARRY BEASLEY
COUNCIL PERSON
AT LARGE B

MICHAEL MOSTEIT
COUNCIL PERSON
DISTRICT 1

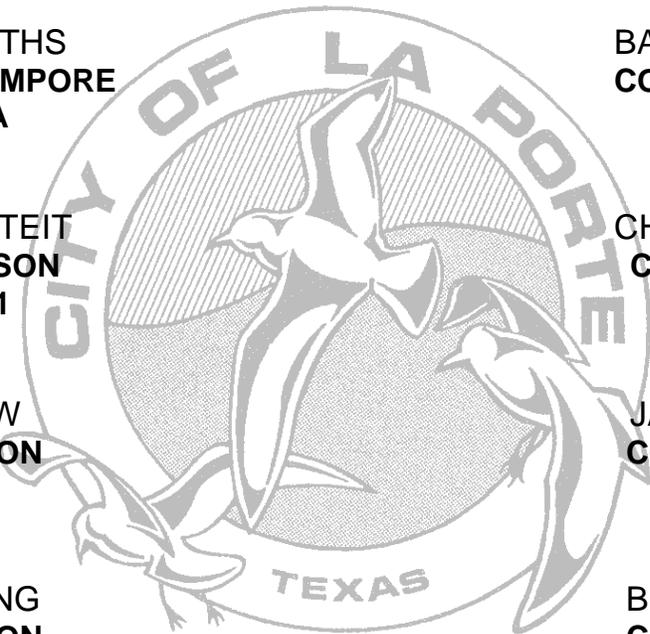
CHUCK ENGELKEN
COUNCIL PERSON
DISTRICT 2

HOWARD EBOW
COUNCIL PERSON
DISTRICT 3

JAMES WARREN
COUNCIL PERSON
DISTRICT 4

CHARLIE YOUNG
COUNCIL PERSON
DISTRICT 5

BRUCE MEISMER
COUNCIL PERSON
DISTRICT 6





FINANCIAL SECTION



11 Greenway Plaza,
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Houston, TX 77046
(713) 621-1515
Fax: (713) 621-1570



2117 Post Office
Galveston, TX 77550
(409) 762-8380
Fax: (409) 762-1749

Independent Auditors' Report

To the Honorable Mayor and Members
of the City Council
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 City of La Porte, Texas (the City), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Porte, Texas, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of October 1, 2002

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions or laws, regulations, contracts, and grants. That report, which has been issued separately from this document, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 17 through 23, budgetary comparison information on pages 78 through 93 and pension information on page 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Mull & Laism, P.C." in a cursive, flowing script.

Houston, Texas
February 17, 2004

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2003

As management of the City of La Porte, we offer 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, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-8 of this report. The City implemented Governmental Accounting Standards Board Statement – 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments for the first time this year.

FINANCIAL HIGHLIGHTS

- The assets of the City of La Porte exceeded its liabilities at the close of the most recent fiscal year by \$87,019,858 (net assets). Of this amount, \$28,662,825 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The government's total net assets decreased by \$1,105,883.
- As of the close of the current fiscal year, the City of La Porte's governmental funds reported combined ending fund balances of \$23,143,855. Of this amount, \$15,471,748 (67%) is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,632,833 (28%) of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of 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 and 3) notes to the financial statements. 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when 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 compensated absences).

Both of the government-wide financial statements report functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and sanitation and culture and recreation. The business-type activities of the City include the Water and Sewer Utilities, Airport, La Porte Area Water Authority, Sylvan Beach Convention Center and Bay Forest Golf Course operations.

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

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2003

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 funds and proprietary funds.

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 current sources and uses 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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 12 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, Capital Improvements and 2002 General Obligation Bond funds, all of which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 30-37 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 financial statements. The City uses proprietary funds to account for its utilities, airport, water authority, convention center and golf course. 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 its motor pool services, technology services and employee health insurance program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility, La Porte Area Water Authority and Bay Forest Golf Course funds since they are considered to be major funds of the City. Because the Airport and Sylvan Beach Convention Center are the only remaining proprietary funds, they are being presented as major funds even though they do not meet the criteria of a major fund established in Government Accounting Standard Board (GASB) Statement No. 34. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 38-43 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 45-68 of this report.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2003

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. Required supplementary information can be found on page 69 of this report.

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 fund statements and schedules can be found on pages 72-75 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of La Porte, assets exceeded liabilities by \$87,019,858 at the close of the fiscal year.

By far the largest portion of the City's net assets \$49,509,884 (57%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, improvements, construction in progress, and infrastructure), less any related debt used to acquire those assets that are 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 capital assets themselves cannot be used to liquidate these liabilities.

With the first year implementation of GASB Statement 34, the City is not presenting comparable columns in the various comparisons and analysis for the prior year.

City of La Porte's Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 33,982,205	\$ 9,172,756	\$ 43,154,961
Capital assets	39,705,979	35,193,134	74,899,113
Total Assets	<u>73,688,184</u>	<u>44,365,890</u>	<u>118,054,074</u>
Long term liabilities	15,775,718	8,500,496	24,276,214
Other liabilities	4,754,482	2,003,520	6,758,002
Total Liabilities	<u>20,530,200</u>	<u>10,504,016</u>	<u>31,034,216</u>
Net Assets:			
Invested in capital assets, net of related debt	23,400,108	26,109,776	49,509,884
Restricted	5,804,419	3,042,730	8,847,149
Unrestricted	23,953,457	4,709,368	28,662,825
Total Net Assets	<u>\$ 53,157,984</u>	<u>\$ 33,861,874</u>	<u>\$ 87,019,858</u>

An additional portion of the City's net assets \$8,847,149 (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$28,662,825 (33%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2003, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories - governmental and business-type activities.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2003

Analysis of the City's Operations – the following table provides a summary of the City's operations for the year ended September 30, 2003. The City first implemented GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, in 2003, therefore comparative data is not presented. Governmental activities decreased the City of La Porte's net assets by \$256,003, accounting for 23% of the total decline in net assets. Business-type activities decreased the City's net assets by \$849,880, accounting for 77% of the total decline in net assets.

City of La Porte's Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 5,320,571	\$ 7,785,689	\$ 13,106,260
Operating grants and contributions	480,037	-	480,037
General revenues:			
Property taxes, levied for general purposes	8,797,886	-	8,797,886
Property taxes, levied for debt service	2,070,120	-	2,070,120
Industrial payments	7,276,821	-	7,276,821
Franchise fees	1,682,849	-	1,682,849
Sales tax	3,037,574	-	3,037,574
Unrestricted investment earnings	542,254	121,174	663,428
Miscellaneous	704,886	889,298	1,594,184
Gain (loss) on sale/retirement of capital assets	(260,545)	-	(260,545)
Total revenues	<u>29,652,453</u>	<u>8,796,161</u>	<u>38,448,614</u>
Expenses:			
General Government	8,625,554	-	8,625,554
Public Safety	10,771,423	-	10,771,423
Public Works	3,638,063	-	3,638,063
Health and Sanitation	1,823,462	-	1,823,462
Culture and Recreation	4,048,974	-	4,048,974
Interest on Long-term debt	747,351	-	747,351
Water Services	-	6,339,238	6,339,238
Sewer Services	-	1,913,284	1,913,284
Airport	-	149,472	149,472
Bay Forest Golf Course	-	1,284,729	1,284,729
Sylvan Beach Convention Center	-	212,947	212,947
Total Expenses	<u>29,654,827</u>	<u>9,899,670</u>	<u>39,554,497</u>
Change in net assets before transfers	(2,374)	(1,103,509)	(1,105,883)
Transfers	(253,629)	253,629	-
Change in net assets	<u>(256,003)</u>	<u>(849,880)</u>	<u>(1,105,883)</u>
Net assets - beginning	<u>53,413,987</u>	<u>34,711,754</u>	<u>88,125,741</u>
Net assets - ending	<u>\$ 53,157,984</u>	<u>\$ 33,861,874</u>	<u>\$ 87,019,858</u>

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2003

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City of La Porte's governmental funds reported combined ending fund balances of \$23,143,855. Approximately 67% of this total amount (\$15,471,748) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for encumbrances (\$255,876), 2) to provide for inventories (\$69,136), 3) to pay for debt service (\$1,797,213) and 4) to provide for capital projects construction (\$5,549,882).

In the general fund, the City budgeted for a decrease in the fund balance of \$3,126,590, which was the result of a shortfall in budgeted revenues and other resources. Due to actual revenues being more than budgeted and actual expenses being less than budgeted, the actual fund balance decrease for fiscal year 2003 was \$285,895. Debt Service fund balance increased in 2003 by \$207,603 and was primarily due to higher than planned property tax revenue. Capital Improvements fund balance decreased in 2003 by \$1,228,062 due to capital outlay expenditures and transfers to other funds. The 2002 General Obligation Bonds fund balance decreased in 2003 by \$1,452,432 for capital projects expenditures and Other Governmental fund balances decreased in 2003 by \$444,553.

Proprietary funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the respective proprietary funds are Utility - \$4,114,918, Airport - \$367,874, La Porte Area Water Authority - \$193,959, Sylvan Beach Convention Center - \$110,116, and Bay Forest Golf Course - \$(77,499). The change (decrease) in net assets of the proprietary funds in 2003 was as follows: Utility - \$(319,008), Airport - \$(114,109), La Porte Area Water Authority - \$(98,722), Sylvan Beach Convention Center - \$(19,285), and Bay Forest Golf Course - \$(298,756).

General Fund Budgetary Highlights – The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase from the original budget of 0.3% or \$73,162.

The City's budgeted revenue increased .2% as a result of revised revenue projections for interest and miscellaneous revenue. However, interest earnings were down because of a slow economy and declining interest rates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City of La Porte's investment in capital assets for its governmental and business-type activities as of September 30, 2003 amounts to \$74,899,113 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Construction in Progress for improvements to the wastewater treatment plant.
- Infiltration and inflow reduction program for the public works department.
- Approximately \$650,000 in fleet replacement.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2003

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities 2003	Business-type Activities 2003	Total
Land	\$ 7,128,945	\$ 2,350,478	\$ 9,479,423
Buildings	10,372,538	550,615	10,923,153
Equipment	5,346,635	124,992	5,471,627
Improvements	3,395,249	32,001,068	35,396,317
Infrastructure	11,561,634	-	11,561,634
Construction in Progress	1,900,978	165,981	2,066,959
Total	\$ 39,705,979	\$ 35,193,134	\$ 74,899,113

Additional information of the City of La Porte's capital assets can be found in note 4 on pages 56-58 of this report.

Debt Administration – At the end of the current fiscal year, the City of La Porte had bonded debt payable of \$23,803,358. Of this amount, \$14,720,000 comprises bonded debt backed by the full faith and credit of the government and \$9,083,358 represents bonds secured solely by water and sewer revenues.

**Outstanding Debt at Year End
Bonds Payable**

	Governmental Activities 2003	Business-type Activities 2003	Totals
General Obligations	\$ 12,170,000	\$ -	\$ 12,170,000
Revenue Bonds Payable	-	9,083,358	9,083,358
Certificate of Obligations	2,550,000	-	2,550,000
Total	\$ 14,720,000	\$ 9,083,358	\$ 23,803,358

The City of La Porte maintains an "AA" rating from the Standard & Poor's and Fitch and an "Aa" rating from Moody's for general obligation debt. The revenue bonds have been rated "A" by all three of these rating agencies.

Additional information on the City of La Porte's long-term debt can be found in note 5 on pages 59-63 of this report.

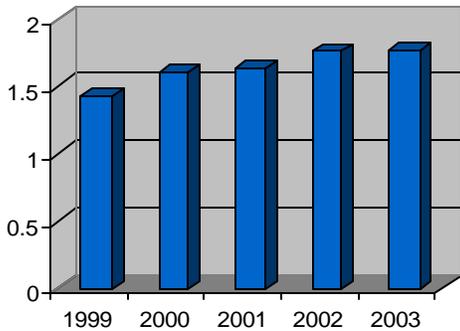
CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2003

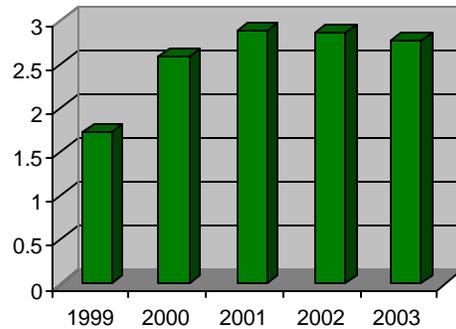
ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the Houston metropolitan area is currently 7.0 percent, which is an increase from a rate of 6.3 percent a year ago. This compares identical to the state's average unemployment rate of 6.3 percent and slightly higher than the national average rate of 5.7 percent. The City's budgets for all funds have benefited from a strong and expanding economy from the past several years, but in this coming fiscal year, the City's budget has been impacted by the slow down in economic growth. Total assessed property value for all residential and commercial property in the City of La Porte exceeded \$1.7 billion for fiscal year 2003 which is .7% higher than last year. The trend for total assessed property values has been steadily increasing each year with an average annual increase of 4.7% over the past 5 years. Sales tax receipts have not grown due to the slowing economy. This revenue source is the most volatile and subject to decline if the economic slowdown continues.

ASSESSED PROPERTY VALUATIONS
(in billions)



SALES TAX COLLECTIONS
(in millions)



REQUEST FOR INFORMATION

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 Assistant Director of Finance, 604 West Fairmont Parkway, La Porte, Texas, 77571.



BASIC FINANCIAL STATEMENTS



CITY OF LA PORTE, TEXAS
Statement of Net Assets
September 30, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 25,316,644	\$ 3,958,540	\$ 29,275,184
Investments	4,751,319	1,678,292	6,429,611
Receivables, net of allowance for uncollectibles			
Accounts receivable	2,535,447	967,706	3,503,153
Taxes receivable	1,172,483	-	1,172,483
Due from other governments	4,716	-	4,716
Accrued interest receivable	29,373	10,389	39,762
Internal Balances	902	-	902
Materials and supplies inventories at cost	113,346	4,540	117,886
Prepaid expenses	57,975	-	57,975
Restricted Assets:			
Cash and cash equivalents restricted for customer service deposits	-	368,730	368,730
Investments restricted for debt service	-	2,184,559	2,184,559
Capital assets:			
Land	7,128,945	2,350,478	9,479,423
Buildings and improvements	17,889,013	1,157,185	19,046,198
Improvements other than buildings	7,174,952	62,085,457	69,260,409
Infrastructure	23,069,817	-	23,069,817
Machinery and equipment	12,177,345	499,049	12,676,394
Construction in progress	1,900,978	165,981	2,066,959
Accumulated depreciation	<u>(29,635,071)</u>	<u>(31,065,016)</u>	<u>(60,700,087)</u>
Total assets	<u>73,688,184</u>	<u>44,365,890</u>	<u>118,054,074</u>
LIABILITIES			
Accounts payable	2,615,322	386,957	3,002,279
Accrued salaries payable	610,210	112,527	722,737
Interest payable	-	-	-
Due to others	-	-	-
Unearned revenue	-	44,071	44,071
Other current liabilities	-	16,952	16,952
Internal balances	-	902	902
Current portion of bonds payable	1,490,000	985,000	2,475,000
Accrued interest payable	38,950	19,198	58,148
Customer deposits	-	437,913	437,913
Noncurrent liabilities :			
Bonds payable, net of current portion	13,230,000	8,098,358	21,328,358
Accrued separation pay	<u>2,545,718</u>	<u>402,138</u>	<u>2,947,856</u>
Total liabilities	<u>20,530,200</u>	<u>10,504,016</u>	<u>31,034,216</u>
NET ASSETS			
Invested in capital assets, net of related debt	23,400,108	26,109,776	49,509,884
Restricted for:			
Debt service	1,921,750	3,042,730	4,964,480
Other projects	3,882,669	-	3,882,669
Unrestricted	<u>23,953,457</u>	<u>4,709,368</u>	<u>28,662,825</u>
Total net assets	<u>\$ 53,157,984</u>	<u>\$ 33,861,874</u>	<u>\$ 87,019,858</u>

See accompanying notes to financial statements.

CITY OF LA PORTE, TEXAS
Statement of Activities
For the Year Ended September 30, 2003

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<i>Governmental activities:</i>			
General Government	\$ 8,625,554	\$ 660,955	\$ 177,125
Public Safety	10,771,423	1,689,780	251,995
Public Works	3,638,063	1,481,061	-
Health & Sanitation	1,823,462	830,991	-
Culture and recreation	4,048,974	657,784	50,917
Interest on Long Term Debt	747,351	-	-
Total governmental activities	<u>29,654,827</u>	<u>5,320,571</u>	<u>480,037</u>
<i>Business-type activities:</i>			
Water Services	6,339,238	4,157,556	-
Sewer Services	1,913,284	2,493,284	-
Airport	149,472	30,001	-
Golf Course	1,284,729	943,493	-
Sylvan Beach Convention Ctr	212,947	161,355	-
Total business-type activities	<u>9,899,670</u>	<u>7,785,689</u>	<u>-</u>
Total government	<u>\$ 39,554,497</u>	<u>\$ 13,106,260</u>	<u>\$ 480,037</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Industrial payments

Franchise taxes

Public service taxes

Investment earnings

Miscellaneous

Loss on sale of assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets—beginning

Net assets—ending

See accompanying notes to basic financial statements.

**Net (Expenses) Revenues
and Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (7,787,474)	\$ -	\$ (7,787,474)
(8,829,648)	-	(8,829,648)
(2,157,002)	-	(2,157,002)
(992,471)	-	(992,471)
(3,340,273)	-	(3,340,273)
(747,351)	-	(747,351)
<u>(23,854,219)</u>	<u>-</u>	<u>(23,854,219)</u>
-	(2,181,682)	(2,181,682)
-	580,000	580,000
-	(119,471)	(119,471)
-	(341,236)	(341,236)
-	(51,592)	(51,592)
<u>-</u>	<u>(2,113,981)</u>	<u>(2,113,981)</u>
<u>\$ (23,854,219)</u>	<u>\$ (2,113,981)</u>	<u>\$ (25,968,200)</u>
8,797,886	-	8,797,886
2,070,120	-	2,070,120
7,276,821	-	7,276,821
1,682,849	-	1,682,849
3,037,574	-	3,037,574
542,254	121,174	663,428
704,886	889,298	1,594,184
(260,545)	-	(260,545)
(253,629)	253,629	-
<u>23,598,216</u>	<u>1,264,101</u>	<u>24,862,317</u>
(256,003)	(849,880)	(1,105,883)
53,413,987	34,711,754	88,125,741
<u>\$ 53,157,984</u>	<u>\$ 33,861,874</u>	<u>\$ 87,019,858</u>

CITY OF LA PORTE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2003

	General	Debt Service	Capital Improvements
ASSETS			
Cash and cash equivalents	\$ 6,883,009	\$ 1,466,615	\$ 3,079,798
Investments	1,534,529	328,289	689,386
Receivables, net of allowance for uncollectibles:			
Accounts receivable	2,839,009	-	-
Taxes receivable	544,079	163,487	-
Due from other governments	-	-	4,716
Accrued interest receivable	13,135	2,309	4,842
Other accounts receivables	-	-	-
Due from other funds	902	-	-
Materials and supplies inventories, at cost	69,136	-	-
Total assets	11,883,799	1,960,700	3,778,742
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,838,747	-	128,412
Accrued salaries payable	588,573	-	-
Retainage payable	-	-	168
Deferred revenue	2,514,455	163,487	-
Accrued employee separation pay	100,000	-	-
Total liabilities	5,041,775	163,487	128,580
 Fund balances:			
Reserved for:			
Inventories	69,136	-	-
Encumbrances	140,055	-	115,821
Debt service	-	1,797,213	-
Capital projects	-	-	-
Unreserved/Undesignated	6,632,833	-	3,534,341
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Total fund balances	6,842,024	1,797,213	3,650,162
 Total liabilities and fund balances	\$ 11,883,799	\$ 1,960,700	\$ 3,778,742

See accompanying notes to basic financial statements.

2002 GO Bonds	Other Governmental Funds	Total Governmental Funds
\$ 3,659,701	\$ 6,162,020	\$ 21,251,143
3,653	1,288,202	3,844,059
-	-	2,839,009
-	-	707,566
-	-	4,716
26	9,061	29,373
-	154,972	154,972
-	-	902
-	-	69,136
3,663,380	7,614,255	28,900,876
362,777	60,402	2,390,338
-	-	588,573
-	-	168
-	-	2,677,942
-	-	100,000
362,777	60,402	5,757,021
-	-	69,136
-	-	255,876
-	-	1,797,213
3,300,603	2,249,279	5,549,882
-	-	10,167,174
-	3,770,935	3,770,935
-	1,533,639	1,533,639
3,300,603	7,553,853	23,143,855
\$ 3,663,380	\$ 7,614,255	\$ 28,900,876



CITY OF LA PORTE, TEXAS
 Reconciliation of the Governmental Funds
 Balance Sheet to Statement of Net Assets
 September 30, 2003

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

Total fund balances - total governmental funds	\$ 23,143,855
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 assets.	34,911,049
Certain other long-term assets 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 assets.	2,677,942
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not recorded as a liability in governmental funds balance sheets.	(38,950)
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 assets.	9,524,911
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), 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 assets:	
Bonds Payable	(14,720,000)
Compensated Absences Payable	(2,340,823)
Net assets of governmental activities	\$ 53,157,984

See accompanying notes to basic financial statements.

CITY OF LA PORTE, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2003

	General	Debt Service	Capital Improvements
REVENUES			
Property taxes	\$ 8,824,439	\$ 2,080,768	\$ -
Franchise taxes	1,682,849	-	-
Sales taxes	1,843,251	-	-
Industrial payments	7,093,854	-	1,046
Other taxes	38,068	181,921	-
Licenses and permits	199,970	-	-
Fines and forfeits	847,250	-	-
Charges for services	2,275,333	-	-
Intergovernmental	302,912	-	177,125
Interest	211,241	29,063	65,276
Miscellaneous	88,970	-	36,050
Total revenues	23,408,137	2,291,752	279,497
EXPENDITURES			
Current:			
General Government	5,412,412	-	-
Public Safety	10,477,080	-	-
Public Works	2,556,011	-	-
Health and Sanitation	1,823,462	-	-
Culture and Recreation	3,475,888	-	-
Debt service:			
Principal retirements	-	1,590,000	-
Interest and fiscal charges	-	795,199	-
Capital outlay	-	-	925,559
Total expenditures	23,744,853	2,385,199	925,559
Excess (deficiency) of revenues over expenditures	(336,716)	(93,447)	(646,062)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,300,821	301,050	193,000
Transfers out	(1,250,000)	-	(775,000)
Total other financing sources (uses)	50,821	301,050	(582,000)
Net change in fund balances	(285,895)	207,603	(1,228,062)
Fund balances—beginning	7,127,919	1,589,610	4,878,224
Fund balances—ending	\$ 6,842,024	\$ 1,797,213	\$ 3,650,162

See accompanying notes to basic financial statements.

<u>2002 GO Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 20,218	\$ 10,925,425
-	-	1,682,849
-	921,625	2,764,876
-	-	7,094,900
-	234,630	454,619
-	-	199,970
-	-	847,250
-	-	2,275,333
-	-	480,037
61,577	114,665	481,822
-	-	125,020
<u>61,577</u>	<u>1,291,138</u>	<u>27,332,101</u>
-	130,108	5,542,520
-	-	10,477,080
-	-	2,556,011
-	-	1,823,462
-	-	3,475,888
-	-	1,590,000
-	-	795,199
<u>1,514,009</u>	<u>332,083</u>	<u>2,771,651</u>
<u>1,514,009</u>	<u>462,191</u>	<u>29,031,811</u>
<u>(1,452,432)</u>	<u>828,947</u>	<u>(1,699,710)</u>
-	125,000	1,919,871
-	<u>(1,398,500)</u>	<u>(3,423,500)</u>
-	<u>(1,273,500)</u>	<u>(1,503,629)</u>
(1,452,432)	(444,553)	(3,203,339)
4,753,035	7,998,406	26,347,194
<u>\$ 3,300,603</u>	<u>\$ 7,553,853</u>	<u>\$ 23,143,855</u>

CITY OF LA PORTE, TEXAS
 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, 2003

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

Net change in fund balances—total governmental funds:	\$ (3,203,339)
<p>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 \$2,621,270 exceeded depreciation \$2,260,864 in the current period.</p>	360,406
<p>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.</p>	486,111
<p>Governmental funds report bond proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.</p>	1,590,000
<p>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:</p>	
Accrued interest not reflected in governmental funds	47,848
Additional compensated absences not reflected in governmental funds	(128,827)
<p>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 the internal service funds is reported with governmental activities.</p>	<u>591,798</u>
Change in net assets of governmental activities	<u>\$ (256,003)</u>

See accompanying notes to basic financial statements.

CITY OF LA PORTE, TEXAS
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property taxes	\$ 8,345,350	\$ 8,345,350	\$ 8,824,439	\$ 479,089
Franchise taxes	1,735,000	1,735,000	1,682,849	(52,151)
Sales taxes	1,800,000	1,800,000	1,843,251	43,251
Industrial payments	7,439,337	7,439,337	7,093,854	(345,483)
Other taxes	43,000	43,000	38,068	(4,932)
Licenses and permits	194,950	194,950	199,970	5,020
Fines and forfeits	563,000	563,000	847,250	284,250
Charges for services	2,159,700	2,159,700	2,275,333	115,633
Intergovernmental	401,424	401,424	302,912	(98,512)
Interest	336,970	366,970	211,241	(155,729)
Miscellaneous	30,000	34,902	88,970	54,068
Total revenues	<u>23,048,731</u>	<u>23,083,633</u>	<u>23,408,137</u>	<u>324,504</u>
EXPENDITURES				
General Government:				
Administration	2,511,161	2,544,013	2,468,100	75,913
Finance	3,484,175	3,409,520	1,685,557	1,723,963
Planning & Engineering	1,371,458	1,385,458	1,258,755	126,703
Public Safety:				
Fire	3,472,581	3,486,686	3,222,161	264,525
Police	7,321,965	7,324,514	7,254,919	69,595
Public Works:				
Public Works Administration	382,342	382,342	369,096	13,246
Streets	2,253,216	2,253,216	2,186,915	66,301
Health and Sanitation:				
Solidwaste	1,890,126	1,890,126	1,823,462	66,664
Culture and Recreation	<u>3,500,858</u>	<u>3,585,169</u>	<u>3,475,888</u>	<u>109,281</u>
Total expenditures	<u>26,187,882</u>	<u>26,261,044</u>	<u>23,744,853</u>	<u>2,516,191</u>
Excess (deficiency) of revenues over expenditures	<u>(3,139,151)</u>	<u>(3,177,411)</u>	<u>(336,716)</u>	<u>2,840,695</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,300,821	1,300,821	1,300,821	-
Transfers out	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>50,821</u>	<u>50,821</u>	<u>50,821</u>	<u>-</u>
Net change in fund balances	(3,088,330)	(3,126,590)	(285,895)	2,840,695
Fund balances—beginning	<u>7,127,919</u>	<u>7,127,919</u>	<u>7,127,919</u>	<u>-</u>
Fund balances—ending	<u>\$ 4,039,589</u>	<u>\$ 4,001,329</u>	<u>\$ 6,842,024</u>	<u>\$ 2,840,695</u>

See accompanying notes to basic financial statements

CITY OF LA PORTE, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2003

	Business-type Activities - Enterprise Funds		
	Utility	Airport	La Porte Area Water Authority
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,376,824	\$ 303,852	\$ -
Investments	1,548,120	68,015	-
Receivables, net of allowance for uncollectibles	682,974	118	282,709
Accrued interest receivable	7,422	478	2,065
Material and supplies inventories, at cost	4,540	-	-
Prepaid Expenses	-	-	-
Restricted cash, cash equivalents, and investments:			
Customer service deposits	368,730	-	-
Current debt service	580,000	-	1,604,559
Total current assets	<u>6,568,610</u>	<u>372,463</u>	<u>1,889,333</u>
Noncurrent assets:			
Capital assets:			
Land	266,009	203,504	-
Buildings and improvements	51,730	-	-
Improvements other than buildings	40,827,156	4,036,174	14,725,570
Vehicles and equipment	357,822	-	-
Construction in progress	165,981	-	-
Less accumulated depreciation	<u>(22,923,547)</u>	<u>(2,019,577)</u>	<u>(4,095,195)</u>
Total noncurrent assets	<u>18,745,151</u>	<u>2,220,101</u>	<u>10,630,375</u>
Total assets	<u>25,313,761</u>	<u>2,592,564</u>	<u>12,519,708</u>
LIABILITIES			
Current liabilities:			
Accounts payable	269,977	3,089	74,275
Accrued salaries payable	79,738	-	-
Unearned Revenue	-	-	-
Other current liabilities	-	1,500	-
Accrued interest payable	3,560	-	15,638
Payable from restricted assets:			
Due to other funds	-	-	902
Current portion of revenue bonds	580,000	-	405,000
Customer deposits	392,052	-	-
Total current liabilities	<u>1,325,327</u>	<u>4,589</u>	<u>495,815</u>
Noncurrent liabilities:			
Revenue bonds, net of current portion	1,178,358	-	6,920,000
Accrued separation pay	270,194	-	-
Total noncurrent liabilities	<u>1,448,552</u>	<u>-</u>	<u>6,920,000</u>
Total liabilities	<u>2,773,879</u>	<u>4,589</u>	<u>7,415,815</u>
NET ASSETS			
Invested in capital assets, net of related debt	16,986,793	2,220,101	3,305,375
Restricted for debt service	1,438,171	-	1,604,559
Unrestricted (deficit)	4,114,918	367,874	193,959
Total net assets	<u>\$ 22,539,882</u>	<u>\$ 2,587,975</u>	<u>\$ 5,103,893</u>

See accompanying notes to basic financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities -
Sylvan Beach Convention Center	Bay Forest Golf Course	Totals	Internal Service Funds
\$ 178,689	\$ 99,175	\$ 3,958,540	\$ 4,065,501
39,998	22,159	1,678,292	907,260
1,905	-	967,706	-
276	148	10,389	6,383
-	-	4,540	44,210
-	-	-	57,975
-	-	368,730	-
-	-	2,184,559	-
<u>220,868</u>	<u>121,482</u>	<u>9,172,756</u>	<u>5,081,329</u>
-	1,880,965	2,350,478	-
383,586	721,869	1,157,185	-
-	2,496,557	62,085,457	-
-	141,227	499,049	10,934,603
-	-	165,981	-
<u>(261,338)</u>	<u>(1,765,359)</u>	<u>(31,065,016)</u>	<u>(6,139,673)</u>
<u>122,248</u>	<u>3,475,259</u>	<u>35,193,134</u>	<u>4,794,930</u>
<u>343,116</u>	<u>3,596,741</u>	<u>44,365,890</u>	<u>9,876,259</u>
11,993	27,623	386,957	224,816
4,855	27,934	112,527	21,637
44,071	-	44,071	-
-	15,452	16,952	-
-	-	19,198	-
-	-	902	-
-	-	985,000	-
<u>45,861</u>	<u>-</u>	<u>437,913</u>	<u>-</u>
<u>106,780</u>	<u>71,009</u>	<u>2,003,520</u>	<u>246,453</u>
-	-	8,098,358	-
<u>3,972</u>	<u>127,972</u>	<u>402,138</u>	<u>104,895</u>
<u>3,972</u>	<u>127,972</u>	<u>8,500,496</u>	<u>104,895</u>
<u>110,752</u>	<u>198,981</u>	<u>10,504,016</u>	<u>351,348</u>
122,248	3,475,259	26,109,776	-
-	-	3,042,730	-
<u>110,116</u>	<u>(77,499)</u>	<u>4,709,368</u>	<u>9,524,911</u>
<u>\$ 232,364</u>	<u>\$ 3,397,760</u>	<u>\$ 33,861,874</u>	<u>\$ 9,524,911</u>

CITY OF LA PORTE, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2003

	Business-type Activities - Enterprise Funds		
	<u>Utility</u>	<u>Airport</u>	<u>La Porte Area Water Authority</u>
Operating revenues:			
User fees	\$ 5,751,952	\$ 30,001	\$ 904,497
Operating expenses:			
Personal services	2,316,469	-	-
Supplies	170,770	-	69
Other services and charges	2,537,919	20,929	1,011,996
Depreciation	1,264,800	128,543	437,479
Total operating expenses	<u>6,289,958</u>	<u>149,472</u>	<u>1,449,544</u>
Operating income (loss)	<u>(538,006)</u>	<u>(119,471)</u>	<u>(545,047)</u>
Nonoperating revenues (expenses):			
Interest income	85,496	5,362	24,707
Interest expense and fiscal charges	(115,948)	-	(397,072)
Gain (loss) on sale of equipment	-	-	-
Total nonoperating revenue (expenses)	<u>(30,452)</u>	<u>5,362</u>	<u>(372,365)</u>
Income (loss) before contributions and transfers	(568,458)	(114,109)	(917,412)
Capital contributions	-	-	869,511
Transfers in	1,921,831	-	-
Transfers out	<u>(1,672,381)</u>	<u>-</u>	<u>(50,821)</u>
Change in net assets	(319,008)	(114,109)	(98,722)
Total net assets—beginning	<u>22,858,890</u>	<u>2,702,084</u>	<u>5,202,615</u>
Total net assets—ending	<u>\$ 22,539,882</u>	<u>\$ 2,587,975</u>	<u>\$ 5,103,893</u>

See accompanying notes to basic financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities -
Sylvan Beach Convention Center	Bay Forest Golf Course	Totals	Internal Service Funds
\$ 161,355	\$ 948,689	\$ 7,796,494	\$ 4,373,541
138,790	814,310	3,269,569	655,572
5,904	128,299	305,042	312,510
50,395	182,240	3,803,479	2,721,429
17,858	159,880	2,008,560	1,147,524
<u>212,947</u>	<u>1,284,729</u>	<u>9,386,650</u>	<u>4,837,035</u>
<u>(51,592)</u>	<u>(336,040)</u>	<u>(1,590,156)</u>	<u>(463,494)</u>
3,325	2,284	121,174	60,432
-	-	(513,020)	-
-	-	-	(255,138)
<u>3,325</u>	<u>2,284</u>	<u>(391,846)</u>	<u>(194,706)</u>
(48,267)	(333,756)	(1,982,002)	(658,200)
8,982	-	878,493	-
20,000	35,000	1,976,831	1,250,000
-	-	(1,723,202)	-
(19,285)	(298,756)	(849,880)	591,800
251,649	3,696,516	34,711,754	8,933,111
<u>\$ 232,364</u>	<u>\$ 3,397,760</u>	<u>\$ 33,861,874</u>	<u>\$ 9,524,911</u>

CITY OF LA PORTE, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2003

	Business-type Activities - Enterprise Funds		
	<u>Utility</u>	<u>Airport</u>	<u>La Porte Area Water Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from user fees	\$ 5,744,401	\$ 35,015	\$ 1,147,690
Cash payments to suppliers	(3,084,599)	(21,007)	(1,009,928)
Cash payments for personal services	<u>(2,277,570)</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>382,232</u>	<u>14,008</u>	<u>137,762</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance to primary government	-	-	(202,519)
Operating transfers in from other funds	1,921,831	-	-
Operating transfers out to other funds	<u>(1,672,381)</u>	<u>-</u>	<u>(50,821)</u>
Net cash from noncapital financing activities	<u>249,450</u>	<u>-</u>	<u>(253,340)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments received from participants for debt service	-	-	783,019
Payments received from participants for capital recovery	-	-	86,492
Payments for capital acquisitions	(732,359)	-	-
Proceeds from sale of assets	-	-	-
Principal payments on revenue bonds	(609,178)	-	(385,000)
Interest paid on debt	<u>(117,283)</u>	<u>-</u>	<u>(398,018)</u>
Net cash (used) by capital and related financing activities	<u>(1,458,820)</u>	<u>-</u>	<u>86,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	95,516	5,812	26,372
Net Investments (purchased) sold	<u>(972,230)</u>	<u>(13)</u>	<u>2,713</u>
Net cash provided by investing activities	<u>(876,714)</u>	<u>5,799</u>	<u>29,085</u>
Net increase (decrease) in cash and cash equivalents	(1,703,852)	19,807	-
Balances—beginning of the year	<u>5,449,406</u>	<u>284,045</u>	<u>-</u>
Balances—end of the year	<u>\$ 3,745,554</u>	<u>\$ 303,852</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (538,006)</u>	<u>\$ (119,471)</u>	<u>\$ (545,047)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,264,800	128,543	437,479
(Increase) decrease in accounts receivable	(7,551)	5,014	243,193
(Increase) decrease in inventories	-	-	-
Increase (decrease) in accrued salaries payable	3,022	-	-
Increase (decrease) in accounts payable	(98,836)	(78)	2,137
Increase (decrease) in other current liabilities	(28,292)	-	-
Increase (decrease) in customer utility deposits	20,745	-	-
Increase (decrease) due to component unit	(269,527)	-	-
Increase (decrease) in accrued employee separation	<u>35,877</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>920,238</u>	<u>133,479</u>	<u>682,809</u>
Net cash provided by operating activities	<u>\$ 382,232</u>	<u>\$ 14,008</u>	<u>\$ 137,762</u>
Reconciliation of total cash and cash investments:			
Current Assets - cash and cash equivalents	\$ 3,376,824	\$ 303,852	\$ -
Restricted Assets - cash and cash equivalents	<u>368,730</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 3,745,554</u>	<u>\$ 303,852</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities -
Sylvan Beach Convention Center	Bay Forest Golf Course	Totals	Internal Service Funds
\$ 161,855	\$ 948,689	\$ 8,037,650	\$ 4,373,541
(55,042)	(324,346)	(4,494,922)	(3,073,103)
<u>(138,056)</u>	<u>(780,092)</u>	<u>(3,195,718)</u>	<u>(647,462)</u>
<u>(31,243)</u>	<u>(155,749)</u>	<u>347,010</u>	<u>652,976</u>
-	-	(202,519)	-
20,000	35,000	1,976,831	-
-	-	<u>(1,723,202)</u>	<u>1,250,000</u>
<u>20,000</u>	<u>35,000</u>	<u>51,110</u>	<u>1,250,000</u>
-	-	783,019	-
-	-	86,492	-
-	(16,857)	(749,216)	(1,054,348)
-	-	-	93,899
-	-	(994,178)	-
-	-	<u>(515,301)</u>	<u>-</u>
-	<u>(16,857)</u>	<u>(1,389,184)</u>	<u>(960,449)</u>
3,048	2,811	133,559	64,495
<u>3,714</u>	<u>27,267</u>	<u>(938,549)</u>	<u>(142,871)</u>
<u>6,762</u>	<u>30,078</u>	<u>(804,990)</u>	<u>(78,376)</u>
(4,481)	(107,528)	(1,796,054)	864,151
<u>183,170</u>	<u>206,703</u>	<u>6,123,324</u>	<u>3,201,350</u>
<u>\$ 178,689</u>	<u>\$ 99,175</u>	<u>\$ 4,327,270</u>	<u>\$ 4,065,501</u>
<u>\$ (51,592)</u>	<u>\$ (336,040)</u>	<u>\$ (1,590,156)</u>	<u>\$ (463,494)</u>
17,858	159,880	2,008,560	1,147,524
500	-	241,156	-
-	-	-	(55,281)
(338)	1,523	4,207	(290)
(7,031)	(15,052)	(118,860)	18,367
7,967	1,245	(19,080)	-
321	-	21,066	-
-	-	(269,527)	-
<u>1,072</u>	<u>32,695</u>	<u>69,644</u>	<u>6,150</u>
<u>20,349</u>	<u>180,291</u>	<u>1,937,166</u>	<u>1,116,470</u>
<u>\$ (31,243)</u>	<u>\$ (155,749)</u>	<u>\$ 347,010</u>	<u>\$ 652,976</u>
\$ 178,689	\$ 99,175	\$ 3,958,540	\$ 4,065,501
-	-	368,730	-
<u>\$ 178,689</u>	<u>\$ 99,175</u>	<u>\$ 4,327,270</u>	<u>\$ 4,065,501</u>



CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2003

1. Summary of significant accounting policies

A. General Statement

The City of La Porte, Texas (the City), was incorporated on August 10, 1892, and 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 those 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 described below.

B. Financial 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 generally accepted accounting principles, 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 is governed by a seven-member board appointed by City Council and was organized to undertake projects that the board determines to promote new or expanded business enterprises and various projects as described in Section 4B of Article 5190.6. 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.

C. Basis of Presentation

The financial statements include the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

Significant changes in the Statement include, for the first time, the following:

- ❖ A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and changes in financial position.
- ❖ Government-wide financial statements prepared using the accrual basis of accounting for all of the City's governmental and business type activities.

1. Summary of significant accounting policies - Continued

- ❖ Fund financial statements focusing on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets and a statement of activities. It requires the reclassification of net assets into three different components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- ❖ Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- ❖ Restricted – consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- ❖ Unrestricted net assets – consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Government Wide Statements:

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City, including the component units. The effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. Individual funds and account groups summarized in the accompanying financial statements are classified below.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column with the exception of the non-major proprietary funds which are presented separately even though they do not meet the criteria of a major fund established in Government Accounting Standard Board Statement No. 34.

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

1. Summary of significant accounting policies - Continued

The City has presented the following major governmental funds:

- (a) *General Fund* – is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- (b) *Debt Service Fund* – is used to account for the accumulation of resources for, and the payment of, principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.
- (c) *Capital Improvements Fund* – is used to account for funds received and expended for construction, renovation, expansion and major improvement of various City facilities, acquisition of land and other large nonrecurring projects.
- (d) *2002 General Obligation Bonds Fund* – is used to account for funds received and expended for construction of a wastewater treatment plant and renovations to the fire station.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

- (a) *Utility Fund* – is used to account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, 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.
- (b) *La Porte Area Water Authority Fund* – is used to account for revenues and expenses related to obtaining raw surface water and converting it to potable water to be sold to La Porte and neighboring cities.
- (c) *Bay Forest Golf Course* – is used to account for the revenues and expenses relative to the administration, operation and maintenance of the public golf course. All costs are financed through fees charged to patrons.

The Airport and Sylvan Beach Convention Center are the two non-major proprietary funds reported separately since they are the only two remaining proprietary funds.

Additionally, the City reports the Internal Service Funds which are used to account for the Motor Pool, Technology and Insurance services provided to departments of the City.

1. Summary of significant accounting policies - Continued

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets. The operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when they earned. Expenses are recognized at the time the liability is incurred. Unbilled water and wastewater utility service receivables are accrued as revenues and reflected in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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 current fiscal period.

Most revenue sources are recorded as revenues when received in cash because they are generally not measurable until actually received. The revenues susceptible to accrual are property and sales taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

E. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. 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.

The City uses the following procedures in establishing the budgets reflected in the financial statements:

1. Prior to August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance.
4. The City Manager must approve changes within a department, which is the legal level of control. City Council approves changes between departments as well as amendments to the budget during the year as may be required.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Formal budgetary integration is not employed for the Debt Service Fund and Capital Projects Funds because effective budgetary control is alternatively achieved through bond indenture provisions and legally binding construction contracts, respectively.
6. The budget for the General Fund and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgets for the Proprietary Funds are utilized for planning, control and evaluation purposes. They are adopted on a basis consistent with GAAP except that bond principal payments and fixed asset acquisitions are treated as expenditures.
7. Budgeted amounts are amended by the City Council during the year. Individual amendments were not material in relation to the original appropriations, which were amended.

1. Summary of significant accounting policies - Continued

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds throughout the year. Encumbered amounts lapse at year-end. However, encumbrances generally are reappropriated as part of the following year's budget.

F. Cash and Investments

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 Investment Pool (TexPool) and the Local Government Investment Cooperative (LOGIC), both of which have the general characteristics of a demand deposit account. For 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 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. Investment 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.

G. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Receivables

Receivables as of year-end of the government's individual major and non-major funds, and internal service funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Fund</u>	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Accounts</u>	<u>Total</u>
General	\$ 1,240,011	\$ 13,135	-	\$ 3,591,930	\$ 4,845,076
Debt Service	326,837	2,309	-	-	329,146
Capital Improvements	-	4,842	4,716	-	9,558
2002 G.O. Bonds	-	26	-	-	26
Utility	-	7,422	-	717,606	725,028
Water Authority	-	2,065	-	282,709	284,774
Golf Course	-	148	-	-	148
Non-major and Other	-	16,198	154,972	2,023	173,193
Gross Receivables	1,566,848	46,145	159,688	4,594,268	6,366,949
Less: allowance for uncollectibles	(859,282)	-	-	(787,553)	(1,646,835)
Net total receivables	<u>\$ 707,566</u>	<u>\$ 46,145</u>	<u>\$ 159,688</u>	<u>\$ 3,806,715</u>	<u>\$ 4,720,114</u>

1. Summary of significant accounting policies - Continued

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

	Unavailable		Unearned	Total
	General	Debt Service	Proprietary	
Delinquent property taxes receivable	\$ 544,079	\$ 163,487	\$ -	\$ 707,566
Charges for services and customer deposits	1,970,376	-	44,071	2,014,447
Total deferred / unearned revenue	<u>\$ 2,514,455</u>	<u>\$ 163,487</u>	<u>\$ 44,071</u>	<u>\$ 2,722,013</u>

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results may differ from those estimates.

J. Comparative Data

Comparative data for prior years has not been presented due to the implementation of Governmental Accounting Standards Board Statement No. 34 - Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments. Prior years’ data has not been restated.

K. Indirect Expense Allocations

It is the policy of the City not to allocate indirect expenses to various functions in the Government-wide Statement of Activities.

L. Restricted Assets

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

M. Inventories

Inventories consist of material and supplies and are valued at cost (first-in, first-out). Inventories for all funds consist of expendable supplies held for consumption and the cost thereof is recorded as an expenditure at the time individual inventory items are issued. Reported inventories in the Governmental Funds are offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of net current assets.

N. Interfund Transactions

Transactions Between Funds

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures or expenses in the funds involved. Transactions, which constitute reimbursement to a fund for expenditures or expenses initially made from that fund, which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

1. Summary of significant accounting policies - Continued

Nonrecurring or nonroutine transfers of equity between funds are reported as additions to, or reductions of, the fund balance of Governmental Funds. Transfers of equity to Proprietary Funds are treated as contributed capital and such transfers from Proprietary Funds are reported as reductions of retained earnings or contributed capital, as is appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary Funds.

O. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial unit cost of \$5,000 or more and an estimated useful life exceeding two years. Such assets are recorded at historical cost or estimated historical cost if actual historical is not available. Donated capital assets are recorded at their fair market value on the date donated. Repairs and maintenance that do not add to the value of the asset or extend assets lives are recorded as expenses. Interest cost during construction is capitalized when the effect of capitalization materially impact the financial statements. During the year ended September 30, 2003, no interest costs were capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings	20 years
Water and Sewer System	20 – 40 years
Infrastructure	20 – 30 years
Machinery and Equipment	4 – 10 years
Improvements	20 years

P. Compensated Absences

The City’s employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, 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 portions of the governmental fund type liabilities are recorded in the Government-Wide Statement of Net Assets. The proprietary fund type liability is recorded as a liability in the individual proprietary funds since payment of this liability will be made from resources of these funds.

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

- Vacation – Employees earn from 10 to 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 – Employees earn an average of 10 sick hours per month of service. Non-civil service employees hired after November 19, 1991, and who have completed 10 consecutive years of service with the City, are paid for accumulated sick leave, subject to a limit of 480 hours. Civil service employees are subject to a limit of 720 hours.

The liability for compensated absences at September 30, 2003 is comprised of the following:

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Vacation	\$ 824,554	\$ 144,369	\$ 968,923
Sick Leave	1,721,164	257,769	1,978,933
Total All Funds	<u>\$ 2,545,718</u>	<u>\$ 402,138</u>	<u>\$ 2,947,856</u>

1. Summary of significant accounting policies - Continued

Q. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

R. Reservations of Fund Balances

The fund balance reserves for revenue bond retirement and construction, prepaid items, inventory, and debt service are discussed in notes 5, 1(G), 1(M), and 1(C) respectively.

S. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the city or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

T. Implementation of New Accounting Principles

For fiscal year 2003, the City has implemented GASB Statement No. 34 (GASB 34) - Basic Financial Statements-and-Management's Discussion and Analysis-for State and Local Governments. GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

GASB 34 also includes accounting and reporting of capital assets, including infrastructure. The City has elected to capitalize its infrastructure networks not previously capitalized: streets, bridges and dleys. The City utilized an average age for estimating the amount invested in infrastructure networks.

The government-wide financial statements split the City programs between governmental and business-type activities. The beginning net asset amount for the business-type activities equals fund equity of the proprietary funds from last year. The beginning net asset amount for governmental activities reflects fund balance for governmental funds at October 1, 2002 adjusted for the conversion to the accrual basis of accounting and the consolidation of the internal service fund's net assets.

2. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

The carrying amount of the City's deposits with financial institutions as of September 30, 2003, was \$368,929 and the bank balance was \$1,354,622. All of the bank balance was fully covered by federal depository insurance or collateral held by the City's agent held in the City's name.

2. Cash, Cash Equivalents and Investments - Continued

Short term deposits in the Texas Local Government Investment Pool (TexPool) and the Local Government Investment Cooperative (LOGIC) were \$29,209,399 at September 30, 2003.

Credit Risk

Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as such collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the City's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the City during the year.

Investments

Under provisions of state and local statutes, the City's investment policies, and provisions of the City's depository contracts with the area financial institutions, the City is authorized to place available deposits and investments in the following:

- ❖ Obligations of the U.S., its agencies, and instrumentalities.
- ❖ Direct obligations of the State of Texas or its agencies.
- ❖ Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.
- ❖ Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by full faith and credit of the State of Texas or the United States or their agencies and instrumentalities.
- ❖ Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to the investment quality by a nationally recognized investment firm and having received a rating of not less than A or its equivalent.
- ❖ Certificates of Deposit issued by state and national banks or savings and on associations domiciled in this state that are:
 - guaranteed or insured by the Federal Deposit Insurance Corporation; or
 - secured by obligations that are described in 1-5 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposit of the investing entities.
- ❖ Certificates of Deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in 1 through 5 above in any other manner and amount provided by law for the City deposits.
- ❖ Fully collateralized repurchase agreements having a defined termination date, secured by obligations of the United States, its agencies or instrumentalities, pledged with a third party selected or approved by the political entity, and placed through a primary government securities dealer, as by the Federal Reserve, or through a financial institution domiciled in the State of Texas.
- ❖ Prime domestic banker's acceptances, defined as a banker's acceptance with a remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or equivalent by at least one nationally recognized credit rating agency.
- ❖ Commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or State bank.
- ❖ SEC-registered no-load money market mutual fund (MMMF), with a dollar weighted average portfolio maturity of 90 days or less, includes in their investment objectives the maintenance of a stable net asset value of \$1 for each share.

2. Cash, Cash Equivalents and Investments - Continued

- ❖ SEC-registered, no-load money market mutual funds (MMMF) that have an average weighted maturity of less than two years, invests exclusively in obligations described above and are

continuously rated as to investment quality by at least one nationally recognized investment rating firm of no less than AAA or its equivalent.

- ❖ Authorized government investment pools that invest solely in obligations of any of the above investments provided that the pools are rated no lower than Aaa or AAA or an equivalent by at least one nationally recognized rating service.

All significant legal and contractual provisions for investments were complied with during the fiscal year. Investments at year-end are representative of the types of investments maintained by the City during the year.

The City's investments at year-end are summarized below and have been classified in credit risk categories. Credit risk categories are as follows:

- (1) Insured or registered, or securities are held by the City or its agent in the City's name,
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name or
- (3) Uninsured and unregistered, with securities held by counter-party, or by its trust department or agent but not in the City's name.

	<u>Credit Risk Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Agency Notes	1	\$ 8,034,170	\$ 8,034,170
Investments not Subject to Categorization:			
TEXPOOL	N/A	25,403,583	25,403,583
LOGIC	N/A	3,805,816	3,805,816
Total Investments		37,243,569	<u>\$ 37,243,569</u>
 Investments Classified as Cash Equivalents		<u>29,643,914</u>	
Total Investments per Balance Sheet		<u>\$ 7,599,655</u>	

The U.S. government securities were purchased through a broker/dealer and are held for safekeeping by the City's depository bank (independent agent), registered for the account of City of La Porte. The City generally holds all investments to maturity date. The City had no derivative investment products during the current year. The City did not have any reverse repurchase or repurchase agreement transactions. Fair values of investments are based on quoted market prices. The investments are reported by the City at fair values determined by quoted market prices. All realized gains/losses are reported in the financial statements. These calculations are independent of calculations of the net change in fair value of investments. The City has unrealized gains of \$34,170 reported in the financial statements as of September 30, 2003.

Investment balances in public investment pools are not evidenced by underlying securities that exist in physical or book entry form and, therefore, are not subject to credit risk categorization.

The City utilizes the pooled investment concept to maximize interest earnings. Interest earned on investments is distributed to each participating fund based on each individual fund's proportionate share of the pool and is done on a monthly basis. In accordance with GASB Statement No. 31, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools". Pursuant to investment agreements approved by each participant with each pool, the business and affairs of the pools are required to be managed by each pool's Board of Trustees (the Board). The Board consists of members representing entities that have adopted the investment agreements. The duties of the boards include, but are not limited to, adopting investment policies, appointing investment officers, overseeing the selection of investment managers, custodian banks, investments consultants, and other service providers, monitoring

2. Cash, Cash Equivalents and Investments - Continued

compliance with the pools' investment policy, monitoring performance, and revising the investment policies to reflect changing conditions affecting the pools or the needs of the participants. 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. Investment positions in external investment pools that are

operated in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool and LOGIC are reported using pool's share price.

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 rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective 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 subsequent 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 2002-03 tax year were \$0.575 and \$0.135 respectively, per \$100 of assessed valuation. The 2002 assessed value and total tax levy as adjusted through September 30, 2003 were \$1,768,307,090 and \$10,739,918 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.

4. Capital Assets

Capital asset activity for the year ended September 30, 2003 was as follows:

	Beginning Balance 10/01/02	Additions	Retirements & Adjustments	Ending Balance 09/30/03
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,096,316	\$ 32,629	\$ -	\$ 7,128,945
Construction in progress	2,501,793	1,873,070	(2,473,885)	1,900,978
Total capital assets, not being depreciated	<u>9,598,109</u>	<u>1,905,699</u>	<u>(2,473,885)</u>	<u>9,029,923</u>
Capital assets, being depreciated:				
Buildings and improvements	12,906,945	376,299	4,605,769	17,889,013
Improvements other than buildings	15,823,608	119,542	(8,768,198)	7,174,952
Infrastructure	-	90,855	22,978,962	23,069,817
Machinery and equipment	13,014,470	1,191,955	(2,029,080)	12,177,345
Total capital assets being depreciated	<u>41,745,023</u>	<u>1,778,651</u>	<u>16,787,453</u>	<u>60,311,127</u>
Less accumulated depreciation for:				
Buildings	5,898,309	822,757	795,409	7,516,475
Improvements other than buildings	7,433,187	357,032	(4,010,516)	3,779,703
Machinery and equipment	7,375,084	1,242,533	(1,786,907)	6,830,710
Infrastructure	-	986,066	10,522,117	11,508,183
Total accumulated depreciation	<u>20,706,580</u>	<u>3,408,388</u>	<u>5,520,103</u>	<u>29,635,071</u>
Total capital assets, being depreciated, net	<u>21,038,443</u>	<u>(1,629,737)</u>	<u>11,267,350</u>	<u>30,676,056</u>
Governmental activities capital assets, net	<u>\$ 30,636,552</u>	<u>\$ 275,962</u>	<u>\$ 8,793,465</u>	<u>\$ 39,705,979</u>

4. Capital Assets - Continued

	Beginning Balance 10/01/02	Additions	Retirements & Adjustments	Ending Balance 09/30/03
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,350,478	\$ -	\$ -	\$ 2,350,478
Construction in progress	216,277	165,981	(216,277)	165,981
Total capital assets, not being depreciated	<u>2,566,755</u>	<u>165,981</u>	<u>(216,277)</u>	<u>2,516,459</u>
Capital assets, being depreciated				
Buildings and improvements	1,148,203	-	8,982	1,157,185
Improvements other than buildings	61,316,734	584,842	183,881	62,085,457
Machinery and equipment	468,259	13,933	16,857	499,049
Total capital assets, being depreciated	<u>62,933,196</u>	<u>598,775</u>	<u>209,720</u>	<u>63,741,691</u>
Less accumulated depreciation for:				
Buildings and improvements	553,774	52,796	-	606,570
Improvements other than buildings	28,151,308	1,933,081	-	30,084,389
Machinery and equipment	351,372	22,685	-	374,057
Total accumulated depreciation	<u>29,056,454</u>	<u>2,008,562</u>	<u>-</u>	<u>31,065,016</u>
Total capital assets, being depreciated net	<u>33,876,742</u>	<u>(1,409,787)</u>	<u>209,720</u>	<u>32,676,675</u>
Business-type activities capital assets, net	<u>\$ 36,443,497</u>	<u>\$ (1,243,806)</u>	<u>\$ (6,557)</u>	<u>\$ 35,193,134</u>

4. Capital Assets - Continued

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

Governmental activities:	
General government	\$ 311,383
Public safety	294,343
Public works	1,082,052
Culture and Recreation	573,086
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,147,524</u>
Total depreciation expense - governmental activities	<u>\$ 3,408,388</u>
Business-type activities:	
Water & Sewer Services	\$ 1,702,281
Airport	128,543
Golf Course	159,880
Sylvan Beach Pavillion	<u>17,858</u>
Total depreciation expense - business-type activities	<u>\$ 2,008,562</u>

The City has active construction projects as of September 30, 2003. Total accumulated commitments for ongoing capital projects are composed of the following:

	Construction In Progress	Remaining Contract Balance
Utility Capital Projects Fund	\$ 103,336	\$ -
Sylvan Beach Fund	-	34,905
Hotel/Motel Occupancy Tax Fund	30,896	-
Section 4B Sales Tax	62,645	-
TIRZ Fund	2,762	-
General CIP	351,959	81,440
S1998 General Obligation Bonds	37,242	-
S2000 General Obligation Bonds	193,193	-
S2002 General Obligation Bonds	<u>1,284,926</u>	<u>1,684,886</u>
Total	<u>\$ 2,066,959</u>	<u>\$ 1,801,231</u>

5. Long Term Liabilities

At September 30, 2003, bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
1994 General Obligation Refunding Serial Bonds, due in annual installments of \$680,000 to \$1,090,000 through February 15, 2005; interest at 4.30% to 5.1%	\$ 1,970,000	
1994 Waterworks and Sewer System Refunding Revenue Bonds, due in annual installments of \$95,000 to \$455,000 through March 16, 2006; interest at 4.4% to 5.25%		\$ 1,040,000
1998 General Obligation Serial Bonds; due in annual installments of \$125,000 through March 15, 2019; interest at 4.25% to 6.25%	2,000,000	
1998 Waterworks and Sewer System Revenue Bonds due in annual installments of \$125,000 through March 15, 2009; interest at 4.35% to 6.2%		750,000
1999 La Porte Area Water Authority Contract Revenue Refunding Bonds due in annual payments through March 15, 2017; interest at 7% to 7.5%		7,293,358
2000 General Obligation Serial Bonds due in annual installments of \$150,000 through March 15, 2010, changing to \$175,000 through March 15, 2020; interest at 5% to 7%	2,800,000	
2000 Certificates of Obligation due in annual installments of \$150,000 through March 15, 2020; interest at 5% to 7%	2,550,000	
2002 Limited Tax Bonds due in annual installments of \$270,000 through March 15, 2025; interest at 4.25% to 5%	5,400,000	
Total Bonds Payable	<u>\$ 14,720,000</u>	<u>\$ 9,083,358</u>

5. Long Term Liabilities - Continued

Changes in Outstanding Debt –

Transactions for the year ended September 30, 2003 are summarized as follows:

	Balance October 1, 2002	Issues or Additions	Payments or Expenditures	Balance September 30, 2003	Due within one year
Governmental Type Activities					
General Obligation Bonds	\$ 13,610,000	-	\$ 1,440,000	\$ 12,170,000	\$ 1,899,284
Certificates of Obligation	2,700,000	-	150,000	2,550,000	290,550
Total governmental fund types	<u>16,310,000</u>	<u>-</u>	<u>1,590,000</u>	<u>14,720,000</u>	<u>2,189,834</u>
Business Type Activities					
Revenue Bonds Payable	10,125,000	-	1,010,000	9,115,000	1,431,599
Less: Unamortized Refunding Loss	(47,463)	-	(15,821)	(31,642)	15,821
Total business fund types	<u>10,077,537</u>	<u>-</u>	<u>994,179</u>	<u>9,083,358</u>	<u>1,447,420</u>
Total of all fund types	<u>\$ 26,387,537</u>	<u>\$ -</u>	<u>\$ 2,584,179</u>	<u>\$ 23,803,358</u>	<u>\$ 3,637,254</u>

General Obligation Bonds and Certificates of Obligation –

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 year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. As provided for by the bond indentures, this amount has been recorded as a liability in the General Fund for the benefit of the federal government and will be paid as required by applicable regulations.

Certain General Obligation Bonds and Certificate of Obligations Bonds are to be repaid by revenues of the proprietary funds.

5. Long Term Liabilities - Continued

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 and sewer system.

The Revenue Bonds are collateralized by the revenue of the water and sewer system 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, 2003.

Below is a reconciliation of the various restricted cash and cash investments:

Current Maturities of Revenue Bonds	\$ 985,000
Reserve for Revenue Bond Retirement	<u>1,199,559</u>
Total Reserve for Revenue Bond Retirement	2,184,559
Customer Deposits Payable	<u>368,730</u>
Total Restricted Cash and Cash Investments as of September 30, 2002	<u><u>\$ 2,553,289</u></u>

5. Long Term Liabilities - Continued

Annual Requirements to Retire Debt Obligations –

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2003, are as follows:

General Obligation Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2004	\$ 1,340,000	\$ 559,284	\$ -	\$ -	\$ 1,899,284
2005	1,180,000	491,535	-	-	1,671,535
2006	545,000	444,408	-	-	989,408
2007-2011	2,750,000	1,796,695	-	-	4,546,695
2012-2016	2,850,000	1,150,663	-	-	4,000,663
2017-2021	2,425,000	518,481	-	-	2,943,481
2022-2026	1,080,000	107,393	-	-	1,187,393
Total	<u>\$ 12,170,000</u>	<u>\$ 5,068,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,238,459</u>

Certificate of Obligations

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2004	\$ 150,000	\$ 140,550	\$ -	\$ -	\$ 290,550
2005	150,000	130,050	-	-	280,050
2006	150,000	119,550	-	-	269,550
2007-2011	750,000	445,800	-	-	1,195,800
2012-2016	750,000	243,750	-	-	993,750
2017-2021	600,000	60,000	-	-	660,000
Total	<u>\$ 2,550,000</u>	<u>\$ 1,139,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,689,700</u>

Revenue Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2004	\$ -	\$ -	\$ 985,000	\$ 446,599	\$ 1,431,599
2005	-	-	985,000	394,749	1,379,749
2006	-	-	715,000	349,431	1,064,431
2007-2011	-	-	2,900,000	1,244,706	4,144,706
2012-2016	-	-	3,210,000	474,706	3,684,706
2017-2021	-	-	320,000	7,600	327,600
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,115,000</u>	<u>\$ 2,917,791</u>	<u>\$ 12,032,791</u>

5. Long Term Liabilities - Continued

Bonds Authorized and Unissued –

At September 30, 2003, the City had \$12,900,000 in General Obligations Bonds which were authorized and unissued.

Defeased Bonds Outstanding –

In 1994, the City defeased certain general obligation and revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

In the 1994 refunding of the revenue bonds, the difference between the reacquisition price and the net carrying amount of the old debt was \$189,855 and is being amortized over the life of the new debt, which was 12 years. The unamortized balance at September 30, 2003 is \$31,642.

On September 30, 2000, \$2.45 million of general obligation bonds and \$900 thousand of revenue bonds outstanding are considered defeased. On October 6, 1999, the La Porte Area Water Authority issued \$8.08 million in Contract Revenue Refunding Bonds, Series 1999, with an average interest rate of 5.159 percent to refund \$8.08 million in outstanding Water Supply Contract Revenue Bonds, Series I and II, 1998 with an average interest rate of 6.94 percent. The Authority completed the current refunding to reduce its total debt service payments over the next 18 years by \$1.476 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1.048 million. The bonds are payable from the net revenues of the Authority. The bonds are in \$5,000 denominations. The Authority is in compliance with all significant requirements and restrictions contained in the bond resolution.

6. Pension Benefits

Plan Descriptions

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, defined benefit plan (the Plan) in the statewide Texas Municipal Retirement System (TMRS), one of 774 administered by TMRS, an agent multiple-employer public employee retirement system. A copy of the 2002 TMRS Comprehensive Annual Financial Report may be obtained by writing to P.O. Box 149153, Austin, Texas 78714. In addition, 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 Firefighters Pension Commission, P.O. Box 12577, Austin, Texas 78711. Both Plans are more fully described below.

Texas Municipal Retirement System

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

6. Pension Benefits - Continued

Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. The Plan also provides death and disability benefits. A member is vested after 10 years. The Plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing the TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for employees is 7 percent and the City's matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal contribution rate and the prior service contribution rate, both of which are calculated to be a level percentage of payroll from year to year. The normal cost contribution rate financing the currently accruing monetary credits is due to the City's matching percentage, which is the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percentage of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfounded (over funded) actuarial liability (asset) over the Plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities, in effect, the increased unfounded actuarial liability is to be amortized over a new 25-year period. Currently, the unfounded actuarial liability is being amortized over the 25-year period, which began January 1998. The unit credit actuarial cost method is used for determining the City's contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. A summary of actuarial assumptions is presented below:

Actuarial Valuation Date	December 30, 2002
Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years – Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	8 %
Projected Salary Increases	None
Inflation Rate	None
Cost of Living Adjustment	None

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2000	\$ 1,662,499	100%	-
2001	1,668,836	100%	-
2002	1,665,210	100%	-

Additional supplementary three-year trend information may be found on page 69.

6. Pension Benefits - Continued

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.

Plan Description

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, 2002 there were 173 member departments participating in the pension system. The following table summarizes the pension system membership as of August 31, 2002:

Retirees and beneficiaries currently receiving benefits	1,422
Terminated members entitled to benefits but not yet receiving those	1,629
Current active members (vested and non-vested)	4,618

The pension system was created by Senate Bill 411, 65th Legislature, Regular Session (1977). Benefit provisions include retirements benefits as well and death and disability benefits. Members are vested at the beginning of the fifth year of service, at 5% per year of service for the first ten years and 10% for each of the next five years of service.

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 7% compounded annually.

Death and 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/or dependents.

Contribution requirements were established by S.B. 411, 65th Legislative, Regular Session (1977) and no contributions are required by members. The governing bodies of participating department members are required to contribute at least \$12 per month for each member. Additional contributions may be necessary to pay for unfunded prior service costs and "buybacks" of vested benefits. The State may also be required to make a limited amount of annual contributions to make the fund actuarially sound.

Contributions Required and Contributions Made

As previously stated the required contribution of at least \$12 per member per month is not actuarially determined. The minimum contribution amount was established by S.B. 411, 65th Legislature, Regular Session (1977). For the fiscal year ending August 31, 2002, contributions totaling \$1,768,059 for dues and prior service were paid into the fund by the governing bodies sponsoring the member participating departments. The contributions made were equal to the contributions required.

6. Pension Benefits - Continued

The purpose for the biennial actuarial valuations is to test the adequacy of the monthly contributions and determine if they are adequate to fund the benefits that are promised. The actuarial valuation at August 31, 2002 revealed for the first time an inadequacy of the expected contributions. The total contributions expected from the governing bodies sponsoring the members for the fiscal year ending August 31, 2003 are \$946,388 less than the minimum required contributions for that fiscal year, based on amortizing the unfunded actuarial accrued liability over 30 years.

7. Interfund Receivables and Payables

Interfund receivables and payables at September 30, 2003 were as follows:

	<u>Due To</u>	<u>Due From</u>
General Fund		LPAWA Fund
		\$ 902

8. Interfund Transfers

Interfund transfers during the year ended September 30, 2003 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,300,821	\$ 1,250,000
Non-Major Governmental	125,000	1,398,500
Internal Service	1,250,000	-
Debt Service	301,050	-
Capital Projects	193,000	775,000
Utility	1,921,831	1,672,381
La Porte Area Water Authority	-	50,821
Golf	35,000	-
Sylvan Beach	20,000	-
Total	<u>\$ 5,146,702</u>	<u>\$ 5,146,702</u>

9. Risk Management

The City is exposed to various risks related to torts: theft, 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 previous three 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 records revenues and expenses for providing employee health coverage in an Internal Service Fund and accrues the estimated incurred but not reported claims. Charges are assessed to various City divisions based on their full-time employee count.

Activity during the year included:

Revenues:	
Charges to divisions	\$ 1,860,282
Charges to employees	292,088
Charges to retirees	24,048
Charges to COBRA participants	<u>8,927</u>
Total revenues	2,185,345
Expenses:	
Claims administration	106,252
Claimes incurred	2,194,142
Re-insurance premiums	203,737
Other benefits	2,250
Consulting fees	<u>4,000</u>
Total health services expenses	\$ 2,510,381

Included in the claims paid amount is \$163,452 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, 2003 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 2001, 2002 and 2003 are as follows:

	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Payment for Claims</u>	<u>End of Year Accrual</u>
Fiscal Year 2001	\$ 105,683	\$ 2,835,856	\$ 2,722,930	\$ 218,609
Fiscal Year 2002	218,609	2,043,304	2,077,832	184,081
Fiscal Year 2003	184,081	2,194,142	2,214,771	163,452

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.

10. Commitments and Contingent Liabilities

From time to time, the City is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the City’s management, the outcome of any pending legal proceedings will not have an adverse effect on the accompanying general purpose financial statements.

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.

11. Post-Employment Benefits

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. 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 City</u>	<u>Retiree Cost</u>	<u>City Cost</u>	<u>Retiree Cost Per Year</u>
At least 10 but less than 15 years	55%	45%	\$2,750
At least 15 but less than 20 years	25%	75%	1,250
At least 20 years	0%	100%	0

The costs of providing these benefits and number of retired employees are as follows:

<u>Total Cost</u>	<u>City's Cost</u>	<u>Dependent Coverage Cost</u>	<u>Number of Retired Employees</u>
\$183,650	\$153,636	\$30,014	45

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.

Required Supplementary Information

**Texas Municipal Retirement System
Schedule of Funding Progress
For the Last Three Fiscal Years**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2000	\$ 34,380,561	\$ 39,902,925	\$ 5,522,364	86.2%	\$ 12,835,378	43.0%
2001	37,940,960	44,026,509	6,085,549	86.2	13,756,651	44.2
2002	39,061,267	45,901,424	6,840,157	85.1	14,198,959	48.2

COMBINING FINANCIAL STATEMENTS

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.

Community Investment Fund – This fund is used to account for funds received and expended on community beautification and revitalization programs.

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 the ½ cent sales tax collected that is specifically dedicated to promote new or expanded business enterprises and various other community projects as described in Section 4B of Article 5190.6.

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.

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.

Transportation and Other Infrastructure Fund – This fund is used to account for the construction and expansion of roads, bridges, sidewalks and other major infrastructure capital improvements.

1998 General Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures related to drainage and street improvements throughout the City.

2000 Certificate of Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures for construction of the community library.

2000 General Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures for construction to renovate the city hall building, public swimming pool and two fire stations.

CITY OF LA PORTE, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2003

Special Revenue Funds					
	Community Investment	Hotel/Motel Occupancy Tax	Section 4B Sales Tax	Tax Increment Reinvestment Zone One (TIRZ)	Totals
ASSETS					
Cash and cash equivalents	\$ 332,595	\$ 589,607	\$ 1,913,156	\$ 121,383	\$ 2,956,741
Investments	74,449	131,978	428,243	27,170	661,840
Taxes receivable	-	-	154,972	-	154,972
Accrued interest receivable	522	928	3,011	197	4,658
Total assets	<u>407,566</u>	<u>722,513</u>	<u>2,499,382</u>	<u>148,750</u>	<u>3,778,211</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	3,431	3,371	164	310	7,276
Fund Balances:					
Reserved for:					
Capital projects	-	-	-	-	-
Unreserved	404,135	719,142	2,499,218	148,440	3,770,935
Total fund balances	<u>404,135</u>	<u>719,142</u>	<u>2,499,218</u>	<u>148,440</u>	<u>3,770,935</u>
Total liabilities and fund balances	<u>\$ 407,566</u>	<u>\$ 722,513</u>	<u>\$ 2,499,382</u>	<u>\$ 148,750</u>	<u>\$ 3,778,211</u>

Capital Projects Funds

Transportation & Other Infrastructure	1998 General Obligation Bonds	2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	Totals	Total Nonmajor Governmental Funds
\$ 1,251,527	\$ 1,294,031	\$ 336,908	\$ 322,813	\$ 3,205,279	\$ 6,162,020
280,143	289,658	1,159	55,402	626,362	1,288,202
-	-	-	-	-	154,972
1,969	2,036	8	390	4,403	9,061
<u>1,533,639</u>	<u>1,585,725</u>	<u>338,075</u>	<u>378,605</u>	<u>3,836,044</u>	<u>7,614,255</u>
-	1,648	25,720	25,758	53,126	60,402
-	1,584,077	312,355	352,847	2,249,279	2,249,279
1,533,639	-	-	-	1,533,639	5,304,574
<u>1,533,639</u>	<u>1,584,077</u>	<u>312,355</u>	<u>352,847</u>	<u>3,782,918</u>	<u>7,553,853</u>
<u>\$ 1,533,639</u>	<u>\$ 1,585,725</u>	<u>\$ 338,075</u>	<u>\$ 378,605</u>	<u>\$ 3,836,044</u>	<u>\$ 7,614,255</u>

CITY OF LA PORTE, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2003

	Special Revenue Funds				Totals
	Community Investment	Hotel/Motel Occupancy Tax	Section 4B Sales Tax	Tax Increment Reinvestment Zone One (TIRZ)	
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ 20,218	\$ 20,218
Sales taxes	-	-	921,625	-	921,625
Other taxes	-	234,630	-	-	234,630
Interest	8,064	10,333	34,209	2,159	54,765
Total revenues	<u>8,064</u>	<u>244,963</u>	<u>955,834</u>	<u>22,377</u>	<u>1,231,238</u>
EXPENDITURES					
Current:					
Administration	27,403	91,023	-	11,682	130,108
Capital Outlay	-	17,077	62,645	2,761	82,483
Total expenditures	<u>27,403</u>	<u>108,100</u>	<u>62,645</u>	<u>14,443</u>	<u>212,591</u>
Excess (deficiency) of revenues over expenditures	<u>(19,339)</u>	<u>136,863</u>	<u>893,189</u>	<u>7,934</u>	<u>1,018,647</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	<u>(300,000)</u>	<u>(55,000)</u>	<u>(743,500)</u>	<u>-</u>	<u>(1,098,500)</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(55,000)</u>	<u>(743,500)</u>	<u>-</u>	<u>(1,098,500)</u>
Net change in fund balances	(319,339)	81,863	149,689	7,934	(79,853)
Fund balances—beginning	723,474	637,279	2,349,529	140,506	3,850,788
Fund balances—ending	<u>\$ 404,135</u>	<u>\$ 719,142</u>	<u>\$ 2,499,218</u>	<u>\$ 148,440</u>	<u>\$ 3,770,935</u>

Capital Projects Funds

Transportation & Other Infrastructure	1998 General Obligation Bonds	2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	Totals	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,218
-	-	-	-	-	921,625
-	-	-	-	-	234,630
24,499	23,808	4,765	6,828	59,900	114,665
<u>24,499</u>	<u>23,808</u>	<u>4,765</u>	<u>6,828</u>	<u>59,900</u>	<u>1,291,138</u>
-	-	-	-	-	130,108
-	25,292	11,620	212,688	249,600	332,083
-	<u>25,292</u>	<u>11,620</u>	<u>212,688</u>	<u>249,600</u>	<u>462,191</u>
24,499	(1,484)	(6,855)	(205,860)	(189,700)	828,947
-	-	-	125,000	125,000	125,000
(300,000)	-	-	-	(300,000)	(1,398,500)
<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>(175,000)</u>	<u>(1,273,500)</u>
(275,501)	(1,484)	(6,855)	(80,860)	(364,700)	(444,553)
1,809,140	1,585,561	319,210	433,707	4,147,618	7,998,406
<u>\$ 1,533,639</u>	<u>\$ 1,584,077</u>	<u>\$ 312,355</u>	<u>\$ 352,847</u>	<u>\$ 3,782,918</u>	<u>\$ 7,553,853</u>



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

**Debt Service Fund
Special Revenue Funds
Capital Projects Funds**

CITY OF LA PORTE, TEXAS
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,940,343	\$ 1,940,343	\$ 2,080,768	\$ 140,425
Industrial payments	190,752	190,752	181,921	(8,831)
Interest	55,280	55,280	29,063	(26,217)
Total revenues	<u>2,186,375</u>	<u>2,186,375</u>	<u>2,291,752</u>	<u>105,377</u>
EXPENDITURES				
Debt Service:				
Principal	1,590,000	1,590,000	1,590,000	-
Interest	824,046	824,046	795,199	28,847
Total expenditures	<u>2,414,046</u>	<u>2,414,046</u>	<u>2,385,199</u>	<u>28,847</u>
Excess (deficiency) of revenues over expenditures	<u>(227,671)</u>	<u>(227,671)</u>	<u>(93,447)</u>	<u>134,224</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>446,883</u>	<u>301,050</u>	<u>301,050</u>	<u>-</u>
Net change in fund balances	219,212	73,379	207,603	134,224
Fund balances—beginning	<u>1,589,610</u>	<u>1,589,610</u>	<u>1,589,610</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,808,822</u>	<u>\$ 1,662,989</u>	<u>\$ 1,797,213</u>	<u>\$ 134,224</u>

CITY OF LA PORTE, TEXAS
Community Investment Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 29,010	\$ 29,010	\$ 8,064	\$ (20,946)
EXPENDITURES				
Current:				
Administration	100,000	104,811	27,403	77,408
Excess (deficiency) of revenues over expenditures	(70,990)	(75,801)	(19,339)	56,462
OTHER FINANCING SOURCES (USES)				
Transfers out	(300,000)	(300,000)	(300,000)	-
Net change in fund balances	(370,990)	(375,801)	(319,339)	56,462
Fund balances—beginning	723,474	723,474	723,474	-
Fund balances—ending	<u>\$ 352,484</u>	<u>\$ 347,673</u>	<u>\$ 404,135</u>	<u>\$ 56,462</u>

CITY OF LA PORTE, TEXAS
Hotel/Motel Occupancy Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other taxes	\$ 250,000	\$ 250,000	\$ 234,630	\$ (15,370)
Interest	17,280	17,280	10,333	(6,947)
Total revenues	<u>267,280</u>	<u>267,280</u>	<u>244,963</u>	<u>(22,317)</u>
EXPENDITURES				
Current:				
Administration	149,100	129,100	91,023	38,077
Capital Outlay	10,000	35,000	17,077	17,923
Total expenditures	<u>159,100</u>	<u>164,100</u>	<u>108,100</u>	<u>56,000</u>
Excess (deficiency) of revenues over expenditures	<u>108,180</u>	<u>103,180</u>	<u>136,863</u>	<u>33,683</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>
Net change in fund balances	53,180	48,180	81,863	33,683
Fund balances—beginning	<u>637,279</u>	<u>637,279</u>	<u>637,279</u>	<u>-</u>
Fund balances—ending	<u>\$ 690,459</u>	<u>\$ 685,459</u>	<u>\$ 719,142</u>	<u>\$ 33,683</u>

CITY OF LA PORTE, TEXAS
Section 4B Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales taxes	\$ 900,000	\$ 900,000	\$ 921,625	\$ 21,625
Interest	49,810	49,810	34,209	(15,601)
Total revenues	<u>949,810</u>	<u>949,810</u>	<u>955,834</u>	<u>6,024</u>
EXPENDITURES				
Current:				
Administration	205,000	205,000	-	205,000
Capital Outlay	1,515,000	1,515,000	62,645	1,452,355
Total expenditures	<u>1,720,000</u>	<u>1,720,000</u>	<u>62,645</u>	<u>1,657,355</u>
Excess (deficiency) of revenues over expenditures	<u>(770,190)</u>	<u>(770,190)</u>	<u>893,189</u>	<u>1,663,379</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	315,730	315,730	-	(315,730)
Transfers out	(889,333)	(743,500)	(743,500)	-
Total other financing sources (uses)	<u>(573,603)</u>	<u>(427,770)</u>	<u>(743,500)</u>	<u>(315,730)</u>
Net change in fund balances	(1,343,793)	(1,197,960)	149,689	1,347,649
Fund balances—beginning	<u>2,349,529</u>	<u>2,349,529</u>	<u>2,349,529</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,005,736</u>	<u>\$ 1,151,569</u>	<u>\$ 2,499,218</u>	<u>\$ 1,347,649</u>

CITY OF LA PORTE, TEXAS
Tax Increment Reinvestment Zone One Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 20,000	\$ 20,000	\$ 20,218	\$ 218
Interest	3,490	3,490	2,159	(1,331)
Total revenues	<u>23,490</u>	<u>23,490</u>	<u>22,377</u>	<u>(1,113)</u>
EXPENDITURES				
Current:				
Administration	25,500	25,500	11,682	13,818
Capital Outlay	5,000	5,000	2,761	2,239
Total expenditures	<u>30,500</u>	<u>30,500</u>	<u>14,443</u>	<u>16,057</u>
Excess (deficiency) of revenues over expenditures	<u>(7,010)</u>	<u>(7,010)</u>	<u>7,934</u>	<u>14,944</u>
Net change in fund balances	(7,010)	(7,010)	7,934	14,944
Fund Balances—beginning	<u>140,506</u>	<u>140,506</u>	<u>140,506</u>	<u>-</u>
Fund Balances—ending	<u>\$ 133,496</u>	<u>\$ 133,496</u>	<u>\$ 148,440</u>	<u>\$ 14,944</u>

CITY OF LA PORTE, TEXAS
Transportation and Other Infrastructure Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 50,740	\$ 50,740	\$ 24,499	\$ (26,241)
Excess (deficiency) of revenues over expenditures	<u>50,740</u>	<u>50,740</u>	<u>24,499</u>	<u>(26,241)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balances	(249,260)	(249,260)	(275,501)	(26,241)
Fund balances—beginning	<u>1,809,140</u>	<u>1,809,140</u>	<u>1,809,140</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,559,880</u>	<u>\$ 1,559,880</u>	<u>\$ 1,533,639</u>	<u>\$ (26,241)</u>

CITY OF LA PORTE, TEXAS
1998 General Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 47,030	\$ 47,030	\$ 23,808	\$ (23,222)
EXPENDITURES				
Current:				
Capital Outlay	50,000	50,000	25,292	24,708
Excess (deficiency) of revenues over expenditures	(2,970)	(2,970)	(1,484)	1,486
Net change in fund balances	(2,970)	(2,970)	(1,484)	1,486
Fund balances—beginning	1,585,561	1,585,561	1,585,561	-
Fund balances—ending	<u>\$ 1,582,591</u>	<u>\$ 1,582,591</u>	<u>\$ 1,584,077</u>	<u>\$ 1,486</u>

CITY OF LA PORTE, TEXAS
2000 Certificate of Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 4,765	\$ 4,765
EXPENDITURES				
Current:				
Capital Outlay	-	-	11,620	(11,620)
Excess (deficiency) of revenues over expenditures	-	-	(6,855)	(6,855)
OTHER FINANCING SOURCES (USES)				
Transfers out	315,730	-	-	-
Net change in fund balances	315,730	-	(6,855)	(6,855)
Fund balances—beginning	319,210	319,210	319,210	-
Fund balances—ending	<u>\$ 634,940</u>	<u>\$ 319,210</u>	<u>\$ 312,355</u>	<u>\$ (6,855)</u>

CITY OF LA PORTE, TEXAS
2000 General Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 25,000	\$ 25,000	\$ 6,828	\$ (18,172)
EXPENDITURES				
Current:				
Capital Outlay	25,000	25,000	212,688	(187,688)
Excess (deficiency) of revenues over expenditures	-	-	(205,860)	(205,860)
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	125,000	125,000	-
Net change in fund balances	125,000	125,000	(80,860)	(205,860)
Fund balances—beginning	433,707	433,707	433,707	-
Fund balances—ending	<u>\$ 558,707</u>	<u>\$ 558,707</u>	<u>\$ 352,847</u>	<u>\$ (205,860)</u>

**SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

General Fund

These supplementary statements and schedules are included to provide management additional information for financial analysis.

CITY OF LA PORTE, TEXAS
 General Fund
 Schedule of Revenues - Budget and Actual
 Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Ad valorem:				
Current	\$ 8,115,350	\$ 8,115,350	\$ 8,490,360	\$ 375,010
Delinquent	120,000	120,000	199,563	79,563
Industrial Payments	7,439,337	7,439,337	7,093,854	(345,483)
Total ad valorem	<u>15,674,687</u>	<u>15,674,687</u>	<u>15,783,777</u>	<u>109,090</u>
Penalty and interest	110,000	110,000	134,516	24,516
Sales Taxes	1,800,000	1,800,000	1,843,251	43,251
Other Taxes	43,000	43,000	38,068	(4,932)
Franchise Fees:				
Electrical	1,200,000	1,200,000	1,152,288	(47,712)
Gas	150,000	150,000	129,460	(20,540)
Telephone	275,000	275,000	251,144	(23,856)
Cable	90,000	90,000	128,484	38,484
Commercial Solidwaste	20,000	20,000	21,473	1,473
Total Franchise Fees	<u>1,735,000</u>	<u>1,735,000</u>	<u>1,682,849</u>	<u>(52,151)</u>
Charges for Services:				
Public safety service fees	617,700	621,700	671,407	49,707
Health and sanitation service fees	907,500	907,500	891,146	(16,354)
Culture and recreation fees	419,300	419,300	441,420	22,120
Other service fees	215,200	211,200	271,360	60,160
Total Charges for Services	<u>2,159,700</u>	<u>2,159,700</u>	<u>2,275,333</u>	<u>115,633</u>
Intergovernmental	401,424	401,424	302,912	(98,512)
Licenses and permits:				
Building permits	176,700	179,700	184,556	4,856
Licenses	18,250	15,250	15,414	164
Total Licenses and permits	<u>194,950</u>	<u>194,950</u>	<u>199,970</u>	<u>5,020</u>
Investment income	336,970	366,970	211,241	(155,729)
Fines and forfeitures	563,000	563,000	847,250	284,250
Miscellaneous	30,000	34,902	88,970	54,068
Total revenues	<u>\$ 23,048,731</u>	<u>\$ 23,083,633</u>	<u>\$ 23,408,137</u>	<u>\$ 324,504</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2003

GENERAL GOVERNMENT	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Administration:				
General Administration:				
Personal services	\$ 417,082	\$ 417,082	\$ 418,455	\$ (1,373)
Supplies	8,110	13,310	12,509	801
Other services and charges	<u>105,651</u>	<u>125,651</u>	<u>130,410</u>	<u>(4,759)</u>
Total General Administration	<u>530,843</u>	<u>556,043</u>	<u>561,374</u>	<u>(5,331)</u>
Human Resources:				
Personal services	195,689	195,689	166,562	29,127
Supplies	6,800	6,800	7,200	(400)
Other services and charges	93,712	93,712	89,219	4,493
Capital Outlay	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Human Resources	<u>297,701</u>	<u>297,701</u>	<u>262,981</u>	<u>34,720</u>
Municipal Court:				
Personal services	278,517	278,517	302,677	(24,160)
Supplies and materials	13,500	13,600	18,302	(4,702)
Other services and charges	173,469	173,369	170,076	3,293
Capital outlay	<u>14,000</u>	<u>18,902</u>	<u>19,431</u>	<u>(529)</u>
Total Municipal Court	<u>479,486</u>	<u>484,388</u>	<u>510,486</u>	<u>(26,098)</u>
Purchasing:				
Personal services	217,843	217,843	220,275	(2,432)
Supplies	2,708	2,708	2,568	140
Other services and charges	<u>28,782</u>	<u>28,782</u>	<u>23,441</u>	<u>5,341</u>
Total Purchasing	<u>249,333</u>	<u>249,333</u>	<u>246,284</u>	<u>3,049</u>
Management Information Services:				
Personal services	262,442	262,442	253,485	8,957
Supplies	3,440	3,440	14,527	(11,087)
Other services and charges	64,514	64,514	61,694	2,820
Capital Outlay	<u>9,600</u>	<u>9,600</u>	<u>-</u>	<u>9,600</u>
Total Management Information Svcs	<u>339,996</u>	<u>339,996</u>	<u>329,706</u>	<u>10,290</u>
City Secretary:				
Personal services	215,463	215,463	220,143	(4,680)
Supplies and materials	6,790	6,350	4,680	1,670
Other services and charges	84,771	87,961	78,411	9,550
Capital outlay	<u>1,600</u>	<u>1,600</u>	<u>-</u>	<u>1,600</u>
Total City Secretary	<u>308,624</u>	<u>311,374</u>	<u>303,234</u>	<u>8,140</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Legal:				
Personal services	4,500	4,500	4,500	-
Other services and charges	205,242	205,242	178,147	27,095
Total Legal	<u>209,742</u>	<u>209,742</u>	<u>182,647</u>	<u>27,095</u>
City Council:				
Personal services	4,800	4,800	4,902	(102)
Supplies and materials	9,500	9,500	12,407	(2,907)
Other services and charges	81,136	81,136	54,079	27,057
Total City Council	<u>95,436</u>	<u>95,436</u>	<u>71,388</u>	<u>24,048</u>
Total Administration	<u>2,511,161</u>	<u>2,544,013</u>	<u>2,468,100</u>	<u>75,913</u>
Finance:				
Accounting:				
Personal services	567,883	567,883	534,640	33,243
Supplies	18,800	18,800	18,529	271
Other services and charges	146,053	146,053	143,546	2,507
Total Accounting	<u>732,736</u>	<u>732,736</u>	<u>696,715</u>	<u>36,021</u>
Nondepartmental:				
Personal services	317,005	317,005	276,358	40,647
Supplies	-	5,500	9,561	(4,061)
Other services and charges	2,119,250	2,035,577	397,453	1,638,124
Capital Outlay	-	3,518	-	3,518
Total Nondepartmental	<u>2,436,255</u>	<u>2,361,600</u>	<u>683,372</u>	<u>1,678,228</u>
Tax Office:				
Personal services	141,027	141,027	135,785	5,242
Supplies and materials	11,200	11,200	10,423	777
Other services and charges	162,957	162,957	159,262	3,695
Total Tax Office	<u>315,184</u>	<u>315,184</u>	<u>305,470</u>	<u>9,714</u>
Total Finance	<u>3,484,175</u>	<u>3,409,520</u>	<u>1,685,557</u>	<u>1,723,963</u>
Planning and Engineering:				
Planning and Engineering:				
Personal services	623,639	623,639	629,059	(5,420)
Supplies	14,550	14,550	14,857	(307)
Other services and charges	94,948	108,948	81,520	27,428
Capital Outlay	2,781	2,781	-	2,781
Total Planning and Engineering	<u>735,918</u>	<u>749,918</u>	<u>725,436</u>	<u>24,482</u>
Inspection:				
Personal services	495,503	495,503	448,339	47,164
Other services and charges	16,686	16,686	9,868	6,818
Supplies	123,351	123,351	75,112	48,239
Total Inspection	<u>635,540</u>	<u>635,540</u>	<u>533,319</u>	<u>102,221</u>
Total Planning and Engineering	<u>1,371,458</u>	<u>1,385,458</u>	<u>1,258,755</u>	<u>126,703</u>
TOTAL GENERAL GOVERNMENT	<u>7,366,794</u>	<u>7,338,991</u>	<u>5,412,412</u>	<u>1,926,579</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC SAFETY:				
Fire				
Fire Prevention:				
Personal services	160,638	157,998	146,451	11,547
Supplies	12,875	16,315	15,265	1,050
Other services and charges	49,844	49,044	43,070	5,974
Capital Outlay	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Fire Prevention	<u>224,857</u>	<u>224,857</u>	<u>204,786</u>	<u>20,071</u>
Fire suppression:				
Personal services	1,253,956	1,253,956	1,114,449	139,507
Supplies	122,710	122,710	116,223	6,487
Other services and charges	377,876	377,876	330,105	47,771
Capital Outlay	<u>52,755</u>	<u>52,755</u>	<u>-</u>	<u>52,755</u>
Total Fire Suppression	<u>1,807,297</u>	<u>1,807,297</u>	<u>1,560,777</u>	<u>246,520</u>
Emergency medical services:				
Personal services	1,169,765	1,169,765	1,199,913	(30,148)
Supplies	93,300	93,300	105,418	(12,118)
Other services and charges	169,562	183,667	151,267	32,400
Capital Outlay	<u>7,800</u>	<u>7,800</u>	<u>-</u>	<u>7,800</u>
Total Emergency Services	<u>1,440,427</u>	<u>1,454,532</u>	<u>1,456,598</u>	<u>(2,066)</u>
Total Fire	<u>3,472,581</u>	<u>3,486,686</u>	<u>3,222,161</u>	<u>264,525</u>
Police				
Police Administration:				
Personal services	415,037	415,037	419,016	(3,979)
Supplies	20,439	20,992	20,959	33
Other services and charges	224,509	221,996	216,289	5,707
Capital Outlay	<u>-</u>	<u>17,520</u>	<u>3,596</u>	<u>13,924</u>
Total Police Administration	<u>659,985</u>	<u>675,545</u>	<u>659,860</u>	<u>15,685</u>
Police Patrol:				
Personal services	3,440,054	3,440,054	3,460,238	(20,184)
Supplies	122,351	123,515	148,033	(24,518)
Other services and charges	456,545	457,245	444,004	13,241
Capital Outlay	<u>19,990</u>	<u>16,430</u>	<u>-</u>	<u>16,430</u>
Total Police Patrol	<u>4,038,940</u>	<u>4,037,244</u>	<u>4,052,275</u>	<u>(15,031)</u>
Criminal Investigation:				
Personal services	1,394,277	1,394,277	1,392,488	1,789
Supplies	41,175	41,575	40,637	938
Other services and charges	146,734	146,334	147,528	(1,194)
Capital Outlay	<u>1,600</u>	<u>1,600</u>	<u>-</u>	<u>1,600</u>
Total Criminal Investigation	<u>1,583,786</u>	<u>1,583,786</u>	<u>1,580,653</u>	<u>3,133</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services:				
Personal services	900,262	900,262	840,569	59,693
Supplies	56,275	38,210	36,997	1,213
Other services and charges	82,717	89,467	84,565	4,902
Total Auxiliary Services	<u>1,039,254</u>	<u>1,027,939</u>	<u>962,131</u>	<u>65,808</u>
Total Police	<u>7,321,965</u>	<u>7,324,514</u>	<u>7,254,919</u>	<u>69,595</u>
TOTAL PUBLIC SAFETY	<u>10,794,546</u>	<u>10,811,200</u>	<u>10,477,080</u>	<u>334,120</u>
PUBLIC WORKS:				
Public Works Administration:				
Personal services	238,212	238,212	237,617	595
Supplies and materials	3,200	3,200	2,562	638
Other services and charges	138,230	138,230	128,917	9,313
Capital outlay	2,700	2,700	-	2,700
Total Public Works Administration	<u>382,342</u>	<u>382,342</u>	<u>369,096</u>	<u>13,246</u>
Streets:				
Personal services	1,470,923	1,470,923	1,454,637	16,286
Supplies	101,370	106,170	87,940	18,230
Other services and charges	560,923	560,923	602,468	(41,545)
Capital Outlay	120,000	115,200	41,870	73,330
Total Streets	<u>2,253,216</u>	<u>2,253,216</u>	<u>2,186,915</u>	<u>66,301</u>
TOTAL PUBLIC WORKS	<u>2,635,558</u>	<u>2,635,558</u>	<u>2,556,011</u>	<u>79,547</u>
HEALTH AND SANITATION:				
Residential Solidwaste:				
Personal services	981,754	981,754	960,591	21,163
Supplies	180,913	185,513	196,903	(11,390)
Other services and charges	706,049	701,449	651,083	50,366
Capital Outlay	6,410	6,410	-	6,410
Total Residential Solidwaste	<u>1,875,126</u>	<u>1,875,126</u>	<u>1,808,577</u>	<u>66,549</u>
Commercial solidwaste:				
Other services and charges	15,000	15,000	14,885	115
TOTAL HEALTH AND SANITATION	<u>1,890,126</u>	<u>1,890,126</u>	<u>1,823,462</u>	<u>66,664</u>
CULTURE & RECREATION:				
Park Maintenance:				
Personal services	938,173	938,173	911,991	26,182
Supplies and materials	57,480	59,380	83,172	(23,792)
Other services and charges	634,627	650,027	650,776	(749)
Capital outlay	62,000	119,193	79,496	39,697
Total Park Maintenance	<u>1,692,280</u>	<u>1,766,773</u>	<u>1,725,435</u>	<u>41,338</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation:				
Personal services	683,235	683,235	658,677	24,558
Supplies	41,000	42,018	47,665	(5,647)
Other services and charges	72,141	72,141	70,105	2,036
Capital Outlay	17,000	17,000	-	17,000
Total Recreation	813,376	814,394	776,447	37,947
Special Services:				
Personal services	402,750	402,750	399,115	3,635
Other services and charges	32,400	32,400	17,870	14,530
Supplies	99,263	99,263	97,696	1,567
Total Special Services	534,413	534,413	514,681	19,732
Parks Administration:				
Personal Services	401,673	401,673	404,317	(2,644)
Supplies	13,550	13,550	10,577	2,973
Other Services and Charges	45,566	54,366	44,431	9,935
Total Parks Administration	460,789	469,589	459,325	10,264
TOTAL CULTURE AND RECREATION	3,500,858	3,585,169	3,475,888	109,281
TOTAL GENERAL FUND	\$ 26,187,882	\$ 26,261,044	\$ 23,744,853	\$ 2,516,191



COMBINING FINANCIAL STATEMENTS

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.

CITY OF LA PORTE, TEXAS
Internal Service Funds
Combining Statement of Net Assets
September 30, 2003

	<u>Motor Pool</u>	<u>Technology</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,614,322	\$ 370,382	\$ 2,080,797	\$ 4,065,501
Investments	361,353	82,907	463,000	907,260
Accrued interest receivable	2,542	583	3,258	6,383
Material and supplies inventories, at cost	44,210	-	-	44,210
Prepaid Expenses	-	57,975	-	57,975
Total current assets	<u>2,022,427</u>	<u>511,847</u>	<u>2,547,055</u>	<u>5,081,329</u>
Noncurrent assets:				
Capital assets				
Vehicles and equipment	9,858,579	1,076,024	-	10,934,603
Less accumulated depreciation	<u>(5,352,209)</u>	<u>(787,464)</u>	<u>-</u>	<u>(6,139,673)</u>
Total noncurrent assets	<u>4,506,370</u>	<u>288,560</u>	<u>-</u>	<u>4,794,930</u>
Total assets	<u>6,528,797</u>	<u>800,407</u>	<u>2,547,055</u>	<u>9,876,259</u>
LIABILITIES				
Current liabilities:				
Accounts payable	8,439	45,448	170,929	224,816
Accrued salaries payable	<u>21,637</u>	<u>-</u>	<u>-</u>	<u>21,637</u>
Total current liabilities	<u>30,076</u>	<u>45,448</u>	<u>170,929</u>	<u>246,453</u>
Noncurrent liabilities:				
Accrued employee separation pay	<u>104,895</u>	<u>-</u>	<u>-</u>	<u>104,895</u>
Total noncurrent liabilities	<u>104,895</u>	<u>-</u>	<u>-</u>	<u>104,895</u>
Total liabilities	<u>134,971</u>	<u>45,448</u>	<u>170,929</u>	<u>351,348</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	-
Unrestricted (deficit)	<u>6,393,826</u>	<u>754,959</u>	<u>2,376,126</u>	<u>9,524,911</u>
Total net assets	<u>\$ 6,393,826</u>	<u>\$ 754,959</u>	<u>\$ 2,376,126</u>	<u>\$ 9,524,911</u>

CITY OF LA PORTE, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
September 30, 2003

	Motor Pool	Technology	Insurance	Totals
Operating revenues:				
User Fees	<u>\$ 1,803,468</u>	<u>\$ 384,728</u>	<u>\$ 2,185,345</u>	<u>\$ 4,373,541</u>
Operating expenses:				
Personal services	653,322	-	2,250	655,572
Supplies	227,065	85,445	-	312,510
Other services and charges	82,045	131,253	2,508,131	2,721,429
Depreciation	<u>970,098</u>	<u>177,426</u>	-	<u>1,147,524</u>
Total operating expenses	<u>1,932,530</u>	<u>394,124</u>	<u>2,510,381</u>	<u>4,837,035</u>
Operating income (loss)	<u>(129,062)</u>	<u>(9,396)</u>	<u>(325,036)</u>	<u>(463,494)</u>
Nonoperating revenues (expenses):				
Interest income	25,397	5,073	29,962	60,432
Gain (loss) on sale of equipment	<u>(20,851)</u>	<u>(234,287)</u>	-	<u>(255,138)</u>
Total nonoperating revenues (expenses)	<u>4,546</u>	<u>(229,214)</u>	<u>29,962</u>	<u>(194,706)</u>
Income before contributions and transfers	(124,516)	(238,610)	(295,074)	(658,200)
Capital contributions	-	-	-	-
Transfers in	<u>-</u>	<u>-</u>	<u>1,250,000</u>	<u>1,250,000</u>
Change in net assets	(124,516)	(238,610)	954,926	591,800
Net assets—beginning	<u>6,518,342</u>	<u>993,569</u>	<u>1,421,200</u>	<u>8,933,111</u>
Net assets—ending	<u>\$ 6,393,826</u>	<u>\$ 754,959</u>	<u>\$ 2,376,126</u>	<u>\$ 9,524,911</u>

CITY OF LA PORTE, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
September 30, 2003

	<u>Motor Pool</u>	<u>Technology</u>	<u>Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user fees	\$ 1,803,468	\$ 384,728	\$ 2,185,345	\$ 4,373,541
Cash payments to suppliers	(308,121)	(240,331)	(2,524,651)	(3,073,103)
Cash payments for personal services	<u>(647,462)</u>	<u>-</u>	<u>-</u>	<u>(647,462)</u>
Net cash provided by operating activities	<u>847,885</u>	<u>144,397</u>	<u>(339,306)</u>	<u>652,976</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers out to other funds	<u>-</u>	<u>-</u>	<u>1,250,000</u>	<u>1,250,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(1,054,348)	-	-	(1,054,348)
Proceeds from sale of assets	93,899	-	-	93,899
Net cash (used) by capital and related financing activities	<u>(960,449)</u>	<u>-</u>	<u>-</u>	<u>(960,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	28,301	5,291	30,903	64,495
Investments purchased	-	(24,313)	(155,767)	(180,080)
Investments sold	<u>37,209</u>	<u>-</u>	<u>-</u>	<u>37,209</u>
Net cash provided by investing activities	<u>65,510</u>	<u>(19,022)</u>	<u>(124,864)</u>	<u>(78,376)</u>
Net increase (decrease) in cash and cash equivalents	(47,054)	125,375	785,830	864,151
Balances—beginning of the year	<u>1,661,376</u>	<u>245,007</u>	<u>1,294,967</u>	<u>3,201,350</u>
Balances—end of the year	<u>\$ 1,614,322</u>	<u>\$ 370,382</u>	<u>\$ 2,080,797</u>	<u>\$ 4,065,501</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ (129,062)</u>	<u>\$ (9,396)</u>	<u>\$ (325,036)</u>	<u>\$ (463,494)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	970,098	177,426	-	1,147,524
(Increase) decrease in inventories & prepaid expenses	2,694	(57,975)	-	(55,281)
Increase (decrease) in accrued salaries payable	(290)	-	-	(290)
Increase (decrease) in accounts payable	(1,705)	34,342	(14,270)	18,367
Increase (decrease) in accrued employee separation	<u>6,150</u>	<u>-</u>	<u>-</u>	<u>6,150</u>
Total adjustments	<u>976,947</u>	<u>153,793</u>	<u>(14,270)</u>	<u>1,116,470</u>
Net cash provided by operating activities	<u>\$ 847,885</u>	<u>\$ 144,397</u>	<u>\$ (339,306)</u>	<u>\$ 652,976</u>

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

These schedules present the capital asset balances related to governmental funds. A capital asset is presented in this schedule when it has been purchased using general governmental resources and is used for general governmental purposes. Assets are recorded at historical cost if purchased, or if historical cost is not available, estimated historical cost, or fair market value on the date donated, if donated.



CITY OF LA PORTE, TEXAS
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Source
 September 30, 2003

Governmental funds capital assets	
Land	\$ 7,128,945
Buildings	17,889,013
Equipment	1,242,742
Improvements	7,174,952
Infrastructure	23,069,817
Construction in progress	<u>1,900,978</u>
Total governmental funds capital assets	<u>\$ 58,406,447</u>
Investment in governmental funds capital assets by source	
Current Operations	\$ 13,975,774
Capital Projects	<u>44,430,673</u>
Total governmental funds capital assets	<u>\$ 58,406,447</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF LA PORTE, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2003

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Improvements</u>
General government				
Administration	\$ 317,635	\$ 6,377,917	\$ 177,978	\$ 372,917
Finance	-	-	14,583	-
Planning	217,002	-	19,922	-
Total general government	<u>534,637</u>	<u>6,377,917</u>	<u>212,483</u>	<u>372,917</u>
Public safety				
Fire	563,413	3,815,708	543,578	28,422
Police	32,179	1,032,387	241,004	-
Total public safety	<u>595,592</u>	<u>4,848,095</u>	<u>784,582</u>	<u>28,422</u>
Public works				
Administration	2,760,405	2,032,362	92,676	64,823
Streets	-	-	-	-
Total public works	<u>2,760,405</u>	<u>2,032,362</u>	<u>92,676</u>	<u>64,823</u>
Cultural and Recreational				
Parks and recreation	<u>3,238,311</u>	<u>4,630,639</u>	<u>153,001</u>	<u>6,708,790</u>
Total governmental funds capital assets	<u>\$ 7,128,945</u>	<u>\$ 17,889,013</u>	<u>\$ 1,242,742</u>	<u>\$ 7,174,952</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ -	\$ 54,649	\$ 7,301,096
-	-	14,583
<u>190,488</u>	<u>112,083</u>	<u>539,495</u>
<u>190,488</u>	<u>166,732</u>	<u>7,855,174</u>
-	237,497	5,188,618
-	29,597	1,335,167
<u>-</u>	<u>267,094</u>	<u>6,523,785</u>
6,308,478	1,307,604	12,566,348
<u>16,515,353</u>	<u>-</u>	<u>16,515,353</u>
<u>22,823,831</u>	<u>1,307,604</u>	<u>29,081,701</u>
<u>55,498</u>	<u>159,548</u>	<u>14,945,787</u>
<u>\$ 23,069,817</u>	<u>\$ 1,900,978</u>	<u>\$ 58,406,447</u>

CITY OF LA PORTE, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended September 30, 2003

<u>Function and Activity</u>	<u>Governmental Fund Capital Assets October 1, 2002</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Governmental Fund Capital Assets September 30, 2003</u>
General government				
Administration	\$ 6,971,148	\$ 337,267	\$ (7,319)	\$ 7,301,096
Finance	14,583	-	-	14,583
Planning	730,521	112,083	(303,109)	539,495
Total general government	<u>7,716,252</u>	<u>449,350</u>	<u>(310,428)</u>	<u>7,855,174</u>
Public safety				
Fire	4,878,573	393,744	(83,699)	5,188,618
Police	1,301,299	33,868	-	1,335,167
Total public safety	<u>6,179,872</u>	<u>427,612</u>	<u>(83,699)</u>	<u>6,523,785</u>
Public works				
Administration	10,801,643	1,440,328	324,377	12,566,348
Streets	-	16,515,353	-	16,515,353
Total public works	<u>10,801,643</u>	<u>17,955,681</u>	<u>324,377</u>	<u>29,081,701</u>
Cultural and Recreational				
Parks and recreation	<u>14,635,222</u>	<u>312,714</u>	<u>(2,149)</u>	<u>14,945,787</u>
Total governmental funds capital assets	<u>\$ 39,332,989</u>	<u>\$ 19,145,357</u>	<u>\$ (71,899)</u>	<u>\$ 58,406,447</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

City of La Porte, Texas
Government-wide Expenses by Function
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Government	Public Safety	Public Works	Health & Sanitation	Culture & Recreation	Interest on Long Term Debt
2003	\$ 8,625,554	\$ 10,771,423	\$ 3,638,063	\$ 1,823,462	\$ 4,048,974	\$ 747,351

Note: City of La Porte first applied GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

City of La Porte, Texas
Government-wide Revenues
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	PROGRAM REVENUES		GENERAL REVENUES			
	Charges for Services	Operating Grants and Contributions	Taxes	Investment Earnings	Miscellaneous	Loss on Sale of Assets
2003	\$ 13,106,260	\$ 480,037	\$ 22,865,250	\$ 663,428	\$ 1,594,184	\$ (260,545)

Note: City of La Porte first applied GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

<u>Water Services</u>	<u>Sewer Services</u>	<u>Airport</u>	<u>Golf Course</u>	<u>Convention Center</u>	<u>Total</u>
\$ 6,339,238	\$ 1,913,284	\$ 149,472	\$ 1,284,729	\$ 212,947	\$ 39,554,497

Total

\$ 38,448,614

City of La Porte, Texas
 General Governmental Expenditures by Function ¹
 Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Government	Public Safety	Public Works	Health and Sanitation	Parks and Recreation
1994	\$ 3,794,386	\$ 5,815,907	\$ 1,894,942	\$ 1,558,801	\$ 1,970,702
1995	5,852,031	5,915,849	1,979,267	1,622,361	2,005,982
1996	4,472,650	6,355,939	1,985,548	1,815,140	2,093,166
1997	4,495,678	6,889,530	2,070,686	1,873,746	2,331,312
1998	4,537,921	7,472,289	2,144,846	2,225,835	2,560,069
1999	5,056,127	7,842,420	2,204,287	2,413,218	2,697,886
2000	5,030,071	8,644,309	2,304,829	2,411,767	2,944,296
2001	5,232,112	9,364,320	2,487,825	2,278,761	3,058,199
2002	5,295,157	10,165,683	2,422,522	1,764,906	3,297,865
2003	5,625,003	10,477,080	2,556,011	1,823,462	3,475,888

¹ This table includes General, Special Revenue and Debt Service Funds.

<u>Debt Service</u>	<u>Total</u>
\$ 2,447,590	\$ 17,482,328
2,525,842	19,901,332
2,424,211	19,146,654
2,212,278	19,873,230
2,061,420	21,002,380
2,054,379	22,268,317
2,145,841	23,481,113
2,504,933	24,926,150
2,319,535	25,265,668
2,385,199	26,342,643

City of La Porte, Texas
 General Governmental Revenues by Source ¹
 Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes ²	Licenses and Permits	Fines and Forfeits	Charges for Services	Inter- governmental
1994	\$ 14,771,577	\$ 187,485	\$ 256,729	\$ 2,079,366	\$ 145,647
1995	15,843,519	169,962	271,308	2,346,812	154,339
1996	16,181,649	218,946	353,837	2,439,161	142,600
1997	17,148,601	243,632	427,305	2,567,400	187,333
1998	18,841,950	303,890	617,432	2,552,849	192,821
1999	19,400,416	357,694	479,363	2,996,774	170,044
2000	20,231,824	337,259	407,459	3,147,031	313,261
2001	21,685,552	262,010	561,547	2,923,504	673,105
2002	22,535,013	238,535	614,534	2,108,739	385,722
2003	22,921,623	199,970	847,250	2,275,333	302,912

¹ This table includes General, Special Revenue and Debt Service Funds.

² Includes ad valorem, franchise, sales, industrial payments, and other taxes.

<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 419,719	\$ 43,070	\$ 17,903,593
509,292	100,183	19,395,415
589,499	85,202	20,010,894
589,971	28,470	21,192,712
694,129	14,791	23,217,862
627,387	88,508	24,120,186
836,115	71,417	25,344,366
926,656	112,389	27,144,763
444,248	143,668	26,470,459
295,069	88,970	26,931,127

City of La Porte, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections ¹
1995	\$ 7,688,390	\$ 7,475,963	97.24%	\$ 96,555	\$ 7,572,518
1996	7,874,567	7,693,553	97.70%	152,106	7,845,659
1997	8,310,963	8,100,624	97.47%	358,575	8,459,199
1998	8,598,632	8,437,322	98.12%	220,553	8,657,875
1999	8,939,428	8,795,498	98.39%	206,154	9,001,652
2000	9,175,689	9,006,072	98.15%	184,584	9,190,656
2001	10,102,074	9,831,981	97.33%	247,977	10,079,958
2002	10,683,102	10,515,098	98.43%	207,508	10,722,606
2003	10,740,051	10,539,796	98.14%	300,131	10,839,927
2004					

¹ Excludes penalties and interest.

<u>Percentage of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
98.49%	1,162,317	15.12%
99.63%	1,101,197	13.98%
101.78%	1,108,770	13.34%
100.69%	1,036,304	12.05%
100.70%	901,832	10.09%
100.16%	830,979	9.06%
99.78%	619,890	6.14%
100.37%	864,736	8.09%
100.93%	854,559	7.96%

City of La Porte, Texas
Property Tax Rates - Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of La Porte ¹			Harris County Flood Control District ²	Harris County ²	Port of Houston Authority ²
	General Fund	Debt Service Fund	Total			
1994	0.55	0.18	0.71	0.0625	0.3628	0.0132
1995	0.55	0.16	0.71	0.0760	0.4068	0.0129
1996	0.55	0.16	0.71	0.0760	0.4070	0.0130
1997	0.57	0.14	0.71	0.0742	0.4276	0.0160
1998	0.57	0.14	0.71	0.0800	0.4166	0.0213
1999	0.57	0.14	0.71	0.0800	0.3948	0.0204
2000	0.57	0.14	0.71	0.0617	0.3590	0.0183
2001	0.57	0.14	0.71	0.0476	0.3839	0.0183
2002	0.57	0.14	0.71	0.0476	0.3839	0.0183
2003	0.58	0.14	0.71	0.04174	0.3881	0.0199
2004						

Source: ¹ City of La Porte records
² Office of Harris County
³ Office of La Porte Independence School District
⁴ Office of San Jacinto Jr. College District

<u>Harris County Board of Education ²</u>	<u>Hospital District ²</u>	<u>La Porte I.S.D. ³</u>	<u>San Jacinto Jr. College District ⁴</u>	<u>Total</u>
0.0047	0.1962	1.540	0.1000	2.9894
0.0052	0.1835	1.560	0.1000	3.0544
0.0050	0.1240	1.560	0.1100	3.0050
0.0056	0.1238	1.560	0.1100	3.0272
0.0061	0.1238	1.610	0.1100	3.0778
0.0063	0.1465	1.610	0.1100	3.1180
0.0063	0.2027	1.650	0.1260	3.1340
0.0063	0.1902	1.630	0.1307	3.1170
0.0063	0.1902	1.630	0.1307	3.1170
0.0063	0.1902	1.680	0.1307	3.1670



City of La Porte, Texas
Ratio of Gross General Bonded Debt to Assessed Value
and Gross Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Taxable Value (in thousands)	Gross Bonded Debt ¹ (in thousands)	Ratio of Gross Bonded Debt to Taxable Value	Gross Bonded Debt Per Capita
1994	29,707	\$ 1,050,687	\$ 15,270	1.45%	\$ 514
1995	30,464	1,076,592	13,555	1.26%	445
1996	31,045	1,135,711	11,835	1.04%	381
1997	31,859	1,191,363	10,255	0.86%	321
1998	32,658	1,231,486	11,170	0.91%	342
1999	34,191	1,277,210	9,675	0.76%	283
2000	31,880	1,525,166	11,370	0.75%	324
2001	32,356	1,422,739	9,745	0.68%	311
2002	32,910	1,504,631	13,610	0.90%	425
2003	33,789	1,512,665	12,170	0.80%	360

¹ Included long-term general obligation debt but not liability for employees separation pay.

City of La Porte, Texas
 Computation of Direct and Overlapping Debt
 September 30, 2003
 (Unaudited)

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of La Porte</u>	<u>Amount Applicable to City of La Porte</u>
La Porte Independent School District	\$ 76,950,000	35.71%	\$ 27,478,845
Harris County Flood Control District	91,774,985	0.88%	807,620
Harris County (includes toll roads and bridges)	1,350,931,590	0.88%	11,888,198
Port of Houston Authority	324,595,000	0.88%	2,856,436
San Jacinto Jr. College District	<u>59,495,000</u>	5.97%	<u>3,551,852</u>
Total Overlapping Debt	1,903,746,575		46,582,950
City of La Porte	<u>14,720,000</u>	100.00%	<u>12,922,787</u>
Total Direct and Overlapping Debt	<u>\$ 1,918,466,575</u>		<u>\$ 59,505,737</u>
 Total Direct and Overlapping Debt Per Capita			 <u>\$ 1,761</u>

Source: Moroney, Beissner & Co., Inc., Financial Advisors

City of La Porte, Texas
Ratio of Annual Debt Service Expenditures for
General Obligation Debt to Total General Expenditures
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures ¹	Ratio of Debt Service to Total General Expenditures
1994	\$ 1,527,725	\$ 919,865	\$ 2,447,590	\$ 17,482,328	14.00%
1995	1,715,000	810,842	2,525,842	19,901,332	12.69%
1996	1,720,000	704,211	2,424,211	19,146,634	12.66%
1997	1,610,000	602,278	2,212,278	19,873,230	11.13%
1998	1,555,000	506,420	2,061,420	21,002,380	9.82%
1999	1,495,000	559,379	2,054,379	22,089,712	9.30%
2000	1,555,000	590,841	2,145,841	23,481,113	9.14%
2001	1,775,000	729,932	2,504,932	24,926,150	10.05%
2002	1,685,000	634,535	2,319,535	25,119,686	9.23%
2003	1,590,000	795,199	2,385,199	26,130,052	9.13%

¹ Includes all General Fund and Debt Service Fund Expenditures.

City of La Porte, Texas
Water and Sewer Revenue Bond Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Operating Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service
1994	\$ 5,646,694	\$ 3,737,240	\$ 1,909,454
1995	6,000,898	3,802,082	2,198,816
1996	6,260,721	3,908,378	2,352,343
1997	6,106,337	4,081,712	2,024,625
1998	6,368,938	4,177,982	2,190,956
1999	6,445,231	4,386,479	2,058,752
2000	6,844,236	5,626,662	1,217,574
2001	6,094,735	4,347,508	1,747,227
2002	5,988,595	4,814,158	1,174,437
2003	5,837,448	5,025,158	812,290

¹ Includes interest income.

² Excludes depreciation and loss on uncollectible accounts.

Debt Service Requirements

<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
\$ 415,000	\$ 353,916	\$ 768,916	2.48
485,000	324,061	809,061	2.72
570,000	290,100	860,100	2.73
540,000	256,603	796,603	2.54
535,000	263,547	798,547	2.74
660,000	211,328	871,328	2.36
660,000	170,483	830,483	1.47
660,000	168,781	828,781	2.11
625,000	132,418	757,418	1.55
580,000	115,948	695,948	1.17

City of La Porte, Texas
 Assessed and Estimated Actual Value of Taxable Property ¹
 Last Ten Fiscal Years
 (Unaudited)

Year	Real Property		Personal Property	
	Actual Value	Taxable Value	Actual Value	Taxable Value
1994	\$ 999,026,450	\$ 879,673,220	\$ 203,254,030	\$ 171,013,980
1995	930,863,730	905,935,390	199,850,740	170,656,790
1996	1,088,617,760	963,946,080	197,177,710	171,765,840
1997	1,107,091,700	991,682,852	222,428,561	199,680,490
1998	1,132,150,100	1,030,030,350	239,361,192	201,455,980
1999	1,200,942,090	1,073,849,843	231,352,908	203,361,040
2000	1,348,881,240	1,288,197,300	258,255,710	236,968,760
2001	1,346,611,820	1,128,777,060	295,183,470	293,962,150
2002	1,461,368,400	1,212,042,880	295,213,550	292,588,100
2003	1,498,049,850	1,246,480,840	270,257,240	266,183,680

Source: City of La Porte records, local financial and the Harris County Appraisal District

¹ Property values shown are appraised values, which represent estimated actual value.
 Ratio of total appraised value to estimated actual value for all years is 100%.

Exemptions		Total		Ratio of Actual Value to Taxable Value
Real Property	Personal Property	Actual Value	Taxable Value	
\$ 129,730,170	\$ 372,460	\$ 1,202,280,480	\$ 1,050,687,200	114.43%
141,138,650	450,650	1,130,714,470	1,076,592,180	105.03%
145,406,130	419,590	1,285,795,470	1,135,711,920	113.21%
146,950,580	522,210	1,329,520,261	1,191,363,342	111.60%
151,108,330	129,520	1,371,511,292	1,231,486,330	111.37%
169,445,710	809,240	1,432,294,998	1,277,210,883	112.14%
186,962,500	956,290	1,607,136,950	1,525,166,060	105.37%
217,834,760	1,221,320	1,641,795,290	1,422,739,210	115.40%
249,325,520	2,625,450	1,756,581,950	1,504,630,980	116.75%
251,569,010	4,073,560	1,768,307,090	1,512,664,520	116.90%

City of La Porte, Texas
Principal Taxpayers
September 30, 2003
(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Oxy Vinyls LP	Chemical Plant	\$ 49,186,150	2.78%
Conoco Phillips Inc	Chemical Plant	46,876,580	2.65%
Equistar Chemicals LP	Chemical Plant	45,239,660	2.56%
BP Solvay	Chemical Plant	37,068,510	2.10%
PPG Industries	Chemical Plant	35,723,480	2.02%
Attofina Petrochemicals	Chemical Plant	26,149,430	1.48%
Centerpoint Energy	Utility	23,112,520	1.31%
Dow Chemicals	Chemical Plant	20,718,750	1.17%
Dupont Dow Elastomers	Chemical Plant	15,866,540	0.90%
Calpine Corporation	Chemical Plant	13,005,700	0.74%
		<u>\$ 312,947,320</u>	<u>17.70%</u>

Source: City of La Porte Tax records.

City of La Porte, Texas
Demographic Statistics
September 30, 2003
(Unaudited)

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment Rate (3)
1994	29,707	7,384	6.6%
1995	30,464	7,427	6.1%
1996	31,045	7,458	4.0%
1997	31,859	7,353	5.3%
1998	32,658	7,415	4.3%
1999	34,191	7,477	4.4%
2000	31,880	7,645	3.9%
2001	32,356	7,772	4.6%
2002	32,910	7,732	5.6%
2003	33,789	7,648	7.0%

Sources: (1) Based on building permits issued by the City's Inspection Division and information obtained from the U. S. Census Bureau.
(2) La Porte Independent School District for the school year ending August 31.
(3) Texas Workforce Commission rates for Harris County.

City of La Porte, Texas
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Commercial Construction		Residential Construction		Bank Deposits		Property Value ¹
	Number of Units	Value	Number of Units	Value	Number of Units	Amount	
1994	16	\$ 1,768,068	143	\$ 15,064,828	2	\$ 181,829,440	\$ 1,050,687,200
1995	25	6,024,751	152	12,889,457	3	185,050,239	1,076,592,180
1996	21	6,443,359	181	15,166,761	2	176,891,604	1,135,711,920
1997	52	9,189,192	199	17,910,021	3	220,345,717	1,191,363,342
1998	24	10,682,637	258	32,216,337	3	293,810,442	1,231,486,330
1999	46	20,944,265	282	33,741,959	2	275,951,399	1,277,210,883
2000	25	8,255,364	290	17,891,727	2	304,034,393	1,525,166,060
2001	31	9,679,778	155	20,037,910	2	328,478,701	1,422,739,210
2002	31	7,149,145	146	21,222,481	2	325,832,577	1,504,630,980
2003	21	4,077,913	164	21,337,646	1	280,362,658	1,512,664,520

Source: City of La Porte records, local financial institutions and the Harris County Appraisal District.

¹ Property values shown are appraised values, which represent taxable value.
Ratio of total appraised value to estimated actual value for all years is 100%.
State law requires the Appraisal District to report current values.

City of La Porte, Texas
Miscellaneous Statistical Data
September 30, 2003
(Unaudited)

Date of Incorporation	August 10, 1892
Form of Government	Council/Manager
Area	19 Square miles
Miles of Streets	164
Number of Street Lights	1,533
Fire Protection:	
Number of stations	4
Number of paid personnel	13
Number of volunteer firefighters	90
Police Protection:	
Number of stations	1
Number of police officers	72
Number of reserve officers	5
Municipal Water Department:	
Number of meters	10,987 Meters
Average daily consumption	3.2 Million gallons
Miles of water mains	231 Miles
Sewers:	
Sanitary sewers	187 Miles
Storm sewers	89 Miles
Recreation and Culture	
Number of parks	19
Acreage	463
Employees:	
Full-time	378
Part-time	77
Education:	
Attendance centers	11
Number of teachers	493
Number of students	7,648

