

CITY OF LA PORTE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
September 30, 2004

Prepared by:
Department of Finance



City of La Porte
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	3
GFOA Certificate of Achievement	9
Organization Chart	10
List of Elected and Appointed Officials	11
 FINANCIAL SECTION	
Independent Auditors' Report	15
Management's Discussion and Analysis	17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	27
Statement of Activities	28
Fund Financial Statements:	
Balance Sheet – Governmental Funds	30
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	33
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	36
Statement of Net Assets – Proprietary Funds	38
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	40
Statement of Cash Flows – Proprietary Funds	42
Notes to the Financial Statements	45
Required Supplementary Information	71
Notes to the Required Supplementary Information	73
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	78
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Debt Service Fund	82
Grant Special Revenue Fund	83
Community Investment Special Revenue Fund	84
Hotel/Motel Occupancy Tax Sales Tax Special Revenue Fund	85
Tax Increment Reinvestment Zone One Special Revenue Fund	86
Capital Projects Fund	87
Transportation and Other Infrastructure Fund	88
1998 General Obligation Bonds Fund	89
2000 Certificate of Obligation Bonds Fund	90
2000 General Obligation Bonds Fund	91
2002 General Obligation Bonds Fund	92

City of La Porte
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2004

TABLE OF CONTENTS

Supplementary Individual Fund Financial Statements and Schedules – General Fund	
Schedule of Revenues – Budget and Actual	94
Schedule of Expenditures – Budget and Actual	95
Combining Financial Statements – Nonmajor Proprietary Funds:	
Combining Statement of Net Assets	102
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	103
Combining Statement of Cash Flows	104
Combining Financial Statements – Internal Service Funds:	
Combining Statement of Net Assets	106
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	107
Combining Statement of Cash Flows	108
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source	111
Schedule by Function and Activity	112
Schedule of Changes by Function and Activity	114
STATISTICAL SECTION	
Government-wide information:	
Government-wide Expenses by Function	116
Government-wide Revenues	116
Fund information	
General Governmental Expenditures by Function	118
General Governmental Revenues by Source	120
Property Tax Levies and Collections	122
Property Tax Rates - Direct and Overlapping Governments	124
Ratio of Gross General Bonded Debt to Assessed Value and Gross Bonded Debt Per Capita	127
Computation of Direct and Overlapping Debt	128
Ratio of Annual Debt Service Expenditures for General Obligation Debt to Total General Expenditures	129
Revenue Bond Coverage - Water and Sewer Bonds	130
Assessed and Estimated Actual Value of Taxable Property	132
Principal Taxpayers	134
Demographic Statistics	135
Property Value, Construction and Bank Deposits	136
Miscellaneous Statistical Data	137

INTRODUCTORY SECTION





City of La Porte

Established 1892

January 24, 2005

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, 2004. 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, 2004 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, 2004, 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 33,712.

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, is a department of the City of La Porte, and therefore has been included as an integral part of the City of La Porte's financial statements. Additional information on the Water Authority 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 72 as part of the required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 82.

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 1,723 square mile county is a leading oil, gas and petrochemical areas. It has more than 3,200 manufacturing plants, the nation's largest concentration of petrochemical plants, the third largest United States seaport, and is a corporation management center. A significant part of the County's major employers, manufacturers, education and financial institutions are located in Houston, the County seat. The Texas Medical Center, located in Harris County, is one of the nation's largest, providing medical care and educational opportunities. The county's 64 hospitals have over 17,000 beds of which 4,600 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 Lyndon B. Johnson Space Center is also located here.

Located some 20 miles southeast of Houston on Galveston Bay in Harris County are the three communities that make up the La Porte Bayshore Area: La Porte, Morgan's Point and Shoreacres. The area has a combined population of approximately 40,000. Though much of the image of this area is industrial, the La Porte-Bayshore area is still characterized by an expanse of resort homes. 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 8 months. The average yield on investments was 1.35% 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 cost sharing multiple employer pension plan for its emergency services personnel. 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 Statewide Emergency Services Personnel Retirement Fund. The City of La Porte has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the Texas Statewide Emergency Services Personnel Retirement Fund.

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 43 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 10 in the notes to the financial statements.

Awards and Acknowledgements

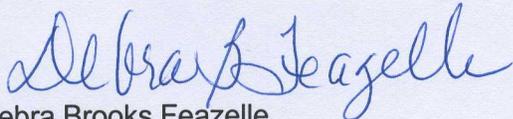
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2003. This was the twenty-third consecutive year that the City has received this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

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

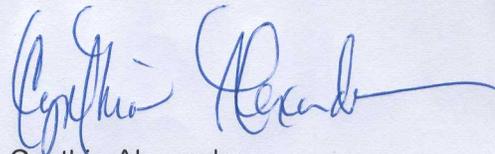
In addition, the government also received the GFOA's Distinguished Budget Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial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

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,

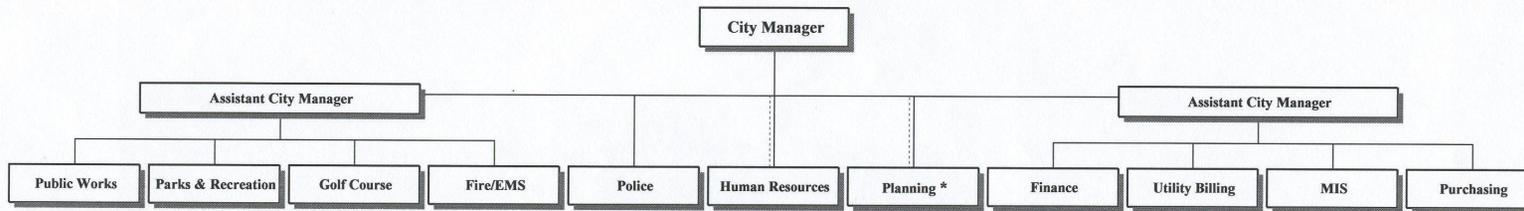


Debra Brooks Feazelle
City Manager



Cynthia Alexander
Assistant City Manager

**CITY OF LA PORTE
ORGANIZATION CHART**



**Interim*

Effective Date: 09/01/2003

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, 2003

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



Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director

CITY OF LA PORTE

LIST OF ELECTED OFFICIALS

ALTON PORTER
MAYOR

PETER GRIFFITHS
COUNCIL PERSON
AT LARGE A

BARRY BEASLEY
MAYOR PRO TEM
AT LARGE B

MICHAEL MOSTEIT
COUNCIL PERSON
DISTRICT 1

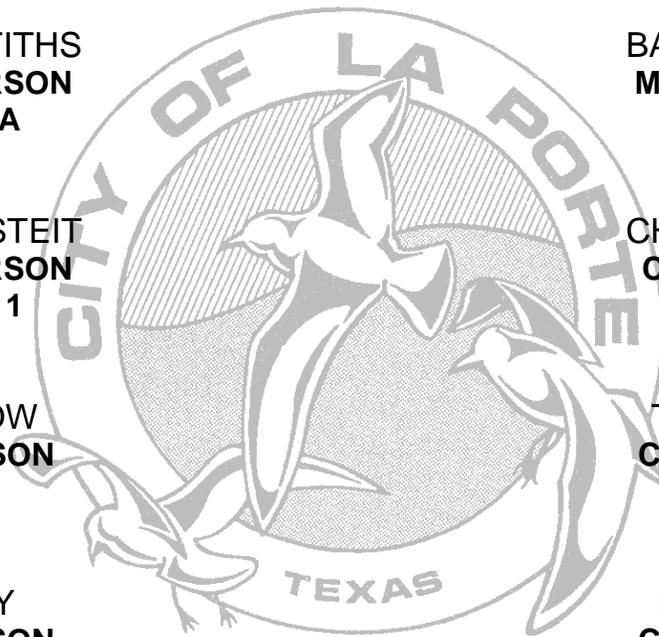
CHUCK ENGELKEN
COUNCIL PERSON
DISTRICT 2

HOWARD EBOW
COUNCIL PERSON
DISTRICT 3

TOMMY MOSER
COUNCIL PERSON
DISTRICT 4

LOUIS RIGBY
COUNCIL PERSON
DISTRICT 5

MIKE CLAUSEN
COUNCIL PERSON
DISTRICT 6





FINANCIAL SECTION



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



2117 Post Office Street
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, 2004, 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members
of the City Council
City of La Porte, Texas
Page 2 of 2

In accordance with *Government Auditing Standards*, we have issued our report dated January 24, 2005, 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 72 through 73 and Required Pension System Supplementary Information on page 71 are not required parts 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 fund 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 fund 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.

January 24, 2005
Houston, Texas

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2004

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, 2004. 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.

FINANCIAL HIGHLIGHTS

- The assets of the City of La Porte exceeded its liabilities at the close of the most recent fiscal year by \$83,828,099 (net assets). Of this amount, \$15,645,072 (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 \$3,191,759.
- As of the close of the current fiscal year, the City of La Porte's governmental funds reported combined ending fund balances of \$19,327,145. Of this amount, \$17,301,722 (90%) 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 \$7,009,028 approximately (30%) 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, 2004

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 13 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 and Section 4B Sales Tax, both of which are considered to be major funds. Data from the other 11 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 30-36 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 and La Porte Area Water Authority, Airport, Bay Forest Golf Course and Sylvan Beach Convention. 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 45-69 of this report.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2004

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 71 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 for the general fund. Combining fund statements and schedules can be found on pages 75-92 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 \$83,828,09 at the close of the fiscal year.

By far the largest portion of the City's net assets \$74,999,608 (66%) 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.

City of La Porte's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 30,803,701	\$ 33,982,205	\$ 7,760,850	\$ 9,172,756	\$ 38,564,551	\$ 43,154,961
Capital assets	40,889,013	39,705,979	34,110,595	35,193,134	74,999,608	74,899,113
Total Assets	71,692,714	73,688,184	41,871,445	44,365,890	113,564,159	118,054,074
Long term liabilities	14,573,457	15,775,718	7,507,468	8,500,496	22,080,925	24,276,214
Other liabilities	5,597,464	4,754,482	2,057,671	2,003,520	7,655,135	6,758,002
Total Liabilities	20,170,921	20,530,200	9,565,139	10,504,016	29,736,060	31,034,216
Net Assets:						
Invested in capital assets, net of related debt	32,752,971	23,400,108	25,996,416	26,109,776	58,749,387	49,509,884
Restricted	5,770,840	5,804,419	3,662,800	3,042,730	9,433,640	8,847,149
Unrestricted	12,997,982	23,953,457	2,647,090	4,709,368	15,645,072	28,662,825
Total Net Assets	\$ 51,521,793	\$ 53,157,984	\$ 32,306,306	\$ 33,861,874	\$ 83,828,099	\$ 87,019,858

An additional portion of the City's net assets \$9,433,640 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$15,645,072 (19%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2004, 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, 2004

Analysis of the City's Operations – the following table provides a summary of the City's operations for the year ended September 30, 2004, with comparative totals for year ended September 30, 2003. Governmental activities decreased the City of La Porte's net assets by \$1,636,191, accounting for 51% of the total decline in net assets. Business-type activities decreased the City's net assets by \$1,555,568, accounting for 49% of the total decline in net assets.

City of La Porte's Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,697,062	\$ 5,320,571	\$ 7,884,196	\$ 7,785,689	\$ 11,581,258	\$ 13,106,260
Operating grants and contributions	576,262	480,037	-	-	576,262	480,037
General revenues:						
Property taxes, levied for general purposes	9,139,422	8,797,886	-	-	9,139,422	8,797,886
Property taxes, levied for debt service	1,922,117	2,070,120	-	-	1,922,117	2,070,120
Industrial payments	6,896,112	7,276,821	-	-	6,896,112	7,276,821
Franchise taxes	1,718,875	1,682,849	-	-	1,718,875	1,682,849
Sales tax	3,263,459	3,037,574	-	-	3,263,459	3,037,574
Unrestricted investment earnings	376,359	542,254	88,602	121,174	464,961	663,428
Miscellaneous	495,102	704,886	874,146	889,298	1,369,248	1,594,184
Gain (loss) on sale/retirement of capital assets	-	(260,545)	(5,784)	-	(5,784)	(260,545)
Total revenues	<u>\$ 28,084,770</u>	<u>29,652,453</u>	<u>8,841,160</u>	<u>8,796,161</u>	<u>36,925,930</u>	<u>38,448,614</u>
Expenses:						
General Government	10,487,889	8,625,554	-	-	10,487,889	8,625,554
Public Safety	11,947,286	10,771,423	-	-	11,947,286	10,771,423
Public Works	1,267,829	3,638,063	-	-	1,267,829	3,638,063
Health and Sanitation	1,906,519	1,823,462	-	-	1,906,519	1,823,462
Culture and Recreation	4,106,491	4,048,974	-	-	4,106,491	4,048,974
Interest on Long-term debt	689,644	747,351	-	-	689,644	747,351
Water Services	-	-	6,256,424	6,339,238	6,256,424	6,339,238
Sewer Services	-	-	1,895,709	1,913,284	1,895,709	1,913,284
Airport	-	-	142,765	149,472	142,765	149,472
Bay Forest Golf Course	-	-	1,222,819	1,284,729	1,222,819	1,284,729
Sylvan Beach Convention Center	-	-	194,314	212,947	194,314	212,947
Total Expenses	<u>30,405,658</u>	<u>29,654,827</u>	<u>9,712,031</u>	<u>9,899,670</u>	<u>40,117,689</u>	<u>39,554,497</u>
Change in net assets before transfers	(2,320,888)	(2,374)	(870,871)	(1,103,509)	(3,191,759)	(1,105,883)
Transfers	684,697	(253,629)	(684,697)	253,629	-	-
Change in net assets	<u>(1,636,191)</u>	<u>(256,003)</u>	<u>(1,555,568)</u>	<u>(849,880)</u>	<u>(3,191,759)</u>	<u>(1,105,883)</u>
Net assets - beginning	53,157,984	53,413,987	33,861,874	34,711,754	87,019,858	88,125,741
Net assets - ending	<u>\$ 51,521,793</u>	<u>\$ 53,157,984</u>	<u>\$ 32,306,306</u>	<u>\$ 33,861,874</u>	<u>\$ 83,828,099</u>	<u>\$ 87,019,858</u>

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2004

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 \$19,327,145. Approximately 90% of this total amount (\$17,301,722) 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 (\$140,055), 2) to provide for inventories (\$69,136), 3) to pay for debt service (\$1,584,497), 4) to provide for municipal court building security (\$79,058), 5) to provide for municipal court technology (\$49,902) and 6) to provide for park zone (\$102,755).

In the general fund, the City budgeted for a decrease in the fund balance of \$308,270, which was the result of a shortfall in budgeted revenues and other resources. Due to actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2004 was \$607,930. Section 4B Sales Tax fund balance increased in 2004 by \$346,145 and Other Governmental fund balances decreased in 2004 by \$(4,770,785) due to major capital expenditures.

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 - \$19,220,458, Airport - \$2,481,287, La Porte Area Water Authority - \$243,076, Sylvan Beach Convention Center - \$238,490, and Bay Forest Golf Course - \$3,191,733. The change (decrease) in net assets of the proprietary funds in 2004 was as follows: Utility - \$(1,252,465), Airport - \$(106,688), La Porte Area Water Authority - \$3,486, Sylvan Beach Convention Center - \$6,126, and Bay Forest Golf Course - \$(206,027).

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 .05% or \$14,010.

The City's budgeted revenue decreased 1% as a result of revised revenue projections for intergovernmental revenue, charges for services, and licenses and permits.

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, 2004 amounts to \$74,999,608 (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, approximately \$1.7 million.
- Approximately \$550,000 for acquisition of land for future police station.
- Approximately \$926,000 in fleet replacement.
- Approximately \$1.08 million for infrastructure improvements.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2004

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

	Governmental Activities 2004	Business-type Activities 2004	Total
Land	\$ 7,681,340	\$ 2,734,064	\$ 10,415,404
Buildings	9,438,273	395,151	9,833,424
Equipment	4,994,399	124,789	5,119,188
Improvements	3,053,101	30,227,173	33,280,274
Infrastructure	10,887,476	-	10,887,476
Construction in Progress	4,834,424	629,418	5,463,842
Total	\$ 40,889,013	\$ 34,110,595	\$ 74,999,608

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 \$21,344,179. Of this amount, \$13,230,000 comprises bonded debt backed by the full faith and credit of the government and \$8,114,179 represents bonds secured solely by water and sewer revenues.

**Outstanding Debt at Year End
Bonds Payable**

	Governmental Activities 2004	Business-type Activities 2004	Totals
General Obligations	\$ 10,830,000	\$ -	\$ 10,830,000
Revenue Bonds Payable	-	8,114,179	8,114,179
Certificate of Obligations	2,400,000	-	2,400,000
Total	\$ 13,230,000	\$ 8,114,179	\$ 21,344,179

The City of La Porte maintains an "AAA" rating from the Standard & Poor's and Fitch and an "Aaa" 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.

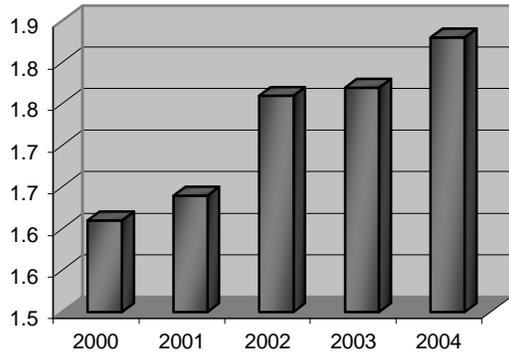
CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2004

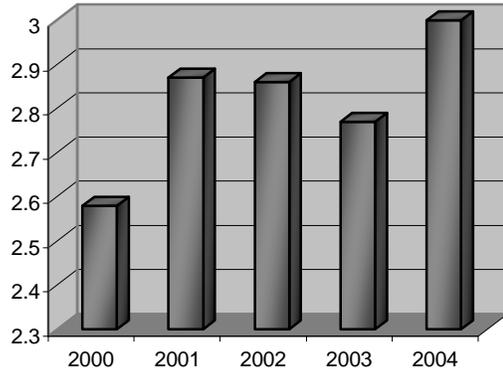
ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the Houston metropolitan area is currently 6.0 percent, which is a decrease from a rate of 7.0 percent a year ago. This compares identical to the state's average unemployment rate of 5.5 percent which is comparable to the national average rate of 5.4 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 and devaluation of industrial district assets due to age. Total assessed property value for all residential and commercial property in the City of La Porte exceeded \$1.8 billion for fiscal year 2004 which is 3.28% higher than last year. The trend for total assessed property values has been steadily increasing each year with an average annual increase of 11.7% over the past 5 years. Sales tax receipts have grown slightly this fiscal year due to an increase in the economy. This revenue source is the most volatile and subject to decline if an economic slowdown occurs.

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, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,040,142	\$ 1,749,259	\$ 20,789,401
Investments	6,952,943	2,436,526	9,389,469
Receivables, net of allowance for uncollectibles			
Accounts receivable	3,961,911	959,226	4,921,137
Taxes receivable	698,916	-	698,916
Due from other governments	4,716	-	4,716
Accrued interest receivable	39,402	12,545	51,947
Materials and supplies inventories at cost	105,671	4,540	110,211
Restricted Assets:			
Cash and cash equivalents restricted for customer service deposits	-	437,913	437,913
Investments restricted for debt service	-	565,000	565,000
Other	-	1,595,841	1,595,841
Capital assets:			
Land	7,681,339	2,734,064	10,415,403
Buildings and improvements	17,844,812	1,052,882	18,897,694
Improvements other than buildings	7,191,272	62,200,573	69,391,845
Infrastructure	23,390,331	-	23,390,331
Machinery and equipment	11,951,990	463,060	12,415,050
Construction in progress	4,834,424	629,418	5,463,842
Accumulated depreciation	(32,005,155)	(32,969,402)	(64,974,557)
Total assets	<u>71,692,714</u>	<u>41,871,445</u>	<u>113,564,159</u>
LIABILITIES			
Accounts payable	3,616,177	396,957	4,013,134
Accrued salaries payable	532,484	142,095	674,579
Deferred revenue	90,043	42,637	132,680
Other current liabilities		18,281	18,281
Accrued interest payable	28,760	17,030	45,790
Customer deposits	-	455,671	455,671
Noncurrent liabilities :			
Due within one year	1,330,000	985,000	2,315,000
Due in more than one year	14,573,457	7,507,468	22,080,925
Total liabilities	<u>20,170,921</u>	<u>9,565,139</u>	<u>29,736,060</u>
NET ASSETS			
Invested in capital assets, net of related debt	32,752,971	25,996,416	58,749,387
Restricted for:			
Debt service	1,688,583	3,662,800	5,351,383
Other purposes	4,082,257	-	4,082,257
Unrestricted	12,997,982	2,647,090	15,645,072
Total net assets	<u>\$ 51,521,793</u>	<u>\$ 32,306,306</u>	<u>\$ 83,828,099</u>

See accompanying notes to financial statements.

CITY OF LA PORTE, TEXAS
Statement of Activities
For the Year Ended September 30, 2004

<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	\$ 10,487,889	\$ 528,296	\$ 238,566
Public Safety	11,947,286	1,441,662	279,596
Public Works	1,267,829	106,026	-
Health & Sanitation	1,906,519	463,629	-
Culture and recreation	4,106,491	1,157,449	58,100
Interest on Long Term Debt	689,644	-	-
Total governmental activities	<u>30,405,658</u>	<u>3,697,062</u>	<u>576,262</u>
<i>Business-type activities:</i>			
Water Services	6,256,424	4,155,589	-
Sewer Services	1,895,709	2,493,134	-
Airport	142,765	32,728	-
Golf Course	1,222,819	1,022,103	-
Sylvan Beach Convention Ctr	194,314	180,642	-
Total business-type activities	<u>9,712,031</u>	<u>7,884,196</u>	<u>-</u>
Total government	<u>\$ 40,117,689</u>	<u>\$ 11,581,258</u>	<u>\$ 576,262</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
\$ (9,721,027)	\$ -	\$ (9,721,027)
(10,226,028)	-	(10,226,028)
(1,161,803)	-	(1,161,803)
(1,442,890)	-	(1,442,890)
(2,890,942)	-	(2,890,942)
(689,644)	-	(689,644)
<u>(26,132,334)</u>	<u>-</u>	<u>(26,132,334)</u>
-	(2,100,835)	(2,100,835)
-	597,425	597,425
-	(110,037)	(110,037)
-	(200,716)	(200,716)
-	(13,672)	(13,672)
<u>-</u>	<u>(1,827,835)</u>	<u>(1,827,835)</u>
<u>\$ (26,132,334)</u>	<u>\$ (1,827,835)</u>	<u>\$ (27,960,169)</u>
9,139,422	-	9,139,422
1,922,117	-	1,922,117
6,896,112	-	6,896,112
1,718,875	-	1,718,875
3,263,459	-	3,263,459
376,359	88,602	464,961
495,102	874,146	1,369,248
-	(5,784)	(5,784)
684,697	(684,697)	-
<u>24,496,143</u>	<u>272,267</u>	<u>24,768,410</u>
<u>(1,636,191)</u>	<u>(1,555,568)</u>	<u>(3,191,759)</u>
<u>53,157,984</u>	<u>33,861,874</u>	<u>87,019,858</u>
<u>\$ 51,521,793</u>	<u>\$ 32,306,306</u>	<u>\$ 83,828,099</u>

CITY OF LA PORTE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2004

	<u>General</u>	<u>Section 4B Sales Tax</u>	<u>Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 6,203,691	\$ 2,348,419	\$ 7,282,816
Investments	2,522,822	959,400	2,172,681
Receivables, net of allowance for uncollectibles:			
Accounts receivable	3,542,132	-	-
Taxes receivable	566,070	-	132,846
Grant receivable	-	-	4,716
Other accounts receivables	-	209,617	130,451
Accrued interest receivable	14,218	5,441	12,337
Materials and supplies inventories, at cost	68,055	-	-
Total assets	<u>12,916,988</u>	<u>3,522,877</u>	<u>9,735,847</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	2,009,532	677,514	473,834
Accrued salaries payable	483,801	-	7,128
Retainage payable	-	-	168
Deferred revenue	2,873,701	-	222,889
Accrued employee separation pay	100,000	-	-
Total liabilities	<u>5,467,034</u>	<u>677,514</u>	<u>704,019</u>
Fund balances:			
Reserved for:			
Inventories	69,136	-	-
Encumbrances	140,055	-	-
Municipal Court Building Security	79,058	-	-
Municipal Court Technology Fee	49,902	-	-
Park Zone	102,775	-	-
Debt service	-	-	1,584,497
Unreserved/Undesignated	7,009,028	2,845,363	-
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	1,005,159
Capital projects funds	-	-	6,442,172
Total fund balances	<u>7,449,954</u>	<u>2,845,363</u>	<u>9,031,828</u>
Total liabilities and fund balances	<u>\$ 12,916,988</u>	<u>\$ 3,522,877</u>	<u>\$ 9,735,847</u>

See accompanying notes to basic financial statements.

**Total
Governmental
Funds**

\$ 15,834,926
5,654,903

3,542,132
698,916
4,716
340,068
31,996
68,055

26,175,712

3,160,880
490,929
168
3,096,590
100,000

6,848,567

69,136
140,055
79,058
49,902
102,775
1,584,497
9,854,391

1,005,159
6,442,172

19,327,145

\$ 26,175,712



CITY OF LA PORTE, TEXAS
 Reconciliation of the Governmental Funds
 Balance Sheet to Statement of Net Assets
 September 30, 2004

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

Total fund balances - total governmental funds	\$ 19,327,145
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.	36,405,716
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.	3,006,547
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.	(28,760)
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.	8,506,093
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	(13,230,000)
Compensated Absences Payable	(2,464,948)
Net assets of governmental activities	<u><u>\$51,521,793</u></u>

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, 2004

	<u>General</u>	<u>Section 4B Sales Tax</u>
REVENUES		
Property taxes	\$ 9,101,667	\$ -
Franchise taxes	1,718,875	-
Sales taxes	1,995,654	997,827
Industrial payments	6,896,112	-
Other taxes	37,955	-
Licenses and permits	320,405	-
Fines and forfeits	554,559	-
Charges for services	2,948,580	-
Intergovernmental	7,586.00	-
Interest	149,347	34,118
Miscellaneous	32,605	-
Total revenues	<u>23,763,345</u>	<u>1,031,945</u>
EXPENDITURES		
Current:		
General Government	5,606,562	-
Public Safety	10,414,544	-
Public Works	2,361,192	-
Health and Sanitation	1,758,964	-
Culture and Recreation	3,245,144	-
Debt service:		
Principal retirements	-	-
Interest and fiscal charges	-	-
Capital outlay	-	685,800
Total expenditures	<u>23,386,406</u>	<u>685,800</u>
Excess (deficiency) of revenues over expenditures	<u>376,939</u>	<u>346,145</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	1,393,757	-
Transfers out	(1,162,766)	-
Total other financing sources (uses)	<u>230,991</u>	<u>-</u>
Net change in fund balances	607,930	346,145
Fund balances—beginning	6,842,024	2,499,218
Fund balances—ending	<u>\$ 7,449,954</u>	<u>\$ 2,845,363</u>

See accompanying notes to basic financial statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,968,522	\$ 11,070,189
-	1,718,875
-	2,993,481
-	6,896,112
232,023	269,978
-	320,405
-	554,559
(1,240)	2,947,340
568,676	576,262
141,953	325,418
-	32,605
<u>2,909,934</u>	<u>27,705,224</u>
2,364,722	7,971,284
-	10,414,544
-	2,361,192
-	1,758,964
-	3,245,144
1,490,000	1,490,000
699,834	699,834
<u>2,573,341</u>	<u>3,259,141</u>
<u>7,127,897</u>	<u>31,200,103</u>
<u>(4,217,963)</u>	<u>(3,494,879)</u>
2,075,269	3,469,026
<u>(2,628,091)</u>	<u>(3,790,857)</u>
<u>(552,822)</u>	<u>(321,831)</u>
(4,770,785)	(3,816,710)
13,802,613	23,143,855
<u>\$ 9,031,828</u>	<u>\$ 19,327,145</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, 2004

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

Net change in fund balances—total governmental funds:	\$(3,816,710)
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 \$3,992,881 exceeded depreciation \$2,346,058 and losses from the disposition of capital assets in the current period.	1,494,670
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.	328,605
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.	1,490,000
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:	
Accrued interest not reflected in governmental funds	10,190
Additional compensated absences not reflected in governmental funds	(124,125)
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.	<u>(1,018,821)</u>
Change in net assets of governmental activities	<u><u>\$ (1,636,191)</u></u>

See accompanying notes to basic financial statements.



CITY OF LA PORTE, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2004

	Business-type Activities – Enterprise Funds		
	Utility	La Porte Area Water Authority	Other Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,261,884	\$ 115,330	\$ 372,045
Investments	2,218,583	47,663	170,280
Receivables, net of allowance for uncollectibles	775,915	174,841	8,470
Accrued interest receivable	8,684	2,896	965
Miscellaneous receivables	-	-	-
Material and supplies inventories, at cost	4,540	-	-
Restricted cash, cash equivalents, and investments:			
Customer service deposits	392,052	-	45,861
Current debt service	565,000	1,595,841	-
Total current assets	5,226,658	1,936,571	597,621
Noncurrent assets:			
Capital assets:			
Land	266,009	-	2,084,469
Buildings and improvements	331,014	-	1,105,454
Improvements other than buildings	40,897,877	14,725,570	6,577,126
Vehicles and equipment	327,595	-	135,465
Construction in progress	588,727	-	34,905
Less accumulated depreciation	(24,108,052)	(4,537,108)	(4,324,242)
Total noncurrent assets	18,303,170	10,188,462	5,613,177
Total assets	23,529,828	12,125,033	6,210,798
LIABILITIES			
Current liabilities:			
Accounts payable	293,301	83,005	20,651
Accrued salaries payable	98,967	-	43,128
Unearned Revenue	-	-	42,637
Other current liabilities	-	-	18,281
Accrued interest payable	2,381	14,649	-
Payable from restricted assets:			
Current portion of revenue bonds	565,000	420,000	-
Customer deposits	407,312	-	48,359
Total current liabilities	1,366,961	517,654	173,056
Noncurrent liabilities:			
Revenue bonds, net of current portion	629,179	6,500,000	-
Accrued separation pay	246,271	-	132,018
Total noncurrent liabilities	875,450	6,500,000	132,018
Total liabilities	2,242,411	7,017,654	305,074
NET ASSETS			
Invested in capital assets, net of related debt	-	3,268,462	-
Restricted for debt service	2,066,959	1,595,841	-
Unrestricted (deficit)	19,220,458	243,076	5,911,510
Total net assets	\$ 21,287,417	\$ 5,107,379	\$ 5,911,510

See accompanying notes to basic financial statements.

		Governmental Activities -	
Totals		Internal Service Funds	
\$	1,749,259	\$	3,205,216
	2,436,526		1,298,040
	959,226		-
	12,545		7,406
	-		79,711
	4,540		37,616
	437,913		-
	2,160,841		-
	<u>7,760,850</u>		<u>4,627,989</u>
	2,350,478		-
	1,436,468		-
	62,200,573		-
	463,060		10,800,404
	623,632		-
	<u>(32,969,402)</u>		<u>(6,317,196)</u>
	<u>34,104,809</u>		<u>4,483,208</u>
	<u>41,865,659</u>		<u>9,111,197</u>
	396,957		455,129
	142,095		41,555
	42,637		-
	18,281		-
	17,030		-
	985,000		-
	455,671		-
	<u>2,057,671</u>		<u>496,684</u>
	7,129,179		-
	378,289		108,419
	<u>7,507,468</u>		<u>108,419</u>
	<u>9,565,139</u>		<u>605,103</u>
	3,268,462		4,483,208
	3,662,800		-
	25,375,044		4,022,885
\$	<u>32,306,306</u>	\$	<u>8,506,093</u>

CITY OF LA PORTE, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2004

	Business-type Activities – Enterprise Funds		
	Utility	La Porte Area Water Authority	Other Proprietary Funds
Operating revenues:			
User fees	\$ 5,775,929	\$ 878,880	\$ 1,237,654
Operating expenses:			
Personal services	2,255,709	-	902,073
Supplies	186,266	109	127,908
Other services and charges	2,683,660	892,297	238,534
Depreciation	1,231,926	441,913	291,383
Total operating expenses	6,357,561	1,334,319	1,559,898
Operating income (loss)	(581,632)	(455,439)	(322,244)
Nonoperating revenues (expenses):			
Interest income	60,292	21,014	7,296
Interest expense and fiscal charges	(85,935)	(374,318)	-
Gain (loss) on sale of equipment	(2,465)	-	(4,319)
Total nonoperating revenue (expenses)	(28,108)	(353,304)	2,977
Income (loss) before contributions and transfers	(609,740)	(808,743)	(319,267)
Capital contributions	-	866,879	-
Transfers in	1,250,000	-	55,000
Transfers out	(1,892,725)	(54,650)	(42,322)
Change in net assets	(1,252,465)	3,486	(306,589)
Total net assets—beginning	22,539,882	5,103,893	6,218,099
Total net assets—ending	\$ 21,287,417	\$ 5,107,379	\$ 5,911,510

See accompanying notes to basic financial statements.

		Governmental Activities -
Totals	Internal Service Funds	
\$ 7,892,463	\$	5,526,713
3,157,782		1,467,194
314,283		355,502
3,814,491		4,596,671
1,965,222		1,064,432
<u>9,251,778</u>		<u>7,483,799</u>
<u>(1,359,315)</u>		<u>(1,957,086)</u>
88,602		50,941
(460,253)		-
(6,784)		(119,204)
<u>(378,435)</u>		<u>(68,263)</u>
(1,737,750)		(2,025,349)
866,879		-
1,305,000		1,034,797
<u>(1,989,697)</u>		<u>(28,269)</u>
(1,555,568)		(1,018,821)
33,861,874		9,303,735
<u>\$ 32,306,306</u>	<u>\$</u>	<u>8,284,914</u>

CITY OF LA PORTE, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2004

	Business-type Activities -		
	Enterprise Funds		
	Utility	La Porte Area Water Authority	Other Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from user fees	\$ 5,698,248	\$ 986,748	\$ 1,278,132
Cash payments to suppliers	(2,846,602)	(883,676)	(387,167)
Cash payments for personal services	(2,260,403)	-	(891,660)
Net cash provided by operating activities	<u>591,243</u>	<u>103,072</u>	<u>(695)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance to primary government	-	(902)	-
Transfers from other funds	1,250,000	-	15,395
Transfers to other funds	(1,892,725)	(54,650)	(2,717)
Net cash from noncapital financing activities	<u>(642,725)</u>	<u>(55,552)</u>	<u>12,678</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments received from participants for debt service	-	789,024	-
Payments received from participants for capital recovery	-	86,574	-
Payments for capital acquisitions	(792,410)	-	(97,058)
Proceeds from sale of assets	-	-	-
Proceeds from insurance	-	-	-
Principal payments on revenue bonds	(564,179)	(405,000)	-
Interest paid on debt	(87,114)	(375,307)	-
Net cash (used) by capital and related financing activities	<u>(1,443,703)</u>	<u>95,291</u>	<u>(97,058)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	59,030	20,182	7,235
Net Investments (purchased) sold	(655,463)	(47,663)	(40,108)
Net cash provided by investing activities	<u>(596,433)</u>	<u>(27,481)</u>	<u>(32,873)</u>
Net increase (decrease) in cash and cash equivalents	(2,091,618)	115,330	(117,948)
Balances—beginning of the year	3,745,554	-	581,715
Balances—end of the year	<u>\$ 1,653,936</u>	<u>\$ 115,330</u>	<u>\$ 463,767</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (581,632)	\$ (13,526)	\$ (322,244)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,231,926	-	291,383
(Increase) decrease in accounts receivable	(92,941)	107,868	(6,447)
(Increase) decrease in inventories	-	-	-
Increase (decrease) in accrued salaries payable	19,229	-	10,339
Increase (decrease) in accounts payable	23,324	8,730	(22,054)
Increase (decrease) in other current liabilities	-	-	(105)
Increase (decrease) in customer utility deposits	15,260	-	48,359
Increase (decrease) in accrued employee separation	(23,923)	-	74
Total adjustments	<u>1,172,875</u>	<u>116,598</u>	<u>321,549</u>
Net cash provided by operating activities	<u>\$ 591,243</u>	<u>\$ 103,072</u>	<u>\$ (695)</u>
Reconciliation of total cash and cash investments:			
Current Assets - cash and cash equivalents	\$ 1,261,884	\$ 115,330	\$ 372,045
Restricted Assets - cash and cash equivalents	392,052	-	45,861
Total cash and cash equivalents	<u>\$ 1,653,936</u>	<u>\$ 115,330</u>	<u>\$ 417,906</u>

See accompanying notes to basic financial statements.

	Governmental Activities -
Totals	Internal Service Funds
\$ 7,963,128	\$ 5,447,002
(4,117,445)	(4,657,291)
(3,152,063)	(1,443,753)
<u>693,620</u>	<u>(654,042)</u>
(902)	-
1,265,395	-
(1,950,092)	1,006,528
<u>(685,599)</u>	<u>1,006,528</u>
789,024	-
86,574	-
(889,468)	(964,281)
-	81,131
	11,235
(969,179)	-
(462,421)	-
<u>(1,445,470)</u>	<u>(871,915)</u>
86,447	49,923
(743,234)	(390,780)
<u>(656,787)</u>	<u>(340,857)</u>
(2,094,236)	(860,286)
4,327,269	4,065,502
<u>\$ 2,233,033</u>	<u>\$ 3,205,216</u>
<u>\$ (917,402)</u>	<u>\$ (1,957,086)</u>
1,523,309	1,064,432
8,480	-
-	64,569
29,568	7,999
10,000	230,313
(105)	-
63,619	-
(23,849)	3,524
<u>1,611,022</u>	<u>1,370,837</u>
<u>\$ 693,620</u>	<u>\$ (654,041)</u>
\$ 1,749,259	\$ 3,205,216
437,913	-
<u>\$ 2,187,172</u>	<u>\$ 3,205,216</u>



CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2004

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

Government Wide Statements:

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in activities) 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.

1. Summary of significant accounting policies – Continued

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

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.

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

1. Summary of significant accounting policies – Continued

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.

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

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 are 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.

1. Summary of significant accounting policies – Continued

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, 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.

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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

1. Summary of significant accounting policies – Continued

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:

Fund	Taxes	Grant	Interest	Other	Accounts	Total
General	\$ 1,108,279	\$ -	\$ 14,218	\$ -	\$ 4,761,357	\$ 5,883,854
Section 4b Sales Tax	-	-	5,441	209,617	-	215,058
Debt Service	335,431	-	2,603	-	-	338,034
Grant	-	-	12	130,451	-	130,463
Community Investment	-	-	139	-	-	139
Hotel/Motel Tax	-	-	1,304	-	-	1,304
T.I.R.Z. One	-	-	242	-	-	242
Capital Improvements	-	4,716	1,695	-	-	6,411
Transportation	-	-	1,236	-	-	1,236
1998 G.O. Bonds	-	-	2,483	-	-	2,483
2000 C.O. Bonds	-	-	11	-	-	11
2000 G.O. Bonds	-	-	1,926	-	-	1,926
2002 G.O. Bonds	-	-	686	-	-	686
Utility	-	-	8,684	-	810,547	819,231
Water Authority	-	-	2,896	-	174,841	177,737
Airport	-	-	623	-	7,665	8,288
Sylvan Beach	-	-	331	-	805	1,136
Golf Course	-	-	11	-	-	11
Motorpool	-	-	3,543	-	79,711	83,254
Technology	-	-	1,203	-	-	1,203
Insurance	-	-	2,660	-	-	2,660
Gross Receivables	1,443,710	4,716	51,947	340,068	5,834,926	7,675,367
Less: allowance for uncollectibles	(744,794)	-	-	-	(1,253,857)	(1,998,651)
Net total receivables	<u>\$ 698,916</u>	<u>\$ 4,716</u>	<u>\$ 51,947</u>	<u>\$ 340,068</u>	<u>\$ 4,581,069</u>	<u>\$ 5,676,716</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

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	Grant	Total
	General	Debt Service	Proprietary	Revenue	
Delinquent property taxes receivable	\$ 566,070	\$ 132,846	\$ -	\$ -	\$ 698,916
Charges for services and customer deposits	2,307,631	-	42,637	-	2,350,268
Grant Revenues	-	-	-	90,043	90,043
Total deferred / unearned revenue	<u>\$ 2,873,701</u>	<u>\$ 132,846</u>	<u>\$ 42,637</u>	<u>\$ 90,043</u>	<u>\$ 3,139,227</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. 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.

K. Restricted Assets

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

L. 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.

M. 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.

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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

1. Summary of significant accounting policies – Continued

N. 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 cost 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, 2004, 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

O. 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. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

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

- Vacation – Employees earn from 10 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, 2004 is comprised of the following:

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Vacation	\$ 787,286	\$ 139,515	\$ 926,801
Sick Leave	1,886,171	238,774	2,124,945
Total All Funds	<u>\$ 2,673,457</u>	<u>\$ 378,289</u>	<u>\$ 3,051,746</u>

1. Summary of significant accounting policies – Continued

P. 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.

Q. 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(L), and 1(C) respectively.

R. 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.

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, 2004, was \$1,260,462 and the bank balance was \$1,522,503. 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.

Short term deposits in the Texas Local Government Investment Pool (TexPool), the Local Government Investment Cooperative (LOGIC), and Tex Star were \$20,474,564 at September 30, 2004.

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.

2. Cash, Cash Equivalents and Investments – Continued

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 (MMMMF), 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.
- ❖ SEC-registered, no-load money market mutual funds (MMMMF) 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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

2. Cash, Cash Equivalents and Investments – Continued

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.

	Credit Risk Category	Carrying Amount	Fair Value
U.S. Government Agency Notes	1	\$ 10,986,278	\$ 10,985,310
Investments not Subject to Categorization:			
TEXPOOL	N/A	13,600,591	11,582,913
LOGIC	N/A	3,848,296	3,848,296
TexStar		3,025,677	3,025,677
Total Investments		31,460,842	\$ 29,442,196
Investments Classified as Cash Equivalents		20,474,564	
Total Investments per Balance Sheet		\$ 10,986,278	

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 \$138 reported in the financial statements as of September 30, 2004.

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 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 January 1 of the current calendar year.

The City is permitted, by Article XI, Section 5, of the State of Texas Constitution and the City Charter, to levy property taxes up to \$2.50 per \$100 of assessed valuation for general governmental services. Within the \$2.50 maximum levy, there is no legal limit upon the amount of property taxes, which can be levied for debt service. The property tax rates to finance general governmental services and debt service for the 2003-04 tax year were \$0.61 and \$0.10 respectively, per \$100 of assessed valuation. The 2005 assessed value and total tax levy as adjusted through September 30, 2004 were \$1,560,406,910 and \$11,078,891 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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

4. Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

	Beginning Balance 10/01/03	Additions	Retirements & Adjustments	Ending Balance 09/30/04
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,128,945	\$ 552,395	\$ -	\$ 7,681,340
Construction in progress	1,900,979	2,955,199	(21,754)	4,834,424
Total capital assets, not being depreciated	<u>9,029,924</u>	<u>3,507,594</u>	<u>(21,754)</u>	<u>12,515,764</u>
Capital assets, being depreciated:				
Buildings and improvements	17,889,014	-	(44,202)	17,844,812
Improvements other than buildings	7,174,952	16,320	-	7,191,272
Infrastructure	23,069,816	320,514	-	23,390,330
Machinery and equipment	12,177,344	1,121,875	(1,347,229)	11,951,990
Total capital assets being depreciated	<u>60,311,126</u>	<u>1,458,709</u>	<u>(1,391,431)</u>	<u>60,378,404</u>
Less accumulated depreciation for:				
Buildings	7,516,476	892,731	(2,668)	8,406,539
Improvements other than buildings	3,779,703	358,468	-	4,138,171
Machinery and equipment	6,830,709	1,164,641	(1,037,759)	6,957,591
Infrastructure	11,508,183	994,671	-	12,502,854
Total accumulated depreciation	<u>29,635,071</u>	<u>3,410,511</u>	<u>(1,040,427)</u>	<u>32,005,155</u>
Total capital assets, being depreciated, net	<u>30,676,055</u>	<u>(1,951,802)</u>	<u>(351,004)</u>	<u>28,373,249</u>
Governmental activities capital assets, net	<u>\$ 39,705,979</u>	<u>\$ 1,555,792</u>	<u>\$ (372,758)</u>	<u>\$ 40,889,013</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

4. Capital Assets – Continued

	Beginning Balance 10/01/03	Additions	Retirements & Adjustments	Ending Balance 09/30/04
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,350,478	\$ 383,587	\$ -	\$ 2,734,065
Construction in progress	165,981	463,437	-	629,418
Total capital assets, not being depreciated	<u>2,516,459</u>	<u>847,024</u>	<u>-</u>	<u>3,363,483</u>
Capital assets, being depreciated				
Buildings and improvements	1,157,184	-	(104,302)	1,052,882
Improvements other than buildings	62,085,457	121,303	(6,187)	62,200,573
Machinery and equipment	499,049	19,769	(55,758)	463,060
Total capital assets, being depreciated	<u>63,741,690</u>	<u>141,072</u>	<u>(166,247)</u>	<u>63,716,515</u>
Less accumulated depreciation for:				
Buildings and improvements	606,569	51,162	-	657,731
Improvements other than buildings	30,084,389	1,889,011	-	31,973,400
Machinery and equipment	374,056	25,127	(60,912)	338,271
Total accumulated depreciation	<u>31,065,014</u>	<u>1,965,301</u>	<u>(60,912)</u>	<u>32,969,402</u>
Total capital assets, being depreciated net	<u>32,676,676</u>	<u>(1,824,229)</u>	<u>(105,335)</u>	<u>30,747,112</u>
Business-type activities capital assets, net	<u>\$ 35,193,135</u>	<u>\$ (977,205)</u>	<u>\$ (105,335)</u>	<u>\$ 34,110,595</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

4. Capital Assets – Continued

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

Governmental activities:	
General government	\$ 362,930
Public safety	310,862
Public works	1,092,720
Culture and Recreation	579,567
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,064,432</u>
Total depreciation expense - governmental activities	<u>\$3,410,511</u>
Business-type activities:	
Water & Sewer Services	\$ 1,673,918
Airport	128,543
Golf Course	146,614
Sylvan Beach Pavillion	<u>16,226</u>
Total depreciation expense - business-type activities	<u>\$ 1,965,301</u>

The City has active construction projects as of September 30, 2004. Total accumulated commitments for ongoing capital projects are composed of the following:

	Construction In Progress	Remaining Contract Balance
Utility Capital Projects Fund	\$ 526,082	\$ 10,622
Sylvan Beach Fund	34,905	-
Airport Fund	5,786	-
Hotel/Motel Occupancy Tax Fund	33,765	-
Section 4B Sales Tax	748,445	-
TIRZ Fund	20,491	-
General CIP	680,315	105,900
S1998 General Obligation Bonds	128,153	114,444
S2000 General Obligation Bonds	195,747	-
S2002 General Obligation Bonds	3,090,153	-
Total	<u>\$ 5,463,842</u>	<u>\$ 230,966</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

5. Long Term Liabilities

At September 30, 2004, 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%	\$ 905,000	
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%		\$ 585,000
1998 General Obligation Serial Bonds; due in annual installments of \$125,000 through March 15, 2019; interest at 4.25% to 6.25%	1,875,000	
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%		625,000
1999 La Porte Area Water Authority Contract Revenue Refunding Bonds due in annual payments through March 15, 2017; interest at 7% to 7.5%		6,904,178
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%	2,650,000	
2000 Certificates of Obligation due in annual installments of \$150,000 through March 15, 2020; interest at 5% to 7%	2,400,000	
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>\$ 13,230,000</u>	<u>\$ 8,114,178</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

5. Long Term Liabilities – Continued

Changes in Outstanding Debt –

Transactions for the year ended September 30, 2004 are summarized as follows:

	Balance October 1, 2003	Issues or Additions	Payments or Expenditures	Balance September 30, 2004	Due within one year
Governmental Type Activities					
General Obligation Bonds	\$ 12,170,000	\$ -	\$ 1,340,000	\$ 10,830,000	\$ 1,180,000
Certificates of Obligation	2,550,000	-	150,000	2,400,000	150,000
Compensated Absences	2,545,718	312,888	185,149	2,673,457	149,000
Total governmental fund types	<u>17,265,718</u>	<u>312,888</u>	<u>1,675,149</u>	<u>15,903,457</u>	<u>1,479,000</u>
Business Type Activities					
Revenue Bonds Payable	9,115,000	-	985,000	8,130,000	985,000
Less: Unamortized Refunding Loss	(31,642)	-	(15,821)	(15,821)	-
Compensated absences	402,138	29,015	52,864	378,289	30,000
Total business fund types	<u>9,485,496</u>	<u>29,015</u>	<u>1,022,043</u>	<u>8,492,468</u>	<u>1,015,000</u>
Total of all fund types	<u>\$ 26,751,214</u>	<u>\$ 341,903</u>	<u>\$ 2,697,192</u>	<u>\$ 24,395,925</u>	<u>\$ 2,494,000</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's 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.

Also, for the governmental activities, compensated absences are generally liquidated by the general fund and for business type, compensated absences are paid from the utility fund.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

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, 2004.

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

Current Maturities of Revenue Bonds	\$ 1,336,587
Reserve for Revenue Bond Retirement	<u>824,254</u>
Total Reserve for Revenue Bond Retirement	2,160,841
Customer Deposits Payable	<u>437,913</u>
Total Restricted Cash and Cash Investments as of September 30, 2004	<u><u>\$ 2,598,754</u></u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

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, 2004, are as follows:

General Obligation Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2005	\$ 1,180,000	\$ 491,535	\$ -	\$ -	\$ 1,671,535
2006	545,000	444,408	-	-	989,408
2007	545,000	414,620	-	-	959,620
2008-2012	2,775,000	1,663,122	-	-	4,438,122
2013-2017	2,850,000	1,023,009	-	-	3,873,009
2018-2022	2,125,000	411,868	-	-	2,536,868
2023-2026	810,000	60,615	-	-	870,615
Total	\$ 10,830,000	\$ 4,509,177	\$ -	\$ -	\$ 15,339,177

Certificate of Obligations

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2005	\$ 150,000	\$ 130,050	\$ -	\$ -	\$ 280,050
2006	150,000	119,550	-	-	269,550
2007	150,000	109,050	-	-	259,050
2008-2012	750,000	400,500	-	-	1,150,500
2013-2017	750,000	206,250	-	-	956,250
2018-2020	450,000	33,750	-	-	483,750
Total	\$ 2,400,000	\$ 999,150	\$ -	\$ -	\$ 3,399,150

Revenue Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2005	\$ -	\$ -	\$ 985,000	\$ 394,749	\$ 1,379,749
2006	-	-	715,000	349,431	1,064,431
2007	-	-	585,000	314,263	899,263
2008-2012	-	-	2,895,000	1,086,606	3,981,606
2013-2017	-	-	2,950,000	326,144	3,276,144
Total	\$ -	\$ -	\$ 8,130,000	\$ 2,471,193	\$ 10,601,193

5. Long Term Liabilities – Continued

Bonds Authorized and Unissued –

At September 30, 2004, the City had \$12,900,000 in Certificate of 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, 2004 is \$15,822.

As of September 30, 2004, \$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, hybrid defined benefit plan (the Plan) in the statewide Texas Municipal Retirement System (TMRS), one of 794 administered by TMRS, an agent multiple-employer public employee retirement system. A copy of the 2003 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 monetary credits, with interest. At the date the Plan began, the city granted monetary credits for service rendered before the Plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to 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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

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 cost 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 for budgetary purposes, 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, 2003
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	7 %
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>
2001	\$ 1,668,836	100%	-
2002	1,665,210	100%	-
2003	1,802,728	100%	-

Additional supplementary three-year trend information may be found on page 71.

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, 2004 there were 177 member departments participating in the pension system. The following table summarizes the pension system membership as of August 31, 2004:

Retirees and beneficiaries currently receiving benefits	1,577
Terminated members entitled to benefits but not yet receiving those	1,827
Current active members (vested and non-vested)	4,610

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, 2004, contributions totaling \$1,891,243 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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

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 total contributions expected from the governing bodies sponsoring the members for the fiscal year ending August 31, 2004 are \$1,163,758 less than the minimum required contributions for that fiscal year, based on amortizing the unfunded actuarial accrued liability over 30 years.

7. Interfund Transfers

Interfund transfers during the year ended September 30, 2004 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General	\$ 1,393,757	\$ 1,162,766
Community Investment	300,000	-
Hotel/Motel Tax	-	55,000
Capital Improvements	500,000	1,948,091
Transportation	-	625,000
2000 G.O. Bonds	862,577	-
2002 G.O. Bonds	412,692	-
	<u>3,469,026</u>	<u>3,790,857</u>
<u>Internal Service Funds:</u>		
Motorpool	-	27,392
Technology	-	877
Insurance	1,034,797	-
	<u>1,034,797</u>	<u>28,269</u>
<u>Proprietary Funds:</u>		
Utility	1,250,000	1,892,725
Water Authority	-	54,650
Airport	-	1,073
Sylvan Beach	20,000	4,605
Golf Course	35,000	36,644
	<u>1,305,000</u>	<u>1,989,697</u>
	<u>\$ 5,808,823</u>	<u>\$ 5,808,823</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

8. 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	\$ 2,094,734
Charges to employees	278,764
Charges to retirees	26,994
Charges to COBRA participants	4,009
Total revenues	2,404,501
Expenses:	
Personnel expenses	537,417
Other expenses	349,118
Claims administration	53,371
Claimes incurred	3,304,198
Re-insurance premiums	190,227
Other benefits	-
Consulting fees	4,787
Total health services expenses	\$ 4,439,118

Included in the claims paid amount is \$226,387 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, 2004 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 2002, 2003 and 2004 are as follows:

	Beginning of Year Accrual	Current Year Estimates	Payment for Claims	End of Year Accrual
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
Fiscal Year 2004	163,452	3,304,198	3,241,263	226,387

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

8. 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.

9. 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.

10. 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>
\$197,750	\$175,250	\$22,500	43

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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements - Continued
September 30, 2004

11. Subsequent Events

On October 25, 2004, The City issued \$7,000,000 of Certificate of Obligation Bonds to finance the acquisition of land and the construction of streets and drainage improvements. The interest rate on the bonds range from 3.60 to 4.45 percent and the maturity date is March 15, 2025.



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	\$ 37,940,360	\$ 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
2003	42,858,965	52,192,452	9,333,487	82.1	14,457,226	64.6

Required Supplementary Information

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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 8,805,771	\$ 8,805,771	\$ 9,101,667	\$ 295,896
Franchise taxes	1,605,000	1,605,000	1,718,875	113,875
Sales taxes	1,859,760	1,859,760	1,995,654	135,894
Industrial payments	7,179,487	7,179,487	6,896,112	(283,375)
Other taxes	35,000	35,000	37,955	2,955
Licenses and permits	216,950	569,769	320,405	(249,364)
Fines and forfeits	653,950	653,950	554,559	(99,391)
Charges for services	3,322,217	2,969,398	2,948,580	(20,818)
Intergovernmental	350,000	-	7,586	7,586
Interest	226,770	226,770	149,347	(77,423)
Miscellaneous	30,000	30,000	32,605	2,605
Total revenues	<u>24,284,905</u>	<u>23,934,905</u>	<u>23,763,345</u>	<u>(171,560)</u>
EXPENDITURES				
General Government:				
Administration	2,267,170	2,431,101	2,266,850	69,727
Finance	2,112,889	2,232,525	1,987,528	244,997
Planning & Engineering	1,436,761	1,477,150	1,352,184	124,966
Public Safety:				
Fire	3,344,305	3,241,561	3,174,851	66,710
Police	7,570,253	7,423,977	7,239,693	184,284
Public Works:				
Public Works Administration	340,318	340,318	337,312	3,006
Streets	2,156,867	2,156,867	2,023,880	132,987
Health and Sanitation:				
Solidwaste	1,772,709	1,772,709	1,758,964	13,745
Culture and Recreation	3,458,884	3,397,958	3,245,144	152,814
Total expenditures	<u>24,460,156</u>	<u>24,474,166</u>	<u>23,386,406</u>	<u>993,236</u>
Excess (deficiency) of revenues over expenditures	<u>(175,251)</u>	<u>(539,261)</u>	<u>376,939</u>	<u>821,676</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	383,243	1,393,757	1,393,757	-
Transfers out	(862,766)	(1,162,766)	(1,162,766)	-
Total other financing sources (uses)	<u>(479,523)</u>	<u>230,991</u>	<u>230,991</u>	<u>-</u>
Net change in fund balances	(654,774)	(308,270)	607,930	821,676
Fund balances—beginning	6,842,024	6,842,024	6,842,024	-
Fund balances—ending	<u>\$ 6,187,250</u>	<u>\$ 6,533,754</u>	<u>\$ 7,449,954</u>	<u>\$ 821,676</u>

CITY OF LA PORTE, TEXAS
Notes to the Required Supplementary Information
September 30, 2004

Budgetary Basis of Accounting

An annual budget is adopted for the General Fund using the modified accrual basis of accounting, a basis sanctioned by, and consistent with, generally accepted accounting principles.



COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund

Debt service Fund is used to pay interest and extinguish debt of the outstanding General Obligation Issues of the City.

Special Revenue Funds

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

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

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).

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.

Capital Improvements Fund – This fund is used to account for capital projects that are normally small in nature and effect the general operation of the City.

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.

2002 General Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures for the construction of a wastewater treatment plant.

CITY OF LA PORTE, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2004

	Special Revenue Funds						
	<u>Grant</u>	<u>Community Investment</u>	<u>Hotel/Motel Occupancy Tax</u>	<u>Tax Increment Reinvestment Zone One (TIRZ)</u>	<u>Totals</u>	<u>Capital Projects</u>	<u>Transportation & Other Infrastructure</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ 59,603	\$ 562,904	\$ 96,361	\$ 718,868	\$ 733,369	\$ 533,022
Investments	-	24,349	229,963	39,366	293,678	302,062	217,756
Taxes receivable	-	-	-	-	-	-	-
Grant receivable	-	-	-	-	-	4,716	-
Other receivables	130,451	-	-	-	130,451	-	-
Accrued interest receivable	12	139	1,304	242	1,697	1,695	1,236
Total assets	<u>130,463</u>	<u>84,091</u>	<u>794,171</u>	<u>135,969</u>	<u>1,144,694</u>	<u>1,041,842</u>	<u>752,014</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	31,526	55	8,608	2,175	42,364	205,954	-
Accrued salaries payable	7,128	-	-	-	7,128	-	-
Retainage payable	-	-	-	-	-	168	-
Due to others	-	-	-	-	-	-	-
Deferred Revenue	90,043	-	-	-	90,043	-	-
Total liabilities	<u>128,697</u>	<u>55</u>	<u>8,608</u>	<u>2,175</u>	<u>139,535</u>	<u>206,122</u>	<u>-</u>
Fund Balances:							
Reserved for:							
Capital projects	-	-	-	-	-	-	-
Unreserved	1,766	84,036	785,563	133,794	1,005,159	835,720	752,014
Reserved for debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Total fund balances	<u>1,766</u>	<u>84,036</u>	<u>785,563</u>	<u>133,794</u>	<u>1,005,159</u>	<u>835,720</u>	<u>752,014</u>
Total liabilities and fund balances	<u>\$ 130,463</u>	<u>\$ 84,091</u>	<u>\$ 794,171</u>	<u>\$ 135,969</u>	<u>\$ 1,144,694</u>	<u>\$ 1,041,842</u>	<u>\$ 752,014</u>

Capital Projects Funds

1998 General Obligation Bonds	2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	2002 General Obligation Bonds	Totals	Debt Service	Total Nonmajor Governmental Funds
\$ 1,071,481	\$ 340,284	\$ 908,018	\$ 1,854,692	\$ 5,440,866	\$ 1,123,082	\$ 7,282,816
437,733	1,855	339,726	121,059	1,420,191	458,812	2,172,681
-	-	-	-	-	132,846	132,846
-	-	-	-	4,716	-	4,716
-	-	-	-	-	-	130,451
2,483	11	1,926	686	8,037	2,603	12,337
<u>1,511,697</u>	<u>342,150</u>	<u>1,249,670</u>	<u>1,976,437</u>	<u>6,873,810</u>	<u>1,717,343</u>	<u>9,735,847</u>
24,028	25,720	25,714	150,054	431,470	-	473,834
-	-	-	-	-	-	7,128
-	-	-	-	168	-	168
-	-	-	-	-	-	-
-	-	-	-	-	132,846	222,889
<u>24,028</u>	<u>25,720</u>	<u>25,714</u>	<u>150,054</u>	<u>431,638</u>	<u>132,846</u>	<u>704,019</u>
-	-	-	-	-	-	-
1,487,669	316,430	1,223,956	1,826,383	6,442,172	-	7,447,331
-	-	-	-	-	1,584,497	1,584,497
-	-	-	-	-	-	-
<u>1,487,669</u>	<u>316,430</u>	<u>1,223,956</u>	<u>1,826,383</u>	<u>6,442,172</u>	<u>1,584,497</u>	<u>9,031,828</u>
<u>\$ 1,511,697</u>	<u>\$ 342,150</u>	<u>\$ 1,249,670</u>	<u>\$ 1,976,437</u>	<u>\$ 6,873,810</u>	<u>\$ 1,717,343</u>	<u>\$ 9,735,847</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, 2004

	Special Revenue Funds				Totals	Capital Projects	Transportation & Other Infrastructure
	Grant	Community Investment	Hotel/Motel Occupancy Tax	Tax Increment Reinvestment Zone One (TIRZ)			
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ 15,764	\$ 15,764	\$ -	\$ -
Intergovernmental	562,576	-	-	-	562,576	6,100	-
Sales taxes	-	-	-	-	-	-	-
Other taxes	-	-	232,023	-	232,023	-	-
Interest	-	2,788	9,111	1,625	13,524	29,246	15,375
Charges for services	-	-	-	-	-	(1,240)	-
Total revenues	<u>562,576</u>	<u>2,788</u>	<u>241,134</u>	<u>17,389</u>	<u>823,887</u>	<u>34,106</u>	<u>15,375</u>
EXPENDITURES							
Current:							
Administration	560,810	82,158	117,231	32,066	792,265	1,400,457	172,000
Capital Outlay	-	540,729	2,482	(31)	543,180	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	<u>560,810</u>	<u>622,887</u>	<u>119,713</u>	<u>32,035</u>	<u>1,335,445</u>	<u>1,400,457</u>	<u>172,000</u>
Excess (deficiency) of revenues over expenditures	<u>1,766</u>	<u>(620,099)</u>	<u>121,421</u>	<u>(14,646)</u>	<u>(511,558)</u>	<u>(1,366,351)</u>	<u>(156,625)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	300,000	-	-	300,000	500,000	-
Transfers out	-	-	(55,000)	-	(55,000)	(1,948,091)	(625,000)
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>(55,000)</u>	<u>-</u>	<u>245,000</u>	<u>(1,448,091)</u>	<u>(625,000)</u>
Net change in fund balances	1,766	(320,099)	66,421	(14,646)	(266,558)	(2,814,442)	(781,625)
Fund balances—beginning	-	404,135	719,142	148,440	1,271,717	3,650,162	1,533,639
Fund balances—ending	<u>\$ 1,766</u>	<u>\$ 84,036</u>	<u>\$ 785,563</u>	<u>\$ 133,794</u>	<u>\$ 1,005,159</u>	<u>\$ 835,720</u>	<u>\$ 752,014</u>

Capital Projects Funds

1998 General Obligation Bonds	2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	2002 General Obligation Bonds	Totals	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,952,758	\$ 1,968,522
-	-	-	-	6,100	-	568,676
-	-	-	-	-	-	-
-	-	-	-	-	-	232,023
17,876	4,075	11,057	26,440	104,069	24,360	141,953
-	-	-	-	(1,240)	-	(1,240)
<u>17,876</u>	<u>4,075</u>	<u>11,057</u>	<u>26,440</u>	<u>108,929</u>	<u>1,977,118</u>	<u>2,909,934</u>
-	-	-	-	1,572,457	-	2,364,722
114,284	-	2,525	1,913,352	2,030,161	-	2,573,341
-	-	-	-	-	1,490,000	1,490,000
-	-	-	-	-	699,834	699,834
<u>114,284</u>	<u>-</u>	<u>2,525</u>	<u>1,913,352</u>	<u>3,602,618</u>	<u>2,189,834</u>	<u>7,127,897</u>
<u>(96,408)</u>	<u>4,075</u>	<u>8,532</u>	<u>(1,886,912)</u>	<u>(3,493,689)</u>	<u>(212,716)</u>	<u>(4,217,963)</u>
-	-	862,577	412,692	1,775,269	-	2,075,269
-	-	-	-	(2,573,091)	-	(2,628,091)
-	-	<u>862,577</u>	<u>412,692</u>	<u>(797,822)</u>	-	<u>(552,822)</u>
(96,408)	4,075	871,109	(1,474,220)	(4,291,511)	(212,716)	(4,770,785)
1,584,077	312,355	352,847	3,300,603	10,733,683	1,797,213	13,802,613
<u>\$ 1,487,669</u>	<u>\$ 316,430</u>	<u>\$ 1,223,956</u>	<u>\$ 1,826,383</u>	<u>\$ 6,442,172</u>	<u>\$ 1,584,497</u>	<u>\$ 9,031,828</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, 2004

	<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	\$ 1,866,361	\$ 1,866,361	\$ 1,952,758	\$ 86,397
Industrial payments	-	-	-	-
Interest	28,090	28,090	24,360	(3,730)
Total revenues	<u>1,894,451</u>	<u>1,894,451</u>	<u>1,977,118</u>	<u>82,667</u>
EXPENDITURES				
Debt Service:				
Principal	1,490,000	1,490,000	1,490,000	-
Interest	699,834	699,834	699,834	-
Total expenditures	<u>2,189,834</u>	<u>2,189,834</u>	<u>2,189,834</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(295,383)</u>	<u>(295,383)</u>	<u>(212,716)</u>	<u>82,667</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Net change in fund balances	(295,383)	(295,383)	(212,716)	82,667
Fund balances—beginning	1,797,213	1,797,213	1,797,213	-
Fund balances—ending	<u>\$ 1,501,830</u>	<u>\$ 1,501,830</u>	<u>\$ 1,584,497</u>	<u>\$ 82,667</u>

CITY OF LA PORTE, TEXAS
Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 352,136	\$ 562,576	\$ 210,440
EXPENDITURES				
Current:				
Administration	-	225,044	560,810	(335,766)
Capital Outlay	-	-	-	-
Total expenditures	-	225,044	560,810	(335,766)
Excess (deficiency) of revenues over expenditures	-	127,092	1,766	(125,326)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	127,092	1,766	(125,326)
Fund balances—beginning	-	-	-	-
Fund balances—ending	<u>\$ -</u>	<u>\$ 127,092</u>	<u>\$ 1,766</u>	<u>\$ (125,326)</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 8,390	\$ 8,390	\$ 2,788	\$ (5,602)
EXPENDITURES				
Current:				
Administration	110,000	120,000	82,158	37,842
Capital Outlay	10,000	550,000	540,729	9,271
Total expenditures	<u>120,000</u>	<u>670,000</u>	<u>622,887</u>	<u>47,113</u>
Excess (deficiency) of revenues over expenditures	<u>(111,610)</u>	<u>(661,610)</u>	<u>(620,099)</u>	<u>41,511</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	300,000	300,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in fund balances	(111,610)	(361,610)	(320,099)	41,511
Fund balances—beginning	404,135	404,135	404,135	-
Fund balances—ending	<u>\$292,525</u>	<u>\$ 42,525</u>	<u>\$ 84,036</u>	<u>\$ 41,511</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, 2004

	<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	\$ 232,023	\$ (17,977)
Interest	10,100	10,100	9,111	(989)
Total revenues	<u>260,100</u>	<u>260,100</u>	<u>241,134</u>	<u>(18,966)</u>
EXPENDITURES				
Current:				
Administration	144,100	169,100	117,231	51,869
Capital Outlay	25,000	-	2,482	(2,482)
Total expenditures	<u>169,100</u>	<u>169,100</u>	<u>119,713</u>	<u>49,387</u>
Excess (deficiency) of revenues over expenditures	<u>91,000</u>	<u>91,000</u>	<u>121,421</u>	<u>30,421</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	36,000	36,000	66,421	30,421
Fund balances—beginning	<u>713,142</u>	<u>719,142</u>	<u>719,142</u>	<u>-</u>
Fund balances—ending	<u><u>\$ 749,142</u></u>	<u><u>\$ 755,142</u></u>	<u><u>\$ 785,563</u></u>	<u><u>\$ 30,421</u></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, 2004

	<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	\$ 14,000	\$ 14,000	\$ 15,764	\$ 1,764
Interest	2,090	2,090	1,625	(465)
Total revenues	<u>16,090</u>	<u>16,090</u>	<u>17,389</u>	<u>1,299</u>
EXPENDITURES				
Current:				
Administration	30,000	30,000	32,066	(2,066)
Capital Outlay	-	486,435	(31)	486,466
Total expenditures	<u>30,000</u>	<u>516,435</u>	<u>32,035</u>	<u>484,400</u>
Excess (deficiency) of revenues over expenditures	<u>(13,910)</u>	<u>(500,345)</u>	<u>(14,646)</u>	<u>485,699</u>
Net change in fund balances	(13,910)	(500,345)	(14,646)	485,699
Fund Balances—beginning	148,440	148,440	148,440	-
Fund Balances—ending	<u>\$ 134,530</u>	<u>\$ (351,905)</u>	<u>\$ 133,794</u>	<u>\$ 485,699</u>

CITY OF LA PORTE, TEXAS
 Capital Projects
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ -	\$ -	\$ (1,240)	\$ -
Intergovernmental	-	-	6,100	6,100
Interest	65,180	65,180	29,246	(35,934)
Total revenues	<u>65,180</u>	<u>65,180</u>	<u>34,106</u>	<u>(29,834)</u>
EXPENDITURES				
Current:				
Administration	-	-	-	-
Capital Outlay	1,190,400	1,993,595	1,400,457	593,138
Total expenditures	<u>1,190,400</u>	<u>1,993,595</u>	<u>1,400,457</u>	<u>593,138</u>
Excess (deficiency) of revenues over expenditures	<u>(1,125,220)</u>	<u>(1,928,415)</u>	<u>(1,366,351)</u>	<u>563,304</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	500,000	500,000	-
Transfers out	<u>(862,577)</u>	<u>(1,948,091)</u>	<u>(1,948,091)</u>	<u>-</u>
Net change in fund balances	(1,987,797)	(3,376,506)	(2,814,442)	562,064
Fund balances—beginning	3,650,162	3,650,162	3,650,162	-
Fund balances—ending	<u>\$ 1,662,365</u>	<u>\$ 273,656</u>	<u>\$ 835,720</u>	<u>\$ 562,064</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 24,630	\$ 24,630	\$ 15,375	\$ (9,255)
EXPENDITURES				
Current:				
Administration	125,000	125,000	172,000	(47,000)
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>172,000</u>	<u>(47,000)</u>
Excess (deficiency) of revenues over expenditures	<u>(100,370)</u>	<u>(100,370)</u>	<u>(156,625)</u>	<u>(56,255)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(625,000)	(625,000)	-
Net change in fund balances	(100,370)	(725,370)	(781,625)	(56,255)
Fund balances—beginning	1,533,639	1,533,639	1,533,639	-
Fund balances—ending	<u>\$ 1,433,269</u>	<u>\$ 808,269</u>	<u>\$ 752,014</u>	<u>\$ (56,255)</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 5,000	\$ 5,000	\$ 17,876	\$ 12,876
EXPENDITURES				
Current:				
Capital Outlay	217,291	217,291	114,284	103,007
Excess (deficiency) of revenues over expenditures	(212,291)	(212,291)	(96,408)	115,883
Net change in fund balances	(212,291)	(212,291)	(96,408)	115,883
Fund balances—beginning	1,584,077	1,584,077	1,584,077	-
Fund balances—ending	<u>\$ 1,371,786</u>	<u>\$ 1,371,786</u>	<u>\$ 1,487,669</u>	<u>\$ 115,883</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 4,075	\$ 4,075
EXPENDITURES				
Current:				
Capital Outlay	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	4,075	4,075
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Net change in fund balances	-	-	4,075	4,075
Fund balances—beginning	312,355	312,355	312,355	-
Fund balances—ending	<u>\$ 312,355</u>	<u>\$ 312,355</u>	<u>\$ 316,430</u>	<u>\$ 4,075</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 5,000	\$ 5,000	\$ 11,057	\$ 6,057
EXPENDITURES				
Current:				
Capital Outlay	950,000	200,000	2,525	197,475
Excess (deficiency) of revenues over expenditures	(945,000)	(195,000)	8,532	203,532
OTHER FINANCING SOURCES (USES)				
Transfers in	862,577	862,577	862,577	-
Net change in fund balances	(82,423)	667,577	871,109	203,532
Fund balances—beginning	352,847	352,847	352,847	-
Fund balances—ending	<u>\$ 270,424</u>	<u>\$ 1,020,424</u>	<u>\$ 1,223,956</u>	<u>\$ 203,532</u>

CITY OF LA PORTE, TEXAS
2002 General Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 50,000	\$ 50,000	\$ 26,440	\$ (23,560)
EXPENDITURES				
Current:				
Capital Outlay	120,000	120,000	1,913,352	(1,793,352)
Excess (deficiency) of revenues over expenditures	(70,000)	(70,000)	(1,886,912)	(1,816,912)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	412,692	412,692	-
Net change in fund balances	(70,000)	342,692	(1,474,220)	(1,816,912)
Fund balances—beginning	3,300,603	3,300,603	3,300,603	-
Fund balances—ending	<u>\$ 3,230,603</u>	<u>\$ 3,643,295</u>	<u>\$ 1,826,383</u>	<u>\$ (1,816,912)</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, 2004

	<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	\$ 8,570,771	\$ 8,570,771	\$ 8,917,871	\$ 347,100
Delinquent	140,000	140,000	62,602	(77,398)
Industrial Payments	7,179,487	7,179,487	6,896,112	(283,375)
Total ad valorem	<u>15,890,258</u>	<u>15,890,258</u>	<u>15,876,585</u>	<u>(13,673)</u>
Penalty and interest	95,000	95,000	121,194	26,194
Sales Taxes	1,859,760	1,859,760	1,995,654	135,894
Other Taxes	35,000	35,000	37,955	2,955
Franchise Fees:				
Electrical	1,100,000	1,100,000	1,158,284	58,284
Gas	110,000	110,000	147,202	37,202
Telephone	265,000	265,000	230,287	(34,713)
Cable	110,000	110,000	166,548	56,548
Commercial Solidwaste	20,000	20,000	16,554	(3,446)
Total Franchise Fees	<u>1,605,000</u>	<u>1,605,000</u>	<u>1,718,875</u>	<u>113,875</u>
Charges for Services:				
Public safety service fees	850,829	1,000,829	899,949	(100,880)
Health and sanitation service fees	908,000	1,208,000	1,157,449	(50,551)
Culture and recreation fees	414,100	525,179	586,897	61,718
Other service fees	1,149,288	235,390	304,285	68,895
Total Charges for Services	<u>3,322,217</u>	<u>2,969,398</u>	<u>2,948,580</u>	<u>(20,818)</u>
Intergovernmental	350,000	-	7,586	7,586
Licenses and permits:				
Building permits	190,700	539,499	250,850	(288,649)
Licenses	26,250	30,270	69,555	39,285
Total Licenses and permits	<u>216,950</u>	<u>569,769</u>	<u>320,405</u>	<u>(249,364)</u>
Investment income	226,770	226,770	149,347	(77,423)
Fines and forfeitures	653,950	653,950	554,559	(99,391)
Miscellaneous	30,000	30,000	32,605	2,605
Total revenues	<u>\$ 24,284,905</u>	<u>\$ 23,934,905</u>	<u>\$ 23,763,345</u>	<u>\$ (171,560)</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
Administration:				
Emergency Management:				
Personal services	\$ -	\$ 44,361	\$ 32,170	\$ 12,191
Supplies	-	2,309	524	1,785
Other services and charges	-	29,620	10,315	19,305
Capital Outlay	-	-	19,639	(19,639)
Total Emergency Management	<u>-</u>	<u>76,290</u>	<u>62,648</u>	<u>13,642</u>
General Administration:				
Personal services	399,968	399,968	412,508	(12,540)
Supplies	8,110	8,110	7,578	532
Other services and charges	101,823	126,823	107,298	19,525
Total General Administration	<u>509,901</u>	<u>534,901</u>	<u>527,384</u>	<u>7,517</u>
Community Investment:				
Personal services	-	28,085	16,373	11,712
Supplies	-	4,850	2,157	2,693
Other services and charges	-	67,065	588	66,477
Total Community Investment	<u>-</u>	<u>100,000</u>	<u>19,118</u>	<u>80,882</u>
Human Resources:				
Personal services	164,888	149,888	182,651	(32,763)
Supplies	8,900	8,900	4,626	4,274
Other services and charges	138,098	155,082	113,857	41,225
Total Human Resources	<u>311,886</u>	<u>313,870</u>	<u>301,134</u>	<u>12,736</u>
Municipal Court:				
Personal services	329,632	332,632	321,652	10,980
Supplies and materials	14,000	11,930	11,093	837
Other services and charges	186,022	185,092	194,508	(9,416)
Total Municipal Court	<u>529,654</u>	<u>529,654</u>	<u>527,253</u>	<u>2,401</u>
Purchasing:				
Personal services	194,826	194,826	186,956	7,870
Supplies	3,105	2,894	2,696	198
Other services and charges	35,017	35,228	35,023	205
Total Purchasing	<u>232,948</u>	<u>232,948</u>	<u>224,675</u>	<u>8,273</u>
Management Information Services:				
Personal services	-	-	45	(45)
Supplies	-	-	121	(121)
Other services and charges	-	-	(2,566)	2,566
Total Management Information Svcs	<u>-</u>	<u>-</u>	<u>(2,400)</u>	<u>2,400</u>
City Secretary:				
Personal services	239,195	206,752	214,153	(7,401)
Supplies and materials	9,036	9,036	3,154	5,882
Other services and charges	98,113	91,213	97,286	(6,073)
Total City Secretary	<u>346,344</u>	<u>307,001</u>	<u>314,593</u>	<u>(7,592)</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Legal:				
Personal services	5,000	5,000	5,000	-
Other services and charges	208,969	208,969	201,066	7,903
Total Legal	213,969	213,969	206,066	7,903
City Council:				
Personal services	26,400	26,400	24,488	1,912
Supplies and materials	10,500	10,500	10,027	473
Other services and charges	85,568	85,568	51,864	33,704
Total City Council	122,468	122,468	86,379	36,089
Total Administration	2,267,170	2,431,101	2,266,850	69,727
Finance:				
Accounting:				
Personal services	585,204	625,497	624,692	805
Supplies	20,000	20,000	26,284	(6,284)
Other services and charges	153,874	153,874	203,321	(49,447)
Total Accounting	759,078	799,371	854,297	(54,926)
Nondepartmental:				
Personal services	210,497	210,497	346,581	(136,084)
Supplies	-	5,000	1,910	3,090
Other services and charges	809,040	850,640	433,797	416,843
Capital Outlay	5,000	5,000	-	5,000
Total Nondepartmental	1,024,537	1,071,137	782,288	288,849
Tax Office:				
Personal services	142,627	175,070	172,476	2,594
Supplies and materials	11,300	11,300	10,088	1,212
Other services and charges	175,347	175,647	168,379	7,268
Total Tax Office	329,274	362,017	350,943	11,074
Total Finance	2,112,889	2,232,525	1,987,528	244,997
Planning and Engineering:				
Planning and Engineering:				
Personal services	626,281	626,281	640,808	(14,527)
Supplies	16,150	19,350	14,471	4,879
Other services and charges	116,380	130,280	121,144	9,136
Total Planning and Engineering	758,811	775,911	776,423	(512)
Inspection:				
Personal services	495,222	495,222	442,971	52,251
Supplies	18,995	19,795	14,974	4,821
Other services and charges	163,733	186,222	117,816	68,406
Total Inspection	677,950	701,239	575,761	125,478
Total Planning and Engineering	1,436,761	1,477,150	1,352,184	124,966
TOTAL GENERAL GOVERNMENT	5,816,820	6,140,776	5,606,562	439,690

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2004

	<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	155,516	155,516	135,119	20,397
Supplies	10,250	12,750	12,207	543
Other services and charges	47,930	45,430	39,803	5,627
Capital Outlay	-	-	-	-
Total Fire Prevention	<u>213,696</u>	<u>213,696</u>	<u>187,129</u>	<u>26,567</u>
Fire suppression:				
Personal services	1,123,406	1,080,653	1,116,474	(35,821)
Supplies	151,270	146,270	116,043	30,227
Other services and charges	356,687	368,662	333,607	35,055
Capital Outlay	20,000	20,000	-	20,000
Total Fire Suppression	<u>1,651,363</u>	<u>1,615,585</u>	<u>1,566,124</u>	<u>49,461</u>
Emergency medical services:				
Personal services	1,180,235	1,147,334	1,188,006	(40,672)
Supplies	120,935	115,001	84,050	30,951
Other services and charges	178,076	149,945	149,542	403
Capital Outlay	-	-	-	-
Total Emergency Services	<u>1,479,246</u>	<u>1,412,280</u>	<u>1,421,598</u>	<u>(9,318)</u>
Total Fire	<u>3,344,305</u>	<u>3,241,561</u>	<u>3,174,851</u>	<u>66,710</u>
Police				
Police Administration:				
Personal services	472,770	472,770	472,339	431
Supplies	20,672	20,672	22,494	(1,822)
Other services and charges	210,854	212,982	214,217	(1,235)
Capital Outlay	27,431	47,026	25,472	21,554
Total Police Administration	<u>731,727</u>	<u>753,450</u>	<u>734,522</u>	<u>18,928</u>
Police Patrol:				
Personal services	3,684,449	3,629,651	3,615,300	14,351
Supplies	148,528	143,349	118,089	25,260
Other services and charges	554,277	553,577	504,977	48,600
Capital Outlay	6,000	6,000	(14,380)	20,380
Total Police Patrol	<u>4,393,254</u>	<u>4,332,577</u>	<u>4,223,986</u>	<u>108,591</u>
Criminal Investigation:				
Personal services	1,260,555	1,165,873	1,182,273	(16,400)
Supplies	47,240	47,240	33,452	13,788
Other services and charges	276,294	271,294	249,153	22,141
Capital Outlay	-	-	-	-
Total Criminal Investigation	<u>1,584,089</u>	<u>1,484,407</u>	<u>1,464,878</u>	<u>19,529</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Support Services:				
Personal services	699,603	699,603	696,507	3,096
Supplies	61,230	53,706	32,877	20,829
Other services and charges	100,350	100,234	86,923	13,311
Total Support Services	<u>861,183</u>	<u>853,543</u>	<u>816,307</u>	<u>37,236</u>
Total Police	<u>7,570,253</u>	<u>7,423,977</u>	<u>7,239,693</u>	<u>184,284</u>
TOTAL PUBLIC SAFETY	<u>10,914,558</u>	<u>10,665,538</u>	<u>10,414,544</u>	<u>250,994</u>
PUBLIC WORKS:				
Public Works Administration:				
Personal services	242,622	242,622	247,369	(4,747)
Supplies and materials	4,610	4,610	3,345	1,265
Other services and charges	93,086	93,086	86,598	6,488
Capital outlay	-	-	-	-
Total Public Works Administration	<u>340,318</u>	<u>340,318</u>	<u>337,312</u>	<u>3,006</u>
Streets:				
Personal services	1,351,058	1,351,058	1,345,490	5,568
Supplies	110,600	110,600	86,334	24,266
Other services and charges	625,209	625,209	565,216	59,993
Capital Outlay	70,000	70,000	26,840	43,160
Total Streets	<u>2,156,867</u>	<u>2,156,867</u>	<u>2,023,880</u>	<u>132,987</u>
TOTAL PUBLIC WORKS	<u>2,497,185</u>	<u>2,497,185</u>	<u>2,361,192</u>	<u>135,993</u>
HEALTH AND SANITATION:				
Residential Solidwaste:				
Personal services	889,405	889,405	882,493	6,912
Supplies	193,539	193,539	184,279	9,260
Other services and charges	674,765	674,765	678,195	(3,430)
Capital Outlay	-	-	-	-
Total Residential Solidwaste	<u>1,757,709</u>	<u>1,757,709</u>	<u>1,744,967</u>	<u>12,742</u>
Commercial solidwaste:				
Other services and charges	15,000	15,000	13,997	1,003
TOTAL HEALTH AND SANITATION	<u>1,772,709</u>	<u>1,772,709</u>	<u>1,758,964</u>	<u>13,745</u>
CULTURE & RECREATION:				
Park Maintenance:				
Personal services	923,357	923,357	891,822	31,535
Supplies and materials	69,600	71,125	77,905	(6,780)
Other services and charges	620,874	621,870	597,480	24,390
Capital outlay	23,500	21,975	6,320	15,655
Total Park Maintenance	<u>1,637,331</u>	<u>1,638,327</u>	<u>1,573,527</u>	<u>64,800</u>

CITY OF LA PORTE, TEXAS
 General Fund
 Schedule of Expenditures - Budget and Actual
 Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation:				
Personal services	673,684	673,684	641,297	32,387
Supplies	43,573	44,200	34,103	10,097
Other services and charges	89,334	89,334	81,464	7,870
Capital Outlay	-	-	-	-
Total Recreation	<u>806,591</u>	<u>807,218</u>	<u>756,864</u>	<u>50,354</u>
Special Services:				
Personal services	396,205	375,475	372,964	2,511
Supplies	29,200	26,600	17,345	9,255
Other services and charges	104,313	65,463	68,378	(2,915)
Total Special Services	<u>529,718</u>	<u>467,538</u>	<u>458,687</u>	<u>8,851</u>
Parks Administration:				
Personal Services	407,117	407,117	387,415	19,702
Supplies	13,350	12,981	8,824	4,157
Other Services and Charges	64,777	64,777	59,827	4,950
Total Parks Administration	<u>485,244</u>	<u>484,875</u>	<u>456,066</u>	<u>28,809</u>
TOTAL CULTURE AND RECREATION	<u>3,458,884</u>	<u>3,397,958</u>	<u>3,245,144</u>	<u>152,814</u>
TOTAL GENERAL FUND	<u>\$ 24,460,156</u>	<u>\$ 24,474,166</u>	<u>\$ 23,386,406</u>	<u>\$ 993,236</u>



COMBINING FINANCIAL STATEMENTS

Nonmajor Enterprise Funds

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services, which are entirely or predominantly self-supporting, by user charges. The operations of Enterprise Funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Airport Fund – This fund is used to account for financial activities of the airport, which include rentals, grants and other revenues.

Sylvan Beach Fund – This fund is used to account for revenues and expenses related to the operations of Sylvan Beach Convention Center.

Golf Course Fund – This fund is used to account for revenues and expenses related to the operation of an eighteen-hole municipal golf course.

CITY OF LA PORTE, TEXAS
Combining Statement of Net Assets
Nonmajor Proprietary Funds
September 30, 2004

**Business-type Activities –
Enterprise Funds**

	<u>Airport</u>	<u>Sylvan Beach Convention Center</u>	<u>Bay Forest Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 268,980	\$ 97,169	\$ 5,896	\$ 372,045
Investments	109,886	58,432	1,962	170,280
Receivables, net of allowance for uncollectibles	7,665	805	-	8,470
Accrued interest receivable	623	331	11	965
Restricted cash, cash equivalents, and investments:				
Customer service deposits	-	45,861	-	45,861
Current debt service	-	-	-	-
Total current assets	<u>387,154</u>	<u>202,598</u>	<u>7,869</u>	<u>597,621</u>
Noncurrent assets:				
Capital assets:				
Land	203,504	-	1,880,965	2,084,469
Buildings and improvements	-	383,586	721,868	1,105,454
Improvements other than buildings	4,036,174	-	2,540,952	6,577,126
Vehicles and equipment	-	-	135,465	135,465
Construction in progress	-	34,905	-	34,905
Less accumulated depreciation	<u>(2,148,120)</u>	<u>(277,564)</u>	<u>(1,898,558)</u>	<u>(4,324,242)</u>
Total noncurrent assets	<u>2,091,558</u>	<u>140,927</u>	<u>3,380,692</u>	<u>5,613,177</u>
Total assets	<u>2,478,712</u>	<u>343,525</u>	<u>3,388,561</u>	<u>6,210,798</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,711	2,973	15,967	20,651
Accrued salaries payable	-	6,628	36,500	43,128
Unearned Revenue	-	42,637	-	42,637
Other current liabilities	1,500	-	16,781	18,281
Accrued interest payable	-	-	-	-
Payable from restricted assets:				
Customer deposits	-	48,359	-	48,359
Total current liabilities	<u>3,211</u>	<u>100,597</u>	<u>69,248</u>	<u>173,056</u>
Noncurrent liabilities:				
Accrued separation pay	-	4,438	127,580	132,018
Total noncurrent liabilities	<u>-</u>	<u>4,438</u>	<u>127,580</u>	<u>132,018</u>
Total liabilities	<u>3,211</u>	<u>105,035</u>	<u>196,828</u>	<u>305,074</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	-
Restricted for debt service	-	-	-	-
Unrestricted (deficit)	2,481,287	238,490	3,191,733	5,911,510
Total net assets	<u>\$ 2,481,287</u>	<u>\$ 238,490</u>	<u>\$ 3,191,733</u>	<u>\$ 5,911,510</u>

CITY OF LA PORTE, TEXAS
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended September 30, 2004

	Business-type Activities –			Total Nonmajor Proprietary Funds
	Enterprise Funds			
	Airport	Sylvan Beach Convention Center	Bay Forest Golf Course	
Operating revenues:				
User fees	\$ 32,728	\$ 182,694	\$ 1,022,232	\$ 1,237,654
Operating expenses:				
Personal services	-	132,297	769,776	902,073
Supplies	-	4,900	123,008	127,908
Other services and charges	14,222	40,891	183,421	238,534
Depreciation	128,543	16,226	146,614	291,383
Total operating expenses	<u>142,765</u>	<u>194,314</u>	<u>1,222,819</u>	<u>1,559,898</u>
Operating income (loss)	<u>(110,037)</u>	<u>(11,620)</u>	<u>(200,587)</u>	<u>(322,244)</u>
Nonoperating revenues (expenses):				
Interest income	4,422	2,351	523	7,296
Interest expense and fiscal charges	-	-	-	-
Gain (loss) on sale of equipment	-	-	(4,319)	(4,319)
Total nonoperating revenue (expenses)	<u>4,422</u>	<u>2,351</u>	<u>(3,796)</u>	<u>2,977</u>
Income (loss) before contributions and transfers	(105,615)	(9,269)	(204,383)	(319,267)
Capital contributions	-	-	-	-
Transfers in	-	20,000	35,000	55,000
Transfers out	<u>(1,073)</u>	<u>(4,605)</u>	<u>(36,644)</u>	<u>(42,322)</u>
Change in net assets	(106,688)	6,126	(206,027)	(306,589)
Total net assets—beginning	<u>2,587,975</u>	<u>232,364</u>	<u>3,397,760</u>	<u>6,218,099</u>
Total net assets—ending	<u>\$ 2,481,287</u>	<u>\$ 238,490</u>	<u>\$ 3,191,733</u>	<u>\$ 5,911,510</u>

CITY OF LA PORTE, TEXAS
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended September 30, 2004

	Business-type Activities -			Total Nonmajor Proprietary Funds
	Enterprise Funds			
	Airport	Sylvan Beach Convention Center	Bay Forest Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user fees	\$ 25,181	\$ 230,719	\$ 1,022,232	\$ 1,278,132
Cash payments to suppliers	(15,600)	(54,811)	(316,756)	(387,167)
Cash payments for personal services	-	(130,058)	(761,602)	(891,660)
Net cash provided by operating activities	<u>9,581</u>	<u>45,850</u>	<u>(56,126)</u>	<u>(695)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	15,395	-	15,395
Transfers to other funds	(1,073)	-	(1,644)	(2,717)
Net cash from noncapital financing activities	<u>(1,073)</u>	<u>15,395</u>	<u>(1,644)</u>	<u>12,678</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(5,786)	(34,905)	(56,367)	(97,058)
Net cash (used) by capital and related financing activities	<u>(5,786)</u>	<u>(34,905)</u>	<u>(56,367)</u>	<u>(97,058)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	4,277	2,298	660	7,235
Net Investments (purchased) sold	(41,871)	(18,434)	20,197	(40,108)
Net cash provided by investing activities	<u>(37,594)</u>	<u>(16,136)</u>	<u>20,857</u>	<u>(32,873)</u>
Net increase (decrease) in cash and cash equivalents	(34,872)	10,204	(93,280)	(117,948)
Balances—beginning of the year	303,852	178,687	99,176	581,715
Balances—end of the year	<u>\$ 268,980</u>	<u>\$ 188,891</u>	<u>\$ 5,896</u>	<u>\$ 463,767</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (110,037)	\$ (11,620)	\$ (200,587)	\$ (322,244)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	128,543	16,226	146,614	291,383
(Increase) decrease in accounts receivable	(7,547)	1,100	-	(6,447)
Increase (decrease) in accrued salaries payable	-	1,773	8,566	10,339
Increase (decrease) in accounts payable	(1,378)	(9,020)	(11,656)	(22,054)
Increase (decrease) in other current liabilities	-	(1,434)	1,329	(105)
Increase (decrease) in customer utility deposits	-	48,359	-	48,359
Increase (decrease) in accrued employee separation	-	466	(392)	74
Total adjustments	<u>119,618</u>	<u>57,470</u>	<u>144,461</u>	<u>321,549</u>
Net cash provided by operating activities	<u>\$ 9,581</u>	<u>\$ 45,850</u>	<u>\$ (56,126)</u>	<u>\$ (695)</u>
Reconciliation of total cash and cash investments:				
Current Assets - cash and cash equivalents	\$ 268,980	\$ 97,169	\$ 5,896	\$ 372,045
Restricted Assets - cash and cash equivalents	-	45,861	-	45,861
Total cash and cash equivalents	<u>\$ 268,980</u>	<u>\$ 143,030</u>	<u>\$ 5,896</u>	<u>\$ 417,906</u>

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, 2004

	<u>Motor Pool</u>	<u>Technology</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,514,550	\$ 519,393	\$ 1,171,273	\$ 3,205,216
Investments	618,740	212,187	467,113	1,298,040
Accrued interest receivable	3,543	1,203	2,660	7,406
Miscellaneous Receivable	79,711	-	-	79,711
Material and supplies inventories, at cost	37,616	-	-	37,616
Prepaid Expenses	-	-	-	-
Total current assets	<u>2,254,160</u>	<u>732,783</u>	<u>1,641,046</u>	<u>4,627,989</u>
Noncurrent assets:				
Capital assets				
Vehicles and equipment	9,692,920	1,107,484	-	10,800,404
Less accumulated depreciation	(5,430,888)	(886,308)	-	(6,317,196)
Total noncurrent assets	<u>4,262,032</u>	<u>221,176</u>	<u>-</u>	<u>4,483,208</u>
Total assets	<u>6,516,192</u>	<u>953,959</u>	<u>1,641,046</u>	<u>9,111,197</u>
LIABILITIES				
Current liabilities:				
Accounts payable	159,631	51,831	243,667	455,129
Accrued salaries payable	29,636	11,919	-	41,555
Total current liabilities	<u>189,267</u>	<u>63,750</u>	<u>243,667</u>	<u>496,684</u>
Noncurrent liabilities:				
Accrued employee separation pay	108,419	-	-	108,419
Total noncurrent liabilities	<u>108,419</u>	<u>-</u>	<u>-</u>	<u>108,419</u>
Total liabilities	<u>297,686</u>	<u>63,750</u>	<u>243,667</u>	<u>605,103</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,262,032	221,176	-	4,483,208
Unrestricted (deficit)	1,956,473	669,033	1,397,379	4,022,885
Total net assets	<u>\$ 6,218,505</u>	<u>\$ 890,209</u>	<u>\$ 1,397,379</u>	<u>\$ 8,506,093</u>

CITY OF LA PORTE, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
September 30, 2004

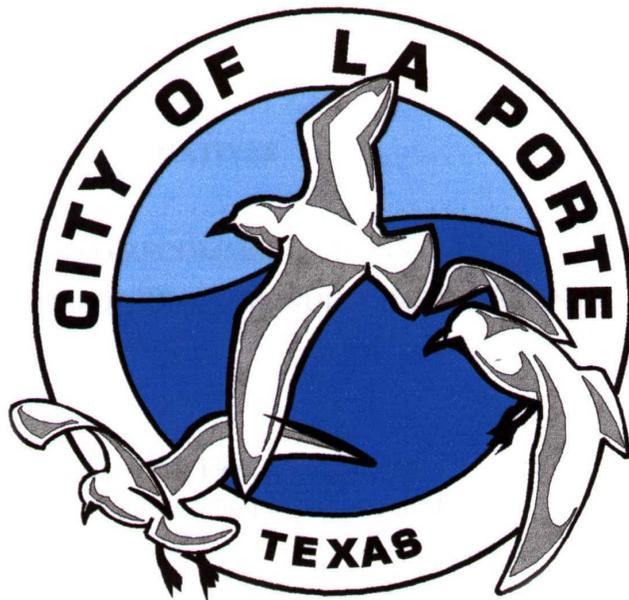
	<u>Motor Pool</u>	<u>Technology</u>	<u>Insurance</u>	<u>Totals</u>
Operating revenues:				
User Fees	\$ 1,900,447	\$ 1,221,531	\$ 2,404,735	\$ 5,526,713
Operating expenses:				
Personal services	619,896	309,883	537,415	1,467,194
Supplies	208,563	146,939	-	355,502
Other services and charges	158,197	536,771	3,901,703	4,596,671
Depreciation	965,588	98,844	-	1,064,432
Total operating expenses	<u>1,952,244</u>	<u>1,092,437</u>	<u>4,439,118</u>	<u>7,483,799</u>
Operating income (loss)	<u>(51,797)</u>	<u>129,094</u>	<u>(2,034,383)</u>	<u>(1,957,086)</u>
Nonoperating revenues (expenses):				
Interest income	23,074	7,029	20,838	50,941
Gain (loss) on sale of equipment	<u>(119,208)</u>	<u>4</u>	<u>-</u>	<u>(119,204)</u>
Total nonoperating revenues (expenses)	<u>(96,134)</u>	<u>7,033</u>	<u>20,838</u>	<u>(68,263)</u>
Income(loss) before contributions and transfers	(147,931)	136,127	(2,013,545)	(2,025,349)
Transfers in	-	-	1,034,797	1,034,797
Transfers out	<u>(27,392)</u>	<u>(877)</u>	<u>-</u>	<u>(28,269)</u>
Change in net assets	(175,323)	135,250	(978,748)	(1,018,821)
Net assets—beginning	6,393,826	533,783	2,376,126	9,303,735
Net assets—ending	<u>\$ 6,218,503</u>	<u>\$ 669,033</u>	<u>\$ 1,397,378</u>	<u>\$ 8,284,914</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	\$ 1,820,736	\$ 1,221,531	\$ 2,404,735	\$ 5,447,002
Cash payments to suppliers	(208,974)	(619,352)	(3,828,965)	(4,657,291)
Cash payments for personal services	(608,373)	(297,964)	(537,416)	(1,443,753)
Net cash provided by operating activities	<u>1,003,389</u>	<u>304,215</u>	<u>(1,961,646)</u>	<u>(654,042)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers out to other funds	<u>(27,392)</u>	<u>(877)</u>	<u>1,034,797</u>	<u>1,006,528</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(932,821)	(31,460)	-	(964,281)
Proceeds from sale of assets	81,131	-	-	81,131
Proceeds from insurance	11,235	-	-	11,235
Net cash (used) by capital and related financing activities	<u>(840,455)</u>	<u>(31,460)</u>	<u>-</u>	<u>(871,915)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	22,073	6,413	21,437	49,923
Investments purchased	-	(129,280)	(4,113)	(133,393)
Investments sold	(257,387)	-	-	(257,387)
Net cash provided by investing activities	<u>(235,314)</u>	<u>(122,867)</u>	<u>17,324</u>	<u>(340,857)</u>
Net increase (decrease) in cash and cash equivalents	(99,772)	149,011	(909,525)	(860,286)
Balances—beginning of the year	1,614,322	370,382	2,080,798	4,065,502
Balances—end of the year	<u>\$ 1,514,550</u>	<u>\$ 519,393</u>	<u>\$ 1,171,273</u>	<u>\$ 3,205,216</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ (51,797)</u>	<u>\$ 129,094</u>	<u>\$ (2,034,383)</u>	<u>\$ (1,957,086)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	965,588	98,844	-	1,064,432
(Increase) decrease in inventories & prepaid expenses	6,594	57,975	-	64,569
Increase (decrease) in accrued salaries payable	7,999	-	-	7,999
Increase (decrease) in accounts payable	151,192	6,383	72,738	230,313
Increase (decrease) in accrued employee separation	3,524	-	-	3,524
Total adjustments	<u>1,134,897</u>	<u>163,202</u>	<u>72,738</u>	<u>1,370,837</u>
Net cash provided by operating activities	<u>\$ 1,003,389</u>	<u>\$ 304,215</u>	<u>\$ (1,961,645)</u>	<u>\$ (654,041)</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, 2004

Governmental funds capital assets	
Land	\$ 7,681,339
Buildings	17,844,812
Equipment	1,151,586
Improvements	7,191,271
Infrastructure	23,390,330
Construction in progress	<u>4,146,624</u>
Total governmental funds capital assets	<u><u>\$ 61,405,962</u></u>
Investment in governmental funds capital assets by source	
Current Operations	\$ 13,580,406
Capital Projects	47,139,756
Section 4B Sales Tax	<u>685,800</u>
Total governmental funds capital assets	<u><u>\$ 61,405,962</u></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, 2004

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Improvements</u>
General government				
Administration	\$ 858,364	\$ 6,377,917	\$ 292,578	\$ 372,917
Finance	-	-	-	-
Planning	217,002	-	19,922	-
Total general government	<u>1,075,366</u>	<u>6,377,917</u>	<u>312,500</u>	<u>372,917</u>
Public safety				
Fire	563,413	3,784,847	314,437	28,422
Police	43,844	1,032,387	278,972	-
Total public safety	<u>607,257</u>	<u>4,817,234</u>	<u>593,409</u>	<u>28,422</u>
Public works				
Administration	2,760,405	2,032,362	92,676	74,823
Streets	-	-	-	-
Total public works	<u>2,760,405</u>	<u>2,032,362</u>	<u>92,676</u>	<u>74,823</u>
Cultural and Recreational				
Parks and recreation	<u>3,238,311</u>	<u>4,617,299</u>	<u>153,001</u>	<u>6,715,109</u>
Total governmental funds capital assets	<u>\$ 7,681,339</u>	<u>\$ 17,844,812</u>	<u>\$ 1,151,586</u>	<u>\$ 7,191,271</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>
\$ -	\$ 42,170	\$ 7,943,946
-	-	-
190,488	300,056	727,468
<u>190,488</u>	<u>342,226</u>	<u>8,671,414</u>
-	295,648	4,986,767
-	35,734	1,390,937
<u>-</u>	<u>331,382</u>	<u>6,377,704</u>
6,599,658	3,192,507	14,752,431
16,515,353	-	16,515,353
<u>23,115,011</u>	<u>3,192,507</u>	<u>31,267,784</u>
<u>84,831</u>	<u>280,509</u>	<u>15,089,060</u>
<u>\$ 23,390,330</u>	<u>\$ 4,146,624</u>	<u>\$ 61,405,962</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, 2004

Function and Activity	Governmental Fund Capital Assets October 1, 2003	Additions/ Adjustments	Retirements/ Adjustments	Governmental Fund Capital Assets September 30, 2004
General government				
Administration	\$ 7,301,096	\$ 642,850	\$ -	\$ 7,943,946
Finance	14,583	-	(14,583)	-
Planning	539,495	187,973	-	727,468
Total general government	<u>7,855,174</u>	<u>830,823</u>	<u>(14,583)</u>	<u>8,671,414</u>
Public safety				
Fire	5,188,617	77,790	(279,640)	4,986,767
Police	1,335,166	55,771	-	1,390,937
Total public safety	<u>6,523,783</u>	<u>133,561</u>	<u>(279,640)</u>	<u>6,377,704</u>
Public works				
Administration	12,566,348	2,186,083	-	14,752,431
Streets	16,515,353	-	-	16,515,353
Total public works	<u>29,081,701</u>	<u>2,186,083</u>	<u>-</u>	<u>31,267,784</u>
Cultural and Recreational				
Parks and recreation	<u>14,945,785</u>	<u>156,615</u>	<u>(13,340)</u>	<u>15,089,060</u>
Total governmental funds capital assets	<u>\$ 58,406,443</u>	<u>\$ 3,307,082</u>	<u>\$ (307,563)</u>	<u>\$ 61,405,962</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
2004	10,487,889	11,947,286	1,267,829	1,906,519	4,106,491	689,644

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)
2004	11,581,258	576,262	22,939,985	1,369,248	-	24,768,410

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
6,256,424	1,895,709	142,765	1,222,819	194,314	40,117,689

Total

\$ 38,448,614
61,235,163

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
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
2004	7,971,284	10,414,544	2,361,192	1,758,964	3,245,144

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

<u>Debt Service</u>	<u>Total</u>
\$ 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
2,189,834	27,940,962

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

<u>Fiscal Year</u>	<u>Taxes ²</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeits</u>	<u>Charges for Services</u>	<u>Inter- governmental</u>
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
2004	22,948,635	320,405	554,559	2,948,580	576,262

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>
\$ 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
325,418	32,605	27,706,464

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections ¹</u>
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	11,078,891	10,924,697	98.61%	263,540	11,188,237

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%
100.99%	808,145	7.29%

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			
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	0.61	0.10	0.71	0.03318	0.3999	0.0167

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>
0.0052	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
0.0063	0.1902	1.734	0.1391	3.2289



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
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
2004	33,712	1,560,406	10,830	0.69%	320

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, 2004
 (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	\$ 69,255,000	31.26%	\$ 21,649,113
Harris County Flood Control District	71,799,985	0.75%	538,500
Harris County (includes toll roads and bridges)	1,587,666,589	0.75%	11,907,499
Port of Houston Authority	297,245,000	0.75%	2,229,338
San Jacinto Jr. College District	<u>77,845,000</u>	5.64%	<u>4,390,458</u>
Total Overlapping Debt	2,103,811,574		40,714,908
City of La Porte	<u>13,230,000</u>	100.00%	<u>13,230,000</u>
Total Direct and Overlapping Debt	<u><u>\$ 2,117,041,574</u></u>		<u><u>\$ 53,944,908</u></u>
 Total Direct and Overlapping Debt Per Capita			 <u><u>\$ 1,597</u></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
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%
2004	1,490,000	699,834	2,189,834	25,576,240	8.56%

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)

<u>Fiscal Year</u>	<u>Operating Revenue ¹</u>	<u>Operating Expenses ²</u>	<u>Net Revenue Available for Debt Service</u>
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
2004	5,836,221	2,441,975	3,394,246

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>
\$ 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
580,000	71,293	651,293	5.21

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
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
2004	1,546,560,410	1,288,266,880	279,687,470	272,140,030

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	
\$ 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%
258,293,530	7,547,440	1,826,247,880	1,560,406,910	117.04%

City of La Porte, Texas
Principal Taxpayers
September 30, 2004
(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 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	48,612,640	2.75%
Equistar Chemicals LP	Chemical Plant	45,125,300	2.55%
BP Solvay	Chemical Plant	38,054,910	2.15%
Centerpoint Energy	Utility	23,824,970	1.35%
PPG Industries	Chemical Plant	23,585,660	1.33%
Attofin Petrochemicals	Chemical Plant	22,293,400	1.26%
Dow Chemicals	Chemical Plant	20,710,190	1.17%
Dupont Dow Elastomers	Chemical Plant	17,664,140	1.00%
PPG Industries	Chemical Plant	13,445,270	0.76%
		<u>\$ 302,502,630</u>	<u>17.11%</u>

Source: City of La Porte Tax records.

City of La Porte, Texas
Demographic Statistics
September 30, 2004
(Unaudited)

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment Rate (3)
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%
2004	33,712	7,629	6.0%

- 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, as of September 2004

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	
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
2004	22	6,270,391	112	12,917,657	*	*	1,560,406,910

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.

* Information not available

City of La Porte, Texas
Miscellaneous Statistical Data
September 30, 2004
(Unaudited)

Date of Incorporation	August 10, 1892
Form of Government	Council/Manager
Area	19 Square miles
Miles of Streets	164
Number of Street Lights	1,665
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	352
Part-time	45
Education:	
Attendance centers	11
Number of teachers	483
Number of students	7,629

