CITY OF LA PORTE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
September 30, 2005

Prepared by:

Department of Finance

City of La Porte
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2005

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INTRODUCTORY SECTION

CITY OF LA PORTE

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City of La Porte

Established 1892

December 30, 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, 2005. 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. State law requires that all general-purpose local governments publish within 120 days of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP).

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, 2005 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, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as a component of the financial section of this report.

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The independent audit of the financial statements of the City of La Porte included a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of La Porte's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of La Porte's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City of La Porte, incorporated in 1892, is located in the southeast quadrant of Harris County and is bounded on the north by the Houston ship channel, on the east by Galveston Bay and the south by the Bayport channel. The City of La Porte currently encompasses 19 square miles and serves a population of 34,538.

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 Manager and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of various departments. The Council is elected on a non-partisan basis. The Mayor and Council members serve three-year staggered terms. Six of the council members are elected by district. The Mayor and the two remaining council members are elected at large.

The City of La Porte provides a full range of services, including police and fire protection, the construction and maintenance of streets and other infrastructure and recreational activities and cultural events. Certain services are provided through a legally separate Water Authority, which functions, as a blended component unit and in essence, is a department of the City of La Porte, and, therefore, has been included as an integral part of the City of La Porte's financial statements. Additional information on the Water Authority and other blended component units can be found in Note 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 Manager on or before May 26 of each year. The City Manager uses these requests as the starting point

for developing a proposed budget. The City Manager then presents this proposed budget to council for review prior to August. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than August. 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 74 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 84.

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 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 6.5 months. The average yield on investments was 2.70% 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 meets 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 53 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, 2004. This was the twenty-fourth 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.

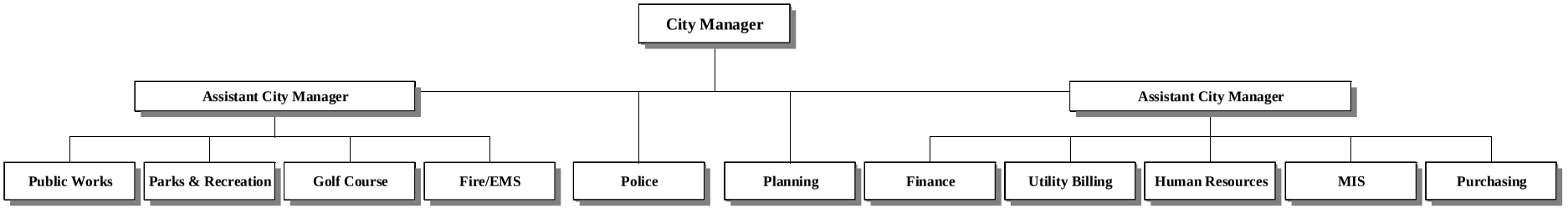
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this 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



Effective Date: 10/1/2004

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, 2004

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

President

Executive Director

CITY OF LA PORTE
LIST OF ELECTED OFFICIALS

ALTON PORTER
MAYOR

PETER GRIFFITHS
COUNCIL PERSON
AT LARGE A

BARRY BEASLEY
COUNCIL PERSON
AT LARGE B

MICHAEL MOSTEIT
MAYOR PRO TEM
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

CITY OF LA PORTE

TEXAS

FINANCIAL SECTION

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Null·Lairson
CERTIFIED PUBLIC ACCOUNTANTS
PROFESSIONAL CORPORATION

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Galveston, TX 77550
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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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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, 2005, 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.

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS,
CPA ASSOCIATES INTERNATIONAL, INC. WITH ASSOCIATED OFFICES IN PRINCIPAL U.S. AND INTERNATIONAL CITIES

In accordance with *Government Auditing Standards,* we have issued our report dated December 30, 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 74 through 75 and Required Pension System Supplementary Information on page 73 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.

Null Larson, P.C.

December 30, 2005
Houston, Texas

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, 2005. 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 $86,206,770 (net assets). Of this amount $20,634,514 (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 increased by $2,378,670.

- As of the close of the current fiscal year, the City of La Porte's governmental funds reported combined ending fund balances of $31,986,474. Of this amount, $29,715,857 (92%) 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 $8,972,133 approximately (37%) of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 27-31 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories − governmental 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 16 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, 2002 General Obligation Bond and 2004 Certificates of Obligation Bond funds, all which are considered to be major funds. Data from the other 13 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 27-36 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 45-70 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 73-75 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 78-96 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 $86,206,770 at the close of the fiscal year.

By far the largest portion of the City's net assets (64%) 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	
	2005	2004	2005	2004	2005	2004
Current and other assets	$ 43,543,568	$ 30,803,701	$ 7,559,518	$ 7,760,850	$ 51,103,086	$ 38,564,551
Capital assets	46,416,520	40,889,013	33,734,685	34,110,595	80,151,205	74,999,608
Total Assets	89,960,088	71,692,714	41,294,203	41,871,445	131,254,291	113,564,159
Long term liabilities	31,157,332	14,573,457	7,498,569	7,507,468	38,655,901	22,080,925
Other liabilities	3,857,929	5,597,464	2,533,691	2,057,671	6,391,620	7,655,135
Total Liabilities	35,015,261	20,170,921	10,032,260	9,565,139	45,047,521	29,736,060
Net Assets:						
Invested in capital assets, net of related debt	28,933,050	32,752,971	26,589,684	25,996,416	55,522,734	58,749,387
Restricted	6,642,077	5,770,840	3,407,445	3,662,800	10,049,522	9,433,640
Unrestricted	19,369,700	12,997,982	1,264,814	2,647,090	20,634,514	15,645,072
Total Net Assets	$ 54,944,827	$ 51,521,793	$ 31,261,943	$ 32,306,306	$ 86,206,770	$ 83,828,099

An additional portion of the City's net assets $10,049,522 (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of $20,634,514 (24%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2005, 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.

Analysis of the City's Operations – the following table provides a summary of the City's operations for the year ended September 30, 2005, with comparative totals for year ended September 30, 2004. Governmental activities increased the City of La Porte's net assets by $3,423,033. Business-type activities decreased the City's net assets by $1,044,363.

City of La Porte's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	$ 4,083,297	$ 3,697,062	$ 8,254,116	$ 7,884,196	$ 12,337,413	$ 11,581,258
Operating grants and contributions	2,639,934	576,262	-	-	2,639,934	576,262
General revenues:						
Property taxes, levied for general purposes	10,192,599	9,139,422	-	-	10,192,599	9,139,422
Property taxes, levied for debt service	1,623,095	1,922,117	-	-	1,623,095	1,922,117
Industrial payments	6,991,926	6,896,112	-	-	6,991,926	6,896,112
Franchise taxes	1,885,801	1,718,875	-	-	1,885,801	1,718,875
Sales tax	3,459,979	3,263,459	-	-	3,459,979	3,263,459
Unrestricted investment earnings	720,137	376,359	165,162	88,602	885,299	464,961
Miscellaneous	753,595	495,102	827,183	874,146	1,580,778	1,369,248
Gain (loss) on sale/retirement of capital assets	103,594		-	(5,784)	103,594	(5,784)
Total revenues	$ 32,453,957	28,084,770	9,246,461	8,841,160	41,700,418	36,925,930
Expenses:						
General Government	7,411,122	10,487,889	-	-	7,411,122	10,487,889
Public Safety	10,367,759	11,947,286	-	-	10,367,759	11,947,286
Public Works	5,164,855	1,267,829	-	-	5,164,855	1,267,829
Health and Sanitation	1,887,204	1,906,519	-	-	1,887,204	1,906,519
Culture and Recreation	3,717,791	4,106,491	-	-	3,717,791	4,106,491
Interest on Long-term debt	863,818	689,644	-	-	863,818	689,644
Water Services	-	-	6,477,962	6,256,424	6,477,962	6,256,424
Sewer Services	-	-	1,819,756	1,895,709	1,819,756	1,895,709
Airport	-	-	157,186	142,765	157,186	142,765
Bay Forest Golf Course	-	-	1,242,613	1,222,819	1,242,613	1,222,819
Sylvan Beach Convention Center	-	-	211,682	194,314	211,682	194,314
Total Expenses	29,412,549	30,405,658	9,909,199	9,712,031	39,321,748	40,117,689
Change in net assets before transfers	3,041,408	(2,320,888)	(662,738)	(870,871)	2,378,670	(3,191,759)
Transfers	381,625	684,697	(381,625)	(684,697)	-	-
Change in net assets	3,423,033	(1,636,191)	(1,044,363)	(1,555,568)	2,378,670	(3,191,759)
Net assets - beginning	51,521,794	53,157,984	32,306,306	33,861,874	83,828,100	87,019,858
Net assets - ending	$ 54,944,827	$ 51,521,793	$ 31,261,943	$ 32,306,306	$ 86,206,770	$ 83,828,099

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.

As of the end of the current fiscal year, the City of La Porte's governmental funds reported combined ending fund balances of $31,986,474. Approximately 93% of this total amount ($29,715,857) 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 ($1,704,631), 4) to provide for municipal court building security ($91,088), 5) to provide for municipal court technology ($60,591), 6) to provide for park zone ($144,625) and 7) to provide for confiscated funds ($60,491).

In the general fund, the City budgeted for a decrease in the fund balance of $564,136. Due to actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2005 was $1,731,374. The 2004 Certificates of Obligation fund balance increased by $1,564,389 due to bond proceeds received during year exceeding capital expenditures. The 2005 General Obligation Fund balance increased by $7,649,548 due to the receipt of bond proceeds. Other Governmental fund balances increased in 2005 by $1,713,572 due to increased revenues and other sources of financing.

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 - $11,903, Airport -$304,554, La Porte Area Water Authority - $1,129,215, Sylvan Beach Convention Center -$134,025 and Bay Forest Golf Course – $(314,883)The change (decrease) in net assets of the proprietary funds in 2005 was as follows: Utility - $(786,966), Airport -$(118,832), La Porte Area Water Authority - $104,999, Sylvan Beach Convention Center- $21,590, and Bay Forest Golf Course -$(265,154).

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 1% or $210,563.

Variances noted in the general fund are due to City Council appropriating additional capital projects, increased spending for public safety projects and salary savings. Also, the City realized windfall payments from its in-lieu categories due to recognition of increased taxable items such as static inventory.

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, 2005 amounts to $80,151,204 (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:

- Improvements to the wastewater treatment plant, approximately $3.0 million.
- Construction in progress Emergency Medical Facility $924,679.
- Construction in progress Canada Road $2.4 million.
- Construction in progress Bay Area Blvd $3.3 million.

Capital Assets at Year-end
Net of Accumulated Depreciation

	Governmental Activities 2005	Business-type Activities 2005	Total
Land	$ 7,682,585	$ 2,350,478	$ 10,033,063
Buildings	8,697,432	459,960	9,157,392
Equipment	4,664,346	107,715	4,772,061
Improvements	5,964,030	29,632,291	35,596,321
Infrastructure	9,976,699	-	9,976,699
Construction in Progress	9,431,427	1,184,241	10,615,668
Total	$ 46,416,519	$ 33,734,685	$ 80,151,204

Additional information of the City of La Porte's capital assets can be found in Note 4 on pages 58-60 of this report.

Debt Administration – At the end of the current fiscal year, the City of La Porte had bonded debt payable of $35,520,000. Of this amount, $28,375,000 comprises bonded debt backed by the full faith and credit of the government and $7,145,000 represents bonds secured solely by water and sewer revenues.

Outstanding Debt at Year End
Bonds Payable

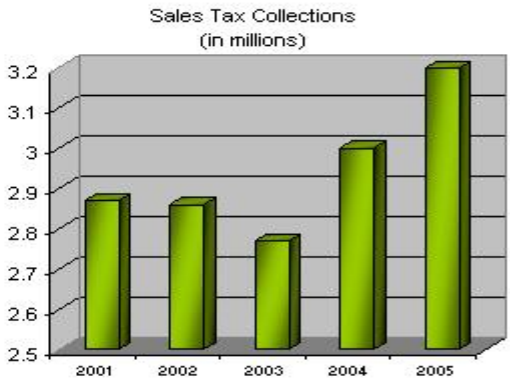
	Governmental Activities 2005	Business-type Activities 2005	Totals
General Obligations	$ 17,325,000	$ -	$ 17,325,000
Revenue Bonds Payable	-	7,145,000	7,145,000
Certificate of Obligations	11,050,000	-	11,050,000
Total	$ 28,375,000	$ 7,145,000	$ 35,520,000

The City of La Porte maintains an "Aa3", "A+", "AA" by Moody's, Standard and Poor's and Fitch respectively 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 61-65 of this report.

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the Houston metropolitan area is currently 6.1 percent, which is an increase from a rate of 6.0 percent a year ago. This compares identical to the state's average unemployment rate of 5.3 percent which is comparable to the national average rate of 5.1 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 $1.9 billion for fiscal year 2005 which is 5 percent higher than last year. The trend for total assessed property values has been steadily increasing each year with an average annual increase of 16 percent 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.



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, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 12,686,401	$ 641,236	$ 13,327,637
Investments	25,448,639	4,490,629	29,939,268
Receivables, net of allowance for uncollectibles			
Accounts receivable	4,282,552	802,082	5,084,634
Taxes receivable	727,116	-	727,116
Due from other governments	4,716	-	4,716
Accrued interest receivable	104,817	31,516	136,333
Other accounts receivables	-	473	473
Deferred Issuance Costs	163,796	-	163,796
Materials and supplies inventories at cost	125,531	4,540	130,071
Restricted Assets:			
Cash and cash equivalents restricted for customer service deposits	-	482,429	482,429
Investments restricted for debt service	-	270,000	270,000
Other	-	836,613	836,613
Capital assets:			
Land	7,682,585	2,350,478	10,033,063
Buildings and improvements	17,925,224	1,166,840	19,092,064
Improvements other than buildings	10,476,050	63,504,133	73,980,183
Infrastructure	23,482,106	-	23,482,106
Machinery and equipment	12,236,506	453,644	12,690,150
Construction in progress	9,431,427	1,184,241	10,615,668
Accumulated depreciation	(34,817,378)	(34,924,651)	(69,742,029)
Total assets	89,960,088	41,294,203	131,254,291
LIABILITIES			
Accounts payable	3,308,852	1,925,386	5,234,238
Accrued salaries payable	329,747	57,175	386,922
Interest payable	50,816	-	50,816
Unearned revenue	43,886	34,553	78,439
Other current liabilities	-	18,888	18,888
Premium on Issuance	111,900	-	111,900
Accrued interest payable	12,728	15,362	28,090
Customer deposits	-	482,327	482,327
Noncurrent liabilities :			
Due within one year	1,195,000	715,000	1,910,000
Due in more than one year	29,962,332	6,783,569	36,745,901
Total liabilities	35,015,261	10,032,260	45,047,521
NET ASSETS			
Invested in capital assets, net of related debt	28,933,050	26,589,684	55,522,734
Restricted for:			
Debt service	1,820,457	3,407,445	5,227,902
Grants and state programs	4,821,620	-	4,821,620
Unrestricted	19,369,700	1,264,814	20,634,514
Total net assets	$ 54,944,827	$ 31,261,943	$ 86,206,770

See accompanying notes to financial statements.

CITY OF LA PORTE, TEXAS
Statement of Activities
For The Year Ended September 30, 2005

Program Activities	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
General Government	$ 7,411,122	$ 670,332	$ 210,417
Public Safety	10,367,759	1,498,310	865,171
Public Works	5,164,855	24,242	1,464,323
Health & Sanitation	1,887,204	1,429,617	-
Culture and recreation	3,717,791	460,796	100,023
Interest on Long Term Debt	863,818	-	-
Total governmental activities	29,412,549	4,083,297	2,639,934
Business-type activities:			
Water Services	6,477,962	4,500,140	-
Sewer Services	1,819,756	2,591,406	-
Airport	157,186	32,728	-
Golf Course	1,242,613	965,983	-
Sylvan Beach Convention Ctr	211,682	163,859	-
Total business-type activities	9,909,199	8,254,116	-
Total government	$ 39,321,748	$ 12,337,413	$ 2,639,934

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
Gain (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**
$ (6,530,373)	$ -	$ (6,530,373)
(8,004,278)	-	(8,004,278)
(3,676,290)	-	(3,676,290)
(457,587)	-	(457,587)
(3,156,972)	-	(3,156,972)
(863,818)	-	(863,818)
(22,689,318)	-	(22,689,318)
-	(1,977,822)	(1,977,822)
-	771,650	771,650
-	(124,458)	(124,458)
-	(276,630)	(276,630)
-	(47,823)	(47,823)
-	(1,655,083)	(1,655,083)
$ (22,689,318)	$ (1,655,083)	$ (24,344,401)
10,192,599	-	10,192,599
1,623,095	-	1,623,095
6,991,926	-	6,991,926
1,885,801	-	1,885,801
3,459,979	-	3,459,979
720,137	165,162	885,299
753,595	827,183	1,580,778
103,594	-	103,594
381,625	(381,625)	-
26,112,351	610,720	26,723,071
3,423,033	(1,044,363)	2,378,670
51,521,794	32,306,306	83,828,100
$ 54,944,827	$ 31,261,943	$ 86,206,770

CITY OF LA PORTE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2005

	General	2004 Certificate of Obligation Bonds	2005 General Obligation Bonds
ASSETS			
Cash and cash equivalents	$ 4,652,959	$ 1,078,613	$ 7,683,559
Investments	5,988,867	693,931	54,864
Receivables, net of allowance for uncollectibles:			
Accounts receivable	3,661,711	-	-
Taxes receivable	612,370	-	-
Due from other governments	-	2,157	918
Grant receivable	-	-	-
Other accounts receivables	-	-	-
Accrued interest receivable	40,550	4,699	370
Materials and supplies inventories, at cost	81,000	-	-
Total assets	15,037,457	1,779,400	7,739,711
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	2,144,933	214,561	90,163
Accrued salaries payable	313,793	-	-
Due to other funds	-	-	-
Retainage payable	-	-	-
Unearned revenue	3,297,405	-	-
Accrued employee separation pay	100,000	-	-
Total liabilities	5,856,131	214,561	90,163
Fund balances:			
Reserved for:			
Inventories	69,136	-	-
Encumbrances	140,055	-	-
Municipal Court Building Security	-	-	-
Municipal Court Technology Fee	-	-	-
Park Zone	-	-	-
Confiscated funds	-	-	-
Debt service	-	-	-
Unreserved, Designated for capital projects	409,684	-	-
Unreserved/Undesignated	8,562,450	1,564,839	7,649,548
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Total fund balances	9,181,325	1,564,839	7,649,548
Total liabilities and fund balances	$ 15,037,456	$ 1,779,400	$ 7,739,711

See accompanying notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
$ 7,271,633	$ 20,686,764
6,209,553	12,947,215
-	3,661,711
114,746	727,116
2,152	5,227
4,716	4,716
541,130	541,130
42,044	87,663
-	81,000
14,185,974	38,742,542
431,052	2,880,709
1,217	315,010
5,226	5,226
40,328	40,328
117,388	3,414,793
-	100,000
595,211	6,756,066
-	69,136
-	140,055
91,088	91,088
60,591	60,591
144,625	144,625
60,491	60,491
1,704,631	1,704,631
-	409,684
-	17,776,837
4,255,634	4,255,634
7,273,703	7,273,703
13,590,763	31,986,475
$ 14,185,974	38,742,541

CITY OF LA PORTE, TEXAS
Reconciliation of the Governmental Funds
Balance Sheet to Statement of Net Assets
September 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balances - total governmental funds	$ 31,986,475
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.	42,488,417
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Unearned Revenues	3,370,906
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.	(50,816)
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.	8,049,350
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	(28,375,000)
Premium on Issuance	(111,900)
Compensated Absences Payable	(2,576,400)
Bond Issuance Costs	163,796
Net assets of governmental activities	$ 54,944,827

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, 2005

	General	2004 Certificate of Obligation Bonds	2005 General Obligation Bonds
REVENUES			
Property taxes	$ 10,109,435	$ -	$ -
Franchise taxes	1,805,800	-	-
Sales taxes	2,108,192	-	-
Donations	-	-	-
Industrial payments	6,991,926	-	-
Harris County Joint Venture	-	1,751,555	-
Other taxes	49,900	-	-
Licenses and permits	531,091	-	-
Fines and forfeits	678,205	-	-
Charges for services	3,233,453	-	-
Intergovernmental	11,940	-	-
Interest	268,419	70,509	11,565
Miscellaneous	37,185	-	-
Total revenues	25,825,546	1,822,064	11,565
EXPENDITURES			
Current:			
General Government	5,593,929	-	-
Public Safety	10,532,857	-	-
Public Works	2,430,322	-	-
Health and Sanitation	1,808,313	-	-
Culture and Recreation	3,067,815	-	-
Debt service:			
Principal retirements	-	-	-
Interest and fiscal charges	-	-	144,350
Capital outlay	-	6,050,656	-
Total expenditures	23,433,236	6,050,656	144,350
Excess (deficiency) of revenues over expenditures	2,392,310	(4,228,592)	(132,785)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of long term debt	-	7,002,157	7,782,333
Transfers in	394,338	-	-
Transfers out	(1,097,526)	(1,208,726)	-
Proceeds from sale of Assets	42,250	-	-
Total other financing sources (uses)	(660,938)	5,793,431	7,782,333
Net change in fund balances	1,731,373	1,564,839	7,649,548
Fund balances—beginning	7,449,951	-	-
Fund balances—ending	$ 9,181,323	$ 1,564,839	$ 7,649,548

See accompanying notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
$ 1,678,060	$ 11,787,495
-	1,805,800
1,058,708	3,166,900
30,000	30,000
-	6,991,926
-	1,751,555
243,919	293,819
-	531,091
-	678,205
-	3,233,453
1,100,747	1,112,687
280,190	630,683
146,474	183,659
4,538,098	32,197,273
1,254,909	6,848,838
-	10,532,857
-	2,430,322
-	1,808,313
-	3,067,815
1,330,000	1,330,000
886,080	1,030,430
2,515,658	8,566,314
5,986,647	35,614,889
(1,448,549)	(3,417,616)
1,802,410	16,586,900
2,827,858	3,222,196
(1,468,147)	(3,774,399)
-	42,250
3,162,121	16,076,947
1,713,572	12,659,331
11,877,191	19,327,142
$ 13,590,763	$ 31,986,473

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, 2005

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances—total governmental funds:	$ 12,659,331
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 $8,393,314 exceeded depreciation $2,310,704 and losses from the disposition of capital assets in the current period.	6,082,610
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.	364,360
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.	(15,093,017)
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	(22,056)
Additional compensated absences not reflected in governmental funds	(111,452)
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.	(456,745)
Change in net assets of governmental activities	$ 3,423,031

See accompanying notes to basic financial statements.

CITY OF LA PORTE, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2005

	Business-type Activities – Enterprise Funds		
	Utility	**La Porte Area Water Authority**	**Other Proprietary Funds**
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ 456,737	$ 184,499
Investments	3,599,088	593,220	298,321
Receivables, net of allowance for uncollectibles	636,287	163,899	2,369
Accrued interest receivable	22,284	7,212	2,020
Miscellaneous receivables	-	-	-
Material and supplies inventories, at cost	4,540	-	-
Restricted cash and cash equivalents for:			
Customer service deposits	436,568	-	45,861
Current debt service	270,000	-	-
Investments restricted for:			
Current debt service	-	836,613	-
Total current assets	4,968,767	2,057,681	533,070
Noncurrent assets:			
Capital assets:			
Land	266,009	-	2,084,469
Buildings and improvements	51,730	-	1,115,110
Improvements other than buildings	42,207,567	14,719,440	6,577,126
Vehicles and equipment	327,380	6,130	120,133
Construction in progress	1,064,336	-	119,905
Less accumulated depreciation	(25,354,307)	(4,979,020)	(4,591,324)
Total noncurrent assets	18,562,715	9,746,550	5,425,419
Total assets	23,531,482	11,804,231	5,958,489
LIABILITIES			
Current liabilities:			
Accounts payable	1,694,468	77,708	153,210
Accrued salaries payable	41,906	-	15,269
Unearned Revenue	-	-	34,553
Other current liabilities	-	-	18,888
Accrued interest payable	1,216	14,146	-
Payable from restricted assets:			
Current portion of revenue bonds	270,000	445,000	-
Customer deposits	436,568	-	45,759
Total current liabilities	2,444,158	536,854	267,679
Noncurrent liabilities:			
Revenue bonds, net of current portion	375,000	6,055,000	-
Accrued separation pay	211,874	-	141,695
Total noncurrent liabilities	586,874	6,055,000	141,695
Total liabilities	3,031,032	6,591,854	409,374
NET ASSETS			
Invested in capital assets, net of related debt	17,917,715	3,246,550	5,425,419
Restricted for debt service	2,570,832	836,613	-
Unrestricted (deficit)	11,903	1,129,215	123,696
Total net assets	$ 20,500,450	$ 5,212,378	$ 5,549,115

See accompanying notes to basic financial statements.

Totals	Governmental Activities – Internal Service Funds
$ 641,236	$ 1,967,340
4,490,629	2,533,721
802,555	-
31,516	17,155
-	81,087
4,540	44,531
482,429	-
270,000	-
836,613	-
7,559,518	4,643,834
2,350,478	-
1,166,840	-
63,504,133	-
453,643	10,746,820
1,184,241	-
(34,924,651)	(6,818,715)
33,734,684	3,928,105
41,294,202	8,571,939
1,925,386	399,327
57,175	15,954
34,553	1,376
18,888	-
15,362	-
715,000	-
482,327	-
3,248,691	416,657
6,430,000	-
353,569	105,932
6,783,569	105,932
10,032,260	522,589
26,589,684	6,558,094
3,407,445	-
1,264,814	1,491,256
$ 31,261,943	$ 8,049,350

CITY OF LA PORTE, TEXAS
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended September 30, 2005

	Business-type Activities – Enterprise Funds		
	Utility	**La Porte Area Water Authority**	**Other Proprietary Funds**
Operating revenues:			
User fees	$ 6,080,845	$ 1,019,730	$ 1,168,127
Operating expenses:			
Personal services	2,221,734	-	923,042
Supplies	167,473	173	140,864
Other services and charges	2,870,736	965,047	265,922
Depreciation	1,263,735	441,913	281,664
Total operating expenses	6,523,678	1,407,133	1,611,492
Operating income (loss)	(442,833)	(387,403)	(443,365)
Nonoperating revenues (expenses):			
Interest income	112,606	40,926	11,640
Interest expense and fiscal charges	(57,817)	(351,084)	-
Gain (loss) on sale of equipment	(2,820)	-	(750)
Total nonoperating revenue (expenses)	51,969	(310,158)	10,890
Income (loss) before contributions and transfers	(390,864)	(697,561)	(432,475)
Capital contributions	-	858,162	-
Transfers in	1,332,500	-	110,005
Transfers out	(1,728,602)	(55,602)	(39,926)
Change in net assets	(786,966)	104,999	(362,396)
Total net assets—beginning	21,287,416	5,107,379	5,911,511
Total net assets—ending	$ 20,500,450	$ 5,212,378	$ 5,549,115

See accompanying notes to basic financial statements.

	Totals	Governmental Activities – Internal Service Funds
	$ 8,268,702	$ 5,410,395
	3,144,776	1,455,724
	308,510	292,640
	4,101,705	4,253,673
	1,987,312	944,982
	9,542,303	6,947,019
	(1,273,601)	(1,536,624)
	165,172	89,447
	(408,901)	-
	(3,570)	56,604
	(247,299)	146,051
	(1,520,900)	(1,390,573)
	858,162	-
	1,442,505	959,634
	(1,824,130)	(25,806)
	(1,044,363)	(456,745)
	32,306,306	8,506,095
	$ 31,261,943	$ 8,049,350

CITY OF LA PORTE, TEXAS
Statement of Cash Flows
Proprietary Funds
For The Year Ended September 30, 2005

	Business-type Activities – Enterprise Funds		
	Utility	**La Porte Area Water Authority**	**Other Proprietary Funds**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from user fees	$ 6,249,727	$ 1,030,673	$ 1,163,544
Cash payments to suppliers	(1,637,042)	(970,517)	(273,609)
Cash payments for personal services	(2,313,192)	-	(941,224)
Net cash provided by operating activities	2,299,493	60,156	(51,289)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	1,332,500	-	110,005
Transfers to other funds	(1,728,602)	(55,605)	(39,926)
Net cash from noncapital financing activies	(396,102)	(55,605)	70,079
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments received from participants for debt service	-	771,588	-
Payments received from participants for capital recovery	-	86,574	-
Payments for capital acquisitions	(1,526,100)	-	(88,870)
Proceeds from sale of assets	-	-	-
Proceeds from insurance	-	-	-
Principal payments on revenue bonds	(549,179)	(420,000)	-
Interest paid on debt	(58,982)	(351,587)	-
Net cash (used) by capital and related financing activies	(2,134,261)	86,575	(88,870)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	99,007	36,609	10,574
Net Investments (purchased) sold	(815,505)	213,672	(128,040)
Net cash provided by investing activities	(716,498)	250,281	(117,466)
Net increase (decrease) in cash and cash equivalents	(947,368)	341,407	(187,546)
Balances—beginning of the year	1,653,936	115,330	417,906
Balances—end of the year	$ 706,568	$ 456,737	$ 230,360
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (442,833)	$ (387,403)	$ (443,355)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,263,735	441,913	281,664
(Increase) decrease in accounts receivable	139,628	10,942	6,574
(Increase) decrease in inventories	-	-	-
Increase (decrease) in accrued salaries payable	(57,061)	-	(27,859)
Increase (decrease) in accounts payable	1,401,166	(5,296)	132,560
Increase (decrease) in other current liabilities	-	-	(7,950)
Increase (decrease) in customer utility deposits	29,255	-	(2,600)
Increase (decrease) due to component unit		-	
Increase (decrease) in accrued employee separation	(34,397)	-	9,677
Total adjustments	2,742,326	447,559	392,066
Net cash provided by operating activities	$ 2,299,493	$ 60,156	$ (51,289)
Reconciliation of total cash and cash investments:			
Current Assets - cash and cash equivalents	$ -	$ 456,737	$ 184,499
Restricted Assets - cash and cash equivalents:			
Customer Deposits	436,568	-	-
Current Debt Service	270,000	-	45,861
Total cash and cash equivalents	$ 706,568	$ 456,737	$ 230,360

See accompanying notes to basic financial statements.

Totals	Governmental Activities – Internal Service Funds
$ 8,443,944	$ 5,410,395
(2,881,168)	(4,609,028)
(3,254,416)	(1,483,812)
2,308,360	(682,445)
1,442,505	9,199
(1,824,133)	924,629
(381,628)	933,828
771,588	-
86,574	-
(1,614,970)	(472,672)
-	128,668
-	10,729
(969,179)	-
(410,569)	-
(2,136,556)	(333,275)
146,190	79,697
(729,873)	(1,235,681)
(583,683)	(1,155,984)
(793,507)	(1,237,876)
2,187,172	3,205,216
$ 1,393,665	$ 1,967,340
$ (1,273,591)	$ (1,536,624)
1,987,312	944,982
157,144	-
-	(6,915)
(84,920)	(25,601)
1,528,430	(55,800)
(7,950)	-
26,655	-
(24,720)	(2,487)
3,581,951	854,179
$ 2,308,360	$ (682,445)
$ 641,236	$ 1,967,340
436,568	-
315,861	-
$ 1,393,665	$ 1,967,340

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

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

C. Basis of Presentation

Government Wide Statements:

The government-wide financial statements (i.e. the statement of net assets and the statement 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 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) *2005 General Obligations Bond Fund* – is used to account for funds received from bond proceeds for capital projects.

(c) *2004 Certificates of Obligation Bond Fund*- is used to account for funds received from bond proceeds for capital 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, 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.

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), the Local Government Investment Cooperative (LOGIC) and Texas Short Term Asset Reserve Program (TexStar) all 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, LOGIC and TexStar 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	$ 1,192,508	$ -	$ 40,550	$ -	$ 5,247,110	$ 6,480,168
Section 4b Sales Tax	-	-	11,567	186,540	-	198,107
Debt Service	323,088	-	6,557	-	-	329,645
Grant	-	-	65	354,590	-	354,655
Community Investment	-	-	311	-	-	311
Hotel/Motel Tax	-	-	2,974	-	-	2,974
T.I.R.Z. One	-	-	576	-	-	576
Capital Improvements	-	4,716	3,590	-	-	8,306
Transportation	-	-	4,077	-	-	4,077
1998 G.O. Bonds	-	-	4,514	-	-	4,514
2000 G.O. Bonds	-	-	4,407	-	-	4,407
2002 G.O. Bonds	-	-	3,406	-	-	3,406
2004 C.O. Bonds	-	-	370	-	-	370
2005 G.O. Bonds	-	-	4,699	2,157	-	6,856
Utility	-	-	22,284	-	670,919	693,203
Water Authority	-	-	7,213	-	163,899	171,112
Airport	-	-	1,162	-	1,091	2,253
Sylvan Beach	-	-	858	-	805	1,663
Golf Course	-	-	-	-	473	473
Motorpool	-	-	9,537	-	79,711	89,248
Technology	-	-	3,349	-	-	3,349
Insurance	-	-	1,376	-	-	1,376
Gross Receivables	1,515,596	4,716	133,442	543,287	6,164,008	8,361,049
Less: allowance for uncollectibles	(788,481)	-	-	-	(1,620,031)	(2,408,512)
Net total receivables	$ 727,115	$ 4,716	$ 133,442	$ 543,287	$ 4,543,977	$ 5,952,537

1. Summary of significant accounting policies − Continued

Governmental funds reported unearned 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	
	General	Debt Service	Proprietary	Revenue	Total
Delinquent property taxes receivable	$ 612,370	$ 114,746	$ -	$ -	$ 727,116
Charges for services and customer deposits	2,685,035	-	34,553	-	2,719,588
Grant Revenues	-	-	-	2,642	2,642
Total deferred / unearned revenue	$ 3,297,405	$ 114,746	$ 34,553	$ 2,642	$ 3,449,346

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. All other legally authorized transfers are treated as transfers and are included in the results of operations of both Governmental and Proprietary Funds.

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, 2005, 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, 2005 is comprised of the following:

	Governmental	Business Type	Total
Vacation	$ 689,871	$ 108,781	$ 798,652
Sick Leave	1,619,501	184,686	1,804,187
Total All Funds	$ 2,309,372	$ 293,467	$ 2,602,839

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. Other reserves of funds are for the Municipal Court Building Security Fees and Municipal Court Technology Fees, park zone and confiscated funds.

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 City reports cash and cash equivalents in the City's statement of cash flows for Proprietary Fund Types and in all other financial statements of financial position. The City considers cash and cash equivalents to be cash on hand, demand deposits, certificates of deposit, balances in privately managed public funds investment pools and money market mutual funds.

Investments

Investments consist of balances in privately managed public funds investment pools, money market mutual funds and investments in United States (US) Agency securities. The City reports all investments at fair value based on quoted market prices at year-end date.

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

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require full security for all funds in the depository institution through federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The City requires the depository to place the collateral securities with an independent trustee institution. The depository is required to deliver the

safekeeping receipts to the City. In accordance with Texas statutes, the safekeeping receipts are in the name of the depository with proper indication of pledge of the collateral securities by the depository to secure funds of the City. The City must approve all collateral securities pledged and also must approve in writing any changes to the pledged collateral securities.

The City has adopted a written investment policy regarding the investment of its funds as defined by the PFIA. The PFIA also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City complies with the requirements of the Act and with local policies.

The City's investment policy permits investment of City funds in only the following investment types, consistent with the strategies and maturities defined in the policy:

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

Deposit and Investment Amounts

At year-end, the City recorded cash on hand, demand deposits, certificates of deposit, balances in privately managed public funds investment pools, money market mutual funds, and investments stated at fair value of $44,855,949.

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

	Cash Bank Deposits	Pooled Funds	Investments	Total
General	$ 1,174,431	$ 3,478,528	$ 5,988,867	$ 10,641,826
Debt Service	182,515	579,711	953,803	1,716,029
Capital Projects	591,305	12,441,837	3,114,160	16,147,302
Special Revenue Funds	444,323	1,329,107	2,288,190	4,061,620
Total Governmental Funds	2,392,574	17,829,183	12,345,020	32,566,777
Internal Service Fund	610,897	1,821,451	3,135,916	5,568,264
Total Governmental Activities	3,003,471	19,650,634	15,480,936	38,135,041
Enterprise	(804,204)	2,197,871	5,327,241	6,720,908
Total	**$ 2,199,267**	**$ 21,848,505**	**$ 20,808,177**	**$ 44,855,949**

Quoted market prices are the basis of the fair value for US Agency securities and commercial paper. The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income as follows:

Interest Income	$ 885,301
Net Increase (Decrease) In Fair Value of Investments	(179,838)
Total Investment Income	$ 705,463

Investment Risks

At year-end, the City had the following investments, shown below for all funds by investment type:

Investment Type	Fair Value
Public funds investment pools	$21,848,505
US Agency securities	20,808,177
Total	$42,656,682

Interest Rate Risk

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles, by fund:

Investment Type/Fund	Fair Value	Weighted Average Maturities (Months)
US Agency securities/General	$5,988,867	10
US Agency securities/Debt Service	953,803	10
US Agency securities/Capital Projects	3,114,160	10
US Agency securities/Special Revenue	2,288,190	10
US Agency securities/Internal Service	3,135,916	10
US Agency securities/Enterprise	5,327,241	10
Total	$20,808,177	

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

Concentration of Credit Risk

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

Investment Type	Fair Value	Percentage Of Total Portfolio
Agency Notes	$20,808,177	49%
Investment Pools	21,848,505	51%
Total	$42,656,682	100%

Credit Risk

At year-end balances in TexPool, a privately managed public funds investment pool was rated AAAm by Standard & Poor's, balances in TexStar, a privately managed public funds investment pool was rated AAAm by Standard & Poor's and balances in Logic, a privately managed public funds investment pool was rated Aaa/MR1+ by Standard and Poor's.

Federal Home Loan Bank (FHLB) agency notes and Federal National Mortgage Association (FNMA) agency notes were rated AAA by Standard & Poor's, AAA by Fitch Ratings and Aaa by Moody's Investors Service.

All credit ratings met acceptable levels required by legal guidelines prescribed in both the PFIA and the City's investment policy. Legal guidelines require an A1 rating by Standard & Poor's and a P-1 rating by Moody's Investors Service for investments in commercial paper.

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 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent 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 2004-05 tax year were $0.61 and $0.10, respectively, per $100 of assessed valuation. The 2006 assessed value and total tax levy as adjusted through September 30, 2005 were $1,634,888,940 and $11,607,713 respectively.

The City has enacted an ordinance providing for the exemption of twenty percent (20%) of the assessed value of residential homesteads plus and additional $60,000 for persons 65 years of age or older for property taxes. An exemption of $60,000 is allowed for disabled persons on homesteads and up to $12,000 is allowed for disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

4. Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows:

	Beginning Balance 10/01/04	Additions	Retirements & Adjustments	Ending Balance 09/30/05
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 7,681,339	$ 1,246	$ -	$ 7,682,585
Construction in progress	4,834,424	7,768,893	(3,171,890)	9,431,427
Total capital assets, not being depreciated	12,515,763	7,770,139	(3,171,890)	17,114,012
Capital assets, being depreciated:				
Buildings and improvements	17,844,812	68,334	12,078	17,925,224
Improvements other than buildings	7,191,272	169,858	3,114,920	10,476,050
Infrastructure	23,390,330	91,776	-	23,482,106
Machinery and equipment	11,951,990	765,880	(481,364)	12,236,506
Total capital assets being depreciated	60,378,404	1,095,848	2,645,634	64,119,886
Less accumulated depreciation for:				
Buildings	8,406,539	821,253	-	9,227,792
Improvements other than buildings	4,138,171	373,849	-	4,512,020
Machinery and equipment	6,957,591	1,061,244	(446,676)	7,572,159
Infrastructure	12,502,855	1,002,552	-	13,505,407
Total accumulated depreciation	32,005,156	3,258,898	(446,676)	34,817,378
Total capital assets, being depreciated, net	28,373,248	(2,163,050)	3,092,310	29,302,508
Governmental activities capital assets, net	$ 40,889,011	$ 5,607,089	$ (79,580)	$ 46,416,520

4. Capital Assets − Continued

	Beginning Balance 10/01/04	Additions	Retirements & Adjustments	Ending Balance 09/30/05
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,350,478	$ -	$ -	$ 2,350,478
Construction in progress	629,418	969,203	(414,380)	1,184,241
Total capital assets, not being depreciated	2,979,896	969,203	(414,380)	3,534,719
Capital assets, being depreciated				
Buildings and improvements	1,157,184	9,656	-	1,166,840
Improvements other than buildings	62,467,941	636,112	400,080	63,504,133
Machinery and equipment	474,976	-	(21,332)	453,644
Total capital assets, being depreciated	64,100,101	645,768	378,748	65,124,617
Less accumulated depreciation for:				
Buildings and improvements	657,731	49,149	-	706,880
Improvements other than buildings	31,971,975	1,911,447	(11,580)	33,871,842
Machinery and equipment	339,546	26,715	(20,332)	345,929
Total accumulated depreciation	32,969,252	1,987,311	(31,912)	34,924,651
Total capital assets, being depreciated net	31,130,849	(1,341,543)	410,660	30,199,967
Business-type activities capital assets, net	$ 34,110,745	$ (372,340)	$ (3,720)	$ 33,734,686

4. Capital Assets − Continued

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

Governmental activities:	
General government	$ 355,756
Public safety	285,611
Public works	1,142,095
Culture and Recreation	530,454
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	944,982
Total depreciation expense - governmental activities	$ 3,258,898
Business-type activities:	
Water & Sewer Services	$ 1,705,648
Airport	118,658
Golf Course	148,135
Sylvan Beach Pavillion	14,871
Total depreciation expense - business-type activities	$ 1,987,312

The City has active construction projects as of September 30, 2005. Total accumulated commitments for ongoing capital projects are composed of the following:

	Construction In Progress	Remaining Contract Balance
Utility Capital Projects Fund	$ 1,066,337	$ -
Sylvan Beach Fund	34,905	-
Airport Fund	85,000	-
Hotel/Motel Occupancy Tax Fund	35,205	-
Section 4B Sales Tax	1,144,427	-
TIRZ Fund	20,591	-
General CIP	722,919	-
S1998 General Obligation Bonds	455,757	-
S2000 General Obligation Bonds	236,598	970,809
S2002 General Obligation Bonds	933,516	1,143,182
S2004 Cert. of Obligation Bonds	5,880,414	
Total	$ 10,615,669	$ 2,113,991

5. Long Term Liabilities

At September 30, 2005 bonds payable consisted of the following individual issues:

	Governmental	Business-type
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%		$ 145,000
1998 General Obligation Serial Bonds; due in annual installments of $125,000 through March 15, 2019; interest at 4.25% to 6.25%	$ 1,750,000	
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%		500,000
1999 La Porte Area Water Authority Contract Revenue Refunding Bonds due in annual payments through March 15, 2017; interest at 7% to 7.5%		6,500,000
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%	2,500,000	
2000 Certificates of Obligation due in annual installments of $150,000 through March 15, 2020; interest at 5% to 7%	2,250,000	
2002 Limited Tax Bonds due in annual installments of $270,000 through March 15, 2025; interest at 4.25% to 5%	5,400,000	
2004 Certificates of Obligation due in annual payments through March 15, 2025; interest at 3.6% to 4.45%	7,000,000	
2005 General Obligation Serial Bonds due in annual payments through March 15, 2025; interest at 3.75% to 4.25%	7,675,000	
2005 Certificates of Obligation due in annual payments through March 15, 2015; interest at 2.8% to 3.8%	1,800,000	
Total Bonds Payable	$ 28,375,000	$ 7,145,000

5. Long Term Liabilities − Continued

Changes in Outstanding Debt –

Transactions for the year ended September 30, 2005 are summarized as follows:

	Balance October 1, 2004	Issues or Additions	Payments or Expenditures	Balance September 30, 2005	Due within one year
Governmental Type Activities					
General Obligation Bonds	$ 10,830,000	$ 7,675,000	$ 1,180,000	$ 17,325,000	$ 785,000
Certificates of Obligation	2,400,000	8,800,000	150,000	11,050,000	410,000
Compensated Absences	2,673,457	-	364,085	2,309,372	149,000
Total governmental fund types	15,903,457	16,475,000	1,694,085	30,684,372	1,344,000
Business Type Activities					
Revenue Bonds Payable	8,130,000	-	985,000	7,145,000	715,000
Less: Unamortized Refunding Loss	(15,821)	-	(15,821)	-	-
Compensated absences	378,289	-	84,822	293,467	30,000
Total business fund types	8,492,468	-	1,054,001	7,438,467	745,000
Total of all fund types	$ 24,395,925	$ 16,475,000	$ 2,748,086	$ 38,122,839	$ 2,089,000

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 years 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.

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, 2005.

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

Current Maturities of Revenue Bonds	$ 1,064,431
Reserve for Revenue Bond Retirement	42,182
Total Reserve for Revenue Bond Retirement	1,106,613
Customer Deposits Payable	482,429
Total Restricted Cash and Cash Investments as of September 30, 2005	$ 1,589,042

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, 2005, are as follows:

General Obligation Bonds

	Governmental Activities		Business-type Activities		
Year Ending September 30	Principal	Interest	Principal	Interest	Total
2006	$ 785,000	$ 765,737	$ -	$ -	$ 1,550,737
2007	810,000	713,952	-	-	1,523,952
2008	820,000	674,146	-	-	1,494,146
2009	830,000	635,190	-	-	1,465,190
2010	845,000	597,553	-	-	1,442,553
2011-2015	4,535,000	2,408,113	-	-	6,943,113
2016-2020	4,800,000	1,381,534	-	-	6,181,534
2021-2025	3,900,000	439,524	-	-	4,339,524
Total	$ 17,325,000	$ 7,615,749	$ -	$ -	$ 24,940,749

Certificate of Obligations

	Governmental Activities		Business-type Activities		
Year Ending September 30	Principal	Interest	Principal	Interest	Total
2006	$ 410,000	$ 461,015	$ -	$ -	$ 871,015
2007	425,000	438,632	-	-	863,632
2008	435,000	418,410	-	-	853,410
2009	450,000	397,673	-	-	847,673
2010	465,000	377,688	-	-	842,688
2011-2015	2,600,000	1,588,255	-	-	4,188,255
2016-2020	3,145,000	1,005,794	-	-	4,150,794
2021-2025	3,120,000	350,475			3,470,475
Total	$ 11,050,000	$ 5,037,942	$ -	$ -	$ 16,087,942

Revenue Bonds

	Governmental Activities		Business-type Activities		
Year Ending September 30	Principal	Interest	Principal	Interest	Total
2006	$ -	$ -	$ 715,000	$ 349,431	$ 1,064,431
2007	-	-	585,000	314,263	899,263
2008	-	-	610,000	281,688	891,688
2009	-	-	630,000	247,788	877,788
2010	-	-	525,000	215,456	740,456
2011-2015	-	-	3,055,000	628,275	3,683,275
2016-2020	-	-	1,025,000	39,543	1,064,543
Total	$ -	$ -	$ 7,145,000	$ 2,076,444	$ 9,221,444

5. Long Term Liabilities − Continued

Bonds Authorized and Unissued –

At September 30, 2005, the City had $4,100,000 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.

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. As of September 30, 2005, $1,975,000 of the refunded bonds have been paid and $6,105,000 remain outstanding.

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 2004 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.

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/her 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, 2004
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	3.5%
Cost of Living Adjustment	None

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	$ 1,665,210	100%	-
2003	1,802,728	100%	-
2004	2,037,111	100%	-

Additional supplementary three-year trend information may be found on page 73.

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 retirement benefits as well and death and disability benefits. Members are vested at the beginning of the fifth year of service, at 5 percent per year of service for the first ten years and 10 percent 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 percent 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.

6. Pension Benefits − Continued

Fiscal Year	City Annual Contributions	Percentage of Required Contributions
2003	12,816	100%
2004	13,392	100%
2005	13,104	100%

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, 2005 were as follows:

	Transfer In:						
Transfer out:	General Fund	Capital Project Funds	Debt Service Fund	Special Revenue Funds	Enterprise Fund	Internal Service Funds	Totals
General Fund	$ -	$ 14,000	$ -	$ 232,735	$ 48,200	$ 802,591	$ 1,097,526
Capital Project Funds	-	1,984,637	316,436	-	-	-	2,301,073
Debt Service Fund	-	-	-	-	-	-	-
Special Revenue Funds	-	-	280,050		95,750	-	375,800
Enterprise Funds	394,338	-	-	-	1,298,555	131,237	1,824,130
Internal Service Funds	-	-	-	-	-	25,806	25,806
Total	$ 394,338	$ 1,998,637	$ 596,486	$ 232,735	$ 1,442,505	$ 959,634	$ 5,624,335

Transfers are used to 1) for general and administrative transfer from Utility Fund to the General Fund, 2) transfer to the Insurance Fund for liability insurance and worker's compensation, 3) annual transfers to fund capital projects, 4) annual transfers for debt service, 5) transfer from General Fund to La Porte Area Water Authority for an operators' agreement, 6) transfers to fund an employee incentive program and 7) transfer from Hotel/Motel to the Golf Fund for advertising expenditures.

In the year September 30, 2005, the government made the following one-time transfers:

A transfer of $316,436 from 2000 GO Bonds to Debt Service to close out a portion of the 2000 GO Bonds. A transfer of $60,750 from the Hotel/Motel Fund to the Sylvan Beach Pavilion Fund for pier improvements. A transfer of $231,735 from the General Fund to the Grant Fund to move restricted funds for municipal court security and technology fees.

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	$ 2,159,338
Charges to employees	415,518
Charges to retirees	59,030
Charges to COBRA participants	88
Total revenues	2,633,974
Expenses:	
Personnel expenses	550,335
Other expenses	298,212
Claims administration	140,002
Claims incurred	2,992,671
Re-insurance premiums	198,480
Total health services expenses	$ 4,179,700

Included in the claims paid amount is $304,387 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, 2005 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 2003, 2004 and 2005 are as follows:

	Beginning of Year Accrual	Current Year Estimates	Payment for Claims	End of Year Accrual
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
Fiscal Year 2005	226,387	2,992,671	2,914,671	304,387

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:

Years of Service with City	Retiree Cost	City Cost	Retiree Cost Per Year
At least 10 but less than 15 years	55%	45%	$3,300
At least 15 but less than 20 years	25%	75%	1,500
At least 20 years	0%	100%	0

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

Total Cost	City's Cost	Dependent Coverage Cost	Number of Retired Employees
$252,350	$175,377	$76,973	53

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

REQUIRED SUPPLEMENTARY INFORMATION

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]
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
2004	45,084,816	54,614,342	9,529,526	82.6	14,692,768	64.9

Required Supplementary Information

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Property taxes	$ 9,480,407	$ 9,560,720	$ 10,109,435	$ 548,715
Franchise taxes	1,701,500	1,757,727	1,805,800	48,073
Sales taxes	1,930,000	2,150,103	2,108,192	(41,911)
Industrial payments	6,601,049	6,991,401	6,991,926	525
Other taxes	36,000	45,737	49,900	4,163
Licenses and permits	286,480	403,852	531,091	127,239
Fines and forfeits	651,525	616,320	678,205	61,885
Charges for services	3,221,842	3,143,492	3,233,453	89,961
Intergovernmental	-	2,817	11,940	9,123
Interest	236,410	253,642	268,419	14,777
Miscellaneous	30,000	58,744	37,186	(21,558)
Total revenues	24,175,213	24,984,555	25,825,547	840,992
EXPENDITURES				
General Government:				
Administration	2,286,719	2,397,581	2,260,985	136,596
Finance	2,875,249	2,536,025	1,968,616	567,409
Planning & Engineering	1,474,131	1,570,058	1,364,328	205,730
Public Safety:				
Fire	3,196,698	3,241,817	3,118,854	122,963
Police	7,334,881	7,513,043	7,414,003	99,040
Public Works:				
Public Works Administration	332,773	337,029	306,499	30,530
Streets	2,154,822	2,182,822	2,123,823	58,999
Health and Sanitation:				
Solidwaste	1,779,188	1,818,332	1,808,313	10,019
Culture and Recreation	3,227,790	3,276,107	3,067,815	208,292
Total expenditures	24,662,251	24,872,814	23,433,236	1,439,578
Excess (deficiency) of revenues over expenditures	(487,038)	111,741	2,392,311	2,280,570
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	42,250	42,250
Transfers in	406,714	406,714	394,338	(12,376)
Transfers out	(787,591)	(1,082,591)	(1,097,526)	(14,935)
Total other financing sources (uses)	(380,877)	(675,877)	(660,938)	14,939
Net change in fund balances	(867,915)	(564,136)	1,731,373	2,295,509
Fund balances—beginning	7,449,951	7,449,951	7,449,951	
Fund balances—ending	$ 6,582,036	$ 6,885,815	$ 9,181,324	$ 2,295,509

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.

CITY OF LA PORTE

TEXAS

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, 2005

	Special Revenue Funds						
	Grant	Section 4B Sales Tax	Community Investment	Hotel/Motel Occupancy Tax	Tax Increment Reinvestment Zone One (TIRZ)	Totals	Capital Projects
ASSETS							
Cash and cash equivalents	$ 13,887	$ 1,319,979	$ 35,479	$ 339,132	$ 64,953	$ 1,773,430	$ 409,441
Investments	9,545	1,708,419	45,946	439,183	85,097	2,288,190	530,234
Due from others	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-
Grant receivable	-	-	-	-	-	-	4,716
Other receivables	354,590	186,540	-	-	-	541,130	-
Accrued interest receivable	65	11,567	311	2,974	576	15,493	3,590
Total assets	378,087	3,226,505	81,736	781,289	150,626	4,618,243	947,981
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	545	-	198	1,195	17	1,955	258,601
Accrued salaries payable	-	-	-	1,217	-	1,217	-
Retainage payable	-	-	-	-	-	-	3,190
Due to others	-	-	-	-	-	-	-
Unearned Revenue	2,642	-	-	-	-	2,642	-
Total liabilities	3,187	-	198	2,412	17	5,814	261,791
Fund Balances:							
Reserved for:							
Municipal Court Building Security	91,088	-	-	-	-	91,088	-
Municipal Court Technology Fee	60,591	-	-	-	-	60,591	-
Park Zone	144,625	-	-	-	-	144,625	-
Confiscated funds	60,491	-	-	-	-	60,491	-
Debt Service	-	-	-	-	-	-	-
Unreserved	18,105	3,226,505	81,538	778,877	150,609	4,255,634	686,190
Total fund balances	374,900	3,226,505	81,538	778,877	150,609	4,612,429	686,190
Total liabilities and fund balances	$ 378,087	$ 3,226,505	$ 81,736	$ 781,289	$ 150,626	$ 4,618,243	$ 947,981

Capital Projects Funds								
Transportation & Other Infrastructure	1998 General Obligation Bonds	2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	2002 General Obligation Bonds	2005 Certificate of Obligation Bonds	Totals	Debt Service	Total Nonmajor Governmental Funds
$ 465,008	$ 514,752	$ 11,272	$ 581,616	$ 1,000,578	$ 1,753,310	$ 4,735,977	$ 762,226	$ 7,271,633
602,195	666,614	14,598	650,921	502,999	-	2,967,561	953,802	6,209,553
-	-	-	-	-	2,152	2,152	-	2,152
-	-	-	-	-	-	-	114,746	114,746
-	-	-	-	-	-	4,716	-	4,716
-	-	-	-	-	-	-	-	541,130
4,077	4,514	-	4,407	3,406	-	19,994	6,557	42,044
1,071,280	1,185,880	25,870	1,236,944	1,506,983	1,755,462	7,730,400	1,837,331	14,185,974
-	6,280	25,720	25,714	105,344	(5,290)	416,369	12,728	431,052
-	-	-	-	-	-	-	-	1,217
-	-	-	-	37,138	-	40,328	-	40,328
-	-	-	-	-	-	-	5,226	5,226
-	-	-	-	-	-	-	114,746	117,388
-	6,280	25,720	25,714	142,482	(5,290)	456,697	132,700	595,211
-	-	-	-	-	-	-	-	91,088
-	-	-	-	-	-	-	-	60,591
-	-	-	-	-	-	-	-	144,625
-	-	-	-	-	-	-	-	60,491
-	-	-	-	-	-	-	1,704,631	1,704,631
1,071,280	1,179,600	150	1,211,230	1,364,501	1,760,752	7,273,703	-	11,529,337
1,071,280	1,179,600	150	1,211,230	1,364,501	1,760,752	7,273,703	1,704,631	13,590,763
$ 1,071,280	$ 1,185,880	$ 25,870	$ 1,236,944	$ 1,506,983	$ 1,755,462	$ 7,730,400	$1,837,331	$ 14,185,974

CITY OF LA PORTE, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended September 30, 2005

	Special Revenue Funds						
	Grant	Section 4B Sales Tax	Community Investment	Hotel/Motel Occupancy Tax	Tax Increment Reinvestment Zone One (TIRZ)	Totals	Capital Projects
REVENUES							
Property taxes	$ -	$ -	$ -	$ -	$ 36,865	$ 36,865	$ -
Donations	-	-	-	-	-	-	30,000
Intergovernmental	980,087	-	70,626	-	-	1,050,713	50,034
Sales taxes	-	1,058,708	-	-	-	1,058,708	-
Other taxes	-	-	-	243,179	-	243,179	-
Interest	166	61,111	2,267	17,252	3,212	84,008	23,691
Miscellaneous	144,984	-	-	1,490	-	146,474	
Total revenues	1,125,237	1,119,819	72,893	261,921	40,077	2,619,947	103,725
EXPENDITURES							
Current:							
Administration	983,838	-	75,391	172,418	23,262	1,254,909	-
Capital Outlay	-	458,627	-	1,440	-	460,067	700,070
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	983,838	458,627	75,391	173,858	23,262	1,714,976	700,070
Excess (deficiency) of revenues over expenditures	141,399	661,192	(2,498)	88,063	16,815	904,971	(596,345)
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of long-term debt	-	-	-	-	-	-	-
Transfers in	231,735	-	-	1,000	-	232,735	1,222,726
Transfers out	-	(280,050)	-	(95,750)	-	(375,800)	(775,911)
Total other financing sources (uses)	231,735	(280,050)	-	(94,750)	-	(143,065)	446,815
Net change in fund balances	373,134	381,142	(2,498)	(6,687)	16,815	761,906	(149,530)
Fund balances—beginning	1,766	2,845,363	84,036	785,564	133,794	3,850,523	835,720
Fund balances—ending	$ 374,900	$ 3,226,505	$ 81,538	$ 778,877	$ 150,609	$ 4,612,429	$ 686,190

Capital Projects Funds								
Transportation & Other Infrastructure	1998 General Obligation Bonds	2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	2002 General Obligation Bonds	2005 Certificate of Obligation Bonds	Totals	Debt Service	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,641,195	$ 1,678,060
-	-	-	-	-	-	30,000	-	30,000
-	-	-	-	-	-	50,034	-	1,100,747
-	-	-	-	-	-	-	-	1,058,708
-	-	-	-	-	-	-	740	243,919
19,267	27,635	156	28,125	41,173	2,660	142,707	53,475	280,190
-	-	-	-	-	-	-	-	146,474
19,267	27,635	156	28,125	41,173	2,660	222,741	1,695,410	4,538,098
-	-	-	-	-	-	-	-	1,254,909
-	335,704	-	40,851	978,966	-	2,055,591	-	2,515,658
-	-	-	-	-	-	-	1,330,000	1,330,000
-	-	-	-	-	-	-	841,762	841,762
-	-	-	-	-	44,318	44,318	-	44,318
-	335,704	-	40,851	978,966	44,318	2,099,909	2,171,762	5,986,647
19,267	(308,069)	156	(12,726)	(937,793)	(41,658)	(1,877,168)	(476,352)	(1,448,549)
-	-	-	-	-	1,802,410	1,802,410	-	1,802,410
300,000	-	-	-	475,911	-	1,998,637	596,486	2,827,858
-	-	(316,436)	-	-	-	(1,092,347)	-	(1,468,147)
300,000	-	(316,436)	-	475,911	1,802,410	2,708,700	596,486	3,162,121
319,267	(308,069)	(316,280)	(12,726)	(461,882)	1,760,752	831,532	120,134	1,713,572
752,013	1,487,669	316,430	1,223,956	1,826,383	-	6,442,171	1,584,497	11,877,191
$ 1,071,280	$ 1,179,600	$ 150	$ 1,211,230	$ 1,364,501	$ 1,760,752	$ 7,273,703	$ 1,704,631	$ 13,590,763

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
Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Intergovernmental	$ 206,870	$ 366,233	$ 980,087	$ 613,854
Interest	-	-	166	166
Miscellaneous	-	122,033	144,984	22,951
Total revenues	206,870	488,266	1,125,237	636,971
EXPENDITURES				
Current:				
Administration	206,870	488,119	983,838	(495,719)
Total expenditures	206,870	488,119	983,838	(495,719)
Excess (deficiency) of revenues over expenditures	-	147	141,399	141,252
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	231,735	231,735
Total other financing sources (uses)	-	-	231,735	231,735
Net change in fund balances	-	147	373,134	372,987
Fund balances—beginning	1,766	1,766	1,766	-
Fund balances—ending	$ 1,766	$ 1,913	$ 374,900	$ 372,987

CITY OF LA PORTE, TEXAS
Section 4B Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Sales taxes	$ 965,000	$ 965,000	$ 1,058,708	$ 93,708
Interest	41,069	41,069	61,111	20,042
Total revenues	1,006,069	1,006,069	1,119,819	113,750
EXPENDITURES				
Current:				
Capital Outlay	-	-	458,627	(458,627)
Total expenditures	-	-	458,627	(458,627)
Excess (deficiency) of revenues over expenditures	1,006,069	1,006,069	661,192	(344,877)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(280,050)	(280,050)	(280,050)	-
Total other financing sources (uses)	(280,050)	(280,050)	(280,050)	-
Net change in fund balances	726,019	726,019	381,142	(344,877)
Fund balances—beginning	2,845,363	2,845,363	2,845,363	-
Fund balances—ending	$ 3,571,382	$ 3,571,382	$ 3,226,505	$ (344,877)

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, 2005

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Industrial payments	$ 66,677	$ 66,677	$ 70,626	$ 3,949
Interest	5,190	5,190	2,267	(2,923)
Total revenues	71,867	71,867	72,893	1,026
EXPENDITURES				
Current:				
Administration	120,000	120,000	75,391	44,609
Capital Outlay	-	-	-	-
Total expenditures	120,000	120,000	75,391	44,609
Excess (deficiency) of revenues over expenditures	(48,133)	(48,133)	(2,498)	45,635
Net change in fund balances	(48,133)	(48,133)	(2,498)	45,635
Fund balances—beginning	84,036	84,036	84,036	-
Fund balances—ending	$ 35,903	$ 35,903	$ 81,538	$ 45,635

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Other taxes	$ 240,000	$ 240,000	$ 243,179	$ 3,179
Interest	11,610	11,610	17,252	5,642
Miscellaneous	-	-	1,490	1,490
Total revenues	251,610	251,610	261,921	10,311
EXPENDITURES				
Current:				
Administration	241,000	241,000	172,418	68,582
Capital Outlay	-	-	1,440	(1,440)
Total expenditures	241,000	241,000	173,858	67,142
Excess (deficiency) of revenues over expenditures	10,610	10,610	88,063	77,453
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,000	1,000
Transfers out	(55,000)	(95,750)	(95,750)	-
Total other financing sources (uses)	(55,000)	(95,750)	(94,750)	1,000
Net change in fund balances	(44,390)	(85,140)	(6,687)	78,453
Fund balances—beginning	785,564	785,564	785,564	-
Fund balances—ending	$ 741,174	$ 700,424	$ 778,877	$ 78,453

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Property taxes	$ 15,000	$ 15,000	$ 36,865	$ 21,865
Interest	2,030	2,030	3,212	1,182
Total revenues	17,030	17,030	40,077	23,047
EXPENDITURES				
Current:				
Administration	33,000	32,850	23,262	9,588
Capital Outlay	-	-	-	-
Total expenditures	33,000	32,850	23,262	9,588
Excess (deficiency) of revenues over expenditures	(15,970)	(15,820)	16,815	32,635
Net change in fund balances	(15,970)	(15,820)	16,815	32,635
Fund Balances—beginning	133,794	133,794	133,794	-
Fund Balances—ending	$ 117,824	$ 117,974	$ 150,609	$ 32,635

CITY OF LA PORTE, TEXAS
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Donations	$ -	$ 30,000	$ 30,000	$ -
Intergovernmental	-	-	50,034	50,034
Interest	46,179	46,179	23,691	(22,488)
Total revenues	46,179	76,179	103,725	27,546
EXPENDITURES				
Current:				
Capital Outlay	405,296	(599,174)	700,070	(1,299,244)
Total expenditures	405,296	(599,174)	700,070	(1,299,244)
Excess (deficiency) of revenues over expenditures	(359,117)	675,353	(596,345)	(1,271,698)
OTHER FINANCING SOURCES (USES)				
Transfers in	360,000	541,046	1,222,726	681,680
Transfers out	-	(475,911)	(775,911)	(300,000)
Net change in fund balances	883	740,488	(149,530)	(890,018)
Fund balances—beginning	835,720	835,720	835,720	-
Fund balances—ending	$ 836,603	$ 1,576,208	$ 686,190	$ (890,018)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Interest	20,340	$ 20,340	$ 19,267	$ (1,073)
EXPENDITURES				
Current:				
Administration	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	20,340	20,340	19,267	(1,073)
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	-	300,000	300,000
Net change in fund balances	520,340	20,340	319,267	298,927
Fund balances—beginning	752,013	752,013	752,013	-
Fund balances—ending	$ 1,272,353	$ 772,353	$ 1,071,280	$ 298,927

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Interest	$ 20,000	$ 20,000	$ 27,635	$ 7,635
EXPENDITURES				
Current:				
Capital Outlay	151,953	151,953	335,704	(183,751)
Excess (deficiency) of revenues over expenditures	(131,953)	(131,953)	(308,069)	(176,116)
Net change in fund balances	(131,953)	(131,953)	(308,069)	(176,116)
Fund balances—beginning	1,487,669	1,487,669	1,487,669	-
Fund balances—ending	$ 1,355,716	$ 1,355,716	$ 1,179,600	$ (176,116)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Interest	$ -	$ -	$ 156	$ 156
EXPENDITURES				
Current:				
Capital Outlay	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	156	156
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(316,436)	(316,436)
Net change in fund balances	-	-	(316,280)	(316,280)
Fund balances—beginning	316,430	316,430	316,430	-
Fund balances—ending	$ 316,430	$ 316,430	$ 150	$ (316,280)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Interest	$ 3,000	$ 3,000	$ 28,125	$ 25,125
EXPENDITURES				
Current:				
Capital Outlay	165,002	165,002	40,851	124,151
Excess (deficiency) of revenues over expenditures	(162,002)	(162,002)	(12,726)	149,276
Net change in fund balances	(162,002)	(162,002)	(12,726)	149,276
Fund balances—beginning	1,223,956	1,223,956	1,223,956	-
Fund balances—ending	$ 1,061,954	$ 1,061,954	$ 1,211,230	$ 149,276

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Interest	$ 20,000	$ 20,000	$ 41,173	$ 21,173
EXPENDITURES				
Current:				
Capital Outlay	-	675,911	978,966	(303,055)
Excess (deficiency) of revenues over expenditures	20,000	(655,911)	(937,793)	(281,882)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	475,911	475,911	-
Net change in fund balances	20,000	(180,000)	(461,882)	(281,882)
Fund balances—beginning	1,826,383	1,826,383	1,826,383	-
Fund balances—ending	$ 1,846,383	$ 1,646,383	$ 1,364,501	$ (281,882)

CITY OF LA PORTE, TEXAS
2005 Certificates of Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Interest	$ -	$ -	$ 2,660	$ 2,660
EXPENDITURES				
Debt Service:				
Interest and fiscal charges	-	-	44,318	44,318
Total expenditures			44,318	44,318
Excess (deficiency) of revenues over expenditures	-	-	(41,658)	(41,658)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Bonds	-	-	1,802,410	1,802,410
Total other financing sources (uses)	-	-	1,802,410	1,802,410
Net change in fund balances	-	-	1,760,752	1,760,752
Fund balances—beginning	-	-	-	-
Fund balances—ending	$ -	$ -	$ 1,760,752	$ 1,760,752

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property taxes	$ 1,513,509	$ 1,513,509	$ 1,641,195	$ 127,686
Industrial payments	-	-	740	740
Interest	34,430	34,429	53,475	19,046
Total revenues	1,547,939	1,547,938	1,695,410	147,472
EXPENDITURES				
Debt Service:				
Principal	1,330,000	1,330,000	1,330,000	-
Interest	621,585	621,585	841,762	(220,177)
Total expenditures	1,951,585	1,951,585	2,171,762	(220,177)
Excess (deficiency) of revenues over expenditures	(403,646)	(403,647)	(476,352)	(72,705)
OTHER FINANCING SOURCES (USES)				
Transfers in	280,050	280,050	596,486	316,436
Net change in fund balances	(123,596)	(123,597)	120,134	243,731
Fund balances—beginning	1,584,497	1,584,497	1,584,497	-
Fund balances—ending	$ 1,460,901	$ 1,460,900	$ 1,704,631	$ 243,731

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Taxes:				
Ad valorem:				
Current	$ 9,245,407	$ 9,272,220	$ 9,759,224	$ 487,004
Delinquent	140,000	159,888	200,756	40,868
Industrial Payments	6,601,049	6,991,401	6,991,926	525
Total ad valorem	15,986,456	16,423,509	16,951,906	528,397
Penalty and interest	95,000	128,612	149,455	20,843
Sales Taxes	1,930,000	2,150,103	2,108,192	(41,911)
Other Taxes	36,000	45,737	49,900	4,163
Franchise Fees:				
Electrical	1,150,000	1,152,055	1,197,435	45,380
Gas	150,000	145,153	144,569	(584)
Telephone	250,000	254,163	243,924	(10,239)
Cable	130,000	182,674	187,808	5,134
Commercial Solidwaste	21,500	23,682	32,064	8,382
Total Franchise Fees	1,701,500	1,757,727	1,805,800	48,073
Charges for Services:				
Public safety service fees	882,201	972,016	1,021,346	49,330
Health and sanitation service fees	1,508,000	1,426,254	1,458,608	32,354
Culture and recreation fees	539,785	469,930	465,236	(4,694)
Other service fees	291,856	275,317	288,263	12,946
Total Charges for Services	3,221,842	3,143,517	3,233,453	89,936
Intergovernmental	-	2,817	11,940	9,123
Licenses and permits:				
Building permits	236,000	302,865	395,636	92,771
Licenses	50,480	100,987	135,455	34,468
Total Licenses and permits	286,480	403,852	531,091	127,239
Investment income	236,410	253,642	268,419	14,777
Fines and forfeitures	651,525	616,295	678,205	61,910
Miscellaneous	30,000	58,744	37,186	(21,558)
Total revenues	$ 24,175,213	$ 24,984,555	$ 25,825,547	$ 840,992

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
GENERAL GOVERNMENT				
Administration:				
Emergency Management:				
Personal services	$ 78,995	$ 81,600	$ 79,900	$ 1,700
Supplies	1,550	15,024	14,489	535
Other services and charges	39,759	37,979	36,432	1,547
Total Emergency Management	120,304	134,603	130,821	3,782
General Administration:				
Personal services	432,340	450,522	449,721	801
Supplies	7,601	10,603	10,492	111
Other services and charges	82,821	93,193	92,851	342
Total General Administration	522,762	554,318	553,064	1,254
Community Investment:				
Other services and charges	-	34,297	32	34,265
Total Community Investment	-	34,297	32	34,265
Human Resources:				
Personal services	171,710	171,421	166,557	4,864
Supplies	8,000	7,600	6,631	969
Other services and charges	108,084	115,084	108,968	6,116
Total Human Resources	287,794	294,105	282,156	11,949
Municipal Court:				
Personal services	316,014	317,277	278,644	38,633
Supplies and materials	13,056	14,723	14,723	-
Other services and charges	179,336	182,437	182,437	-
Total Municipal Court	508,406	514,437	475,804	38,633
Purchasing:				
Personal services	192,513	200,797	200,797	-
Supplies	2,472	3,667	3,667	-
Other services and charges	31,198	30,055	29,786	269
Total Purchasing	226,183	234,519	234,250	269
Management Information Services:				
Supplies	-	22	11	11
Other services and charges	-	32	32	-
Total Management Information Svcs	-	54	43	11
City Secretary:				
Personal services	242,017	246,017	228,207	17,810
Supplies and materials	4,650	4,650	2,554	2,096
Other services and charges	81,781	81,845	75,859	5,986
Total City Secretary	328,448	332,512	306,620	25,892

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Legal:				
Personal services	5,150	5,150	5,150	-
Other services and charges	197,915	203,829	203,829	-
Total Legal	203,065	208,979	208,979	-
City Council:				
Personal services	24,361	24,361	22,383	1,978
Supplies and materials	9,450	12,522	11,522	1,000
Other services and charges	55,946	52,874	35,311	17,563
Total City Council	89,757	89,757	69,216	20,541
Total Administration	**2,286,719**	**2,397,581**	**2,260,985**	**136,596**
Finance:				
Accounting:				
Personal services	566,963	606,481	606,481	-
Supplies	25,234	23,356	23,241	115
Other services and charges	153,915	151,326	151,144	182
Capital Outlay	-	-	-	-
Total Accounting	746,112	781,163	780,866	297
Nondepartmental:				
Personal services	355,000	373,680	373,680	-
Supplies	5,000	8,051	8,051	-
Other services and charges	1,406,019	1,017,789	450,677	567,112
Capital Outlay	-	-	-	-
Total Nondepartmental	1,766,019	1,399,520	832,408	567,112
Tax Office:				
Personal services	184,572	183,098	183,098	-
Supplies and materials	11,460	8,897	8,897	-
Other services and charges	167,086	163,347	163,347	-
Total Tax Office	363,118	355,342	355,342	
Total Finance	**2,875,249**	**2,536,025**	**1,968,616**	**567,409**
Planning and Engineering:				
Planning and Engineering:				
Personal services	615,697	625,077	622,789	2,288
Supplies	21,099	22,669	14,708	7,961
Other services and charges	156,269	156,511	140,906	15,605
Total Planning and Engineering	793,065	804,257	778,403	25,854
Inspection:				
Personal services	513,485	522,485	466,058	56,427
Supplies	18,602	18,602	13,675	4,927
Other services and charges	148,979	224,714	106,192	118,522
Total Inspection	681,066	765,801	585,925	179,876
Total Planning and Engineering	**1,474,131**	**1,570,058**	**1,364,328**	**205,730**
TOTAL GENERAL GOVERNMENT	**6,636,099**	**6,503,664**	**5,593,929**	**909,735**

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
PUBLIC SAFETY:				
Fire				
Fire Prevention:				
Personal services	149,217	150,217	111,040	39,177
Supplies	12,611	12,011	8,452	3,559
Other services and charges	32,203	34,899	25,616	9,283
Total Fire Prevention	194,031	197,127	145,108	52,019
Fire suppression:				
Personal services	1,086,583	1,138,376	1,138,376	-
Supplies	114,432	109,882	109,518	364
Other services and charges	343,809	313,815	310,870	2,945
Capital Outlay	15,000	20,550	5,550	15,000
Total Fire Suppression	1,559,824	1,582,623	1,564,314	18,309
Emergency medical services:				
Personal services	1,201,923	1,220,923	1,175,886	45,037
Supplies	105,890	103,890	100,480	3,410
Other services and charges	135,030	137,254	133,066	4,188
Total Emergency Services	1,442,843	1,462,067	1,409,432	52,635
Total Fire	**3,196,698**	**3,241,817**	**3,118,854**	**122,963**
Police				
Police Administration:				
Personal services	447,508	472,220	472,220	-
Supplies	17,047	19,569	19,569	-
Other services and charges	129,605	137,887	137,887	-
Total Police Administration	594,160	629,676	629,676	-
Police Patrol:				
Personal services	3,873,422	4,020,615	3,985,847	34,768
Supplies	129,700	162,067	162,067	-
Other services and charges	476,008	448,311	447,613	698
Total Police Patrol	4,479,130	4,630,993	4,595,527	35,466
Criminal Investigation:				
Personal services	1,244,631	1,246,229	1,245,824	405
Supplies	40,020	40,020	31,549	8,471
Other services and charges	154,289	154,641	133,544	21,097
Capital Outlay	-	-	-	-
Total Criminal Investigation	1,438,940	1,440,890	1,410,917	29,973

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Support Services:				
Personal services	701,376	686,331	666,574	19,757
Supplies	48,416	48,254	43,234	5,020
Other services and charges	72,859	76,899	68,075	8,824
Total Support Services	822,651	811,484	777,883	33,601
Total Police	**7,334,881**	**7,513,043**	**7,414,003**	**99,040**
TOTAL PUBLIC SAFETY	**10,531,579**	**10,754,860**	**10,532,857**	**222,003**
PUBLIC WORKS:				
Public Works Administration:				
Personal services	251,917	255,917	230,972	24,945
Supplies and materials	2,614	2,614	2,133	481
Other services and charges	78,242	78,498	73,394	5,104
Total Public Works Administration	332,773	337,029	306,499	30,530
Streets:				
Personal services	1,395,058	1,423,058	1,396,179	26,879
Supplies	112,491	129,522	129,522	-
Other services and charges	594,273	579,092	571,260	7,832
Capital Outlay	53,000	51,150	26,862	24,288
Total Streets	2,154,822	2,182,822	2,123,823	58,999
TOTAL PUBLIC WORKS	**2,487,595**	**2,519,851**	**2,430,322**	**89,529**
HEALTH AND SANITATION:				
Residential Solidwaste:				
Personal services	885,936	907,936	905,616	2,320
Supplies	197,070	229,275	229,275	-
Other services and charges	680,682	660,124	652,425	7,699
Capital Outlay	-	1,980	1,980	-
Total Residential Solidwaste	1,763,688	1,799,315	1,789,296	10,019
Commercial solidwaste:				
Other services and charges	15,500	19,017	19,017	-
TOTAL HEALTH AND SANITATION	**1,779,188**	**1,818,332**	**1,808,313**	**10,019**
CULTURE & RECREATION:				
Park Maintenance:				
Personal services	982,038	900,889	814,149	86,740
Supplies and materials	69,593	87,240	87,240	-
Other services and charges	622,829	597,246	597,159	87
Capital outlay	7,500	15,500	7,712	7,788
Total Park Maintenance	1,681,960	1,600,875	1,506,260	94,615

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Recreation:				
Personal services	465,755	560,890	560,890	-
Supplies	53,349	53,349	38,222	15,127
Other services and charges	56,847	75,923	75,923	-
Total Recreation	575,951	690,162	675,035	15,127
Special Services:				
Personal services	399,415	378,323	344,197	34,126
Supplies	20,681	25,536	25,536	-
Other services and charges	46,540	70,840	69,839	1,001
Total Special Services	466,636	474,699	439,572	35,127
Parks Administration:				
Personal Services	443,763	450,763	393,336	57,427
Supplies	9,396	9,396	7,892	1,504
Other Services and Charges	50,084	50,212	45,720	4,492
Total Parks Administration	503,243	510,371	446,948	63,423
TOTAL CULTURE AND RECREATION	**3,227,790**	**3,276,107**	**3,067,815**	**208,292**
TOTAL GENERAL FUND	**$ 24,662,251**	**$ 24,872,814**	**$ 23,433,236**	**$ 1,439,578**

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
For the year ended September 30, 2005

	Business-type Activities - Enterprise Funds			
	Airport	Sylvan Beach Convention Center	Bay Forest Golf Course	Total Nonmajor Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 132,515	$ 51,984	$ -	$ 184,499
Investments	171,609	126,712	-	298,321
Receivables, net of allowance for uncollectibles	1,091	805	473	2,369
Accrued interest receivable	1,162	858	-	2,020
Restricted cash, cash equivalents and investments:				
Customer service deposits	-	45,861	-	45,861
Total current assets	306,377	226,220	473	533,070
Noncurrent assets:				
Capital assets:				
Land	203,504	-	1,880,965	2,084,469
Buildings and improvements	-	383,586	731,524	1,115,110
Improvements other than buildings	4,036,174	-	2,540,952	6,577,126
Vehicles and equipment	-	-	120,133	120,133
Construction in progress	85,000	34,905	-	119,905
Less accumulated depreciation	(2,266,777)	(292,436)	(2,032,111)	(4,591,324)
Total noncurrent assets	2,057,901	126,055	3,241,463	5,425,419
Total assets	2,364,278	352,275	3,241,936	5,958,489
LIABILITIES				
Current liabilities:				
Accounts payable	323	5,208	147,679	153,210
Accrued salaries payable	-	2,276	12,993	15,269
Unearned Revenue	-	34,080	473	34,553
Other current liabilities	1,500	-	17,388	18,888
Payable from restricted assets:				
Customer deposits	-	45,759	-	45,759
Total current liabilities	1,823	87,323	178,533	267,679
Noncurrent liabilities:				
Accrued separation pay	-	4,872	136,823	141,695
Total noncurrent liabilities	-	4,872	136,823	141,695
Total liabilities	1,823	92,195	315,356	409,374
NET ASSETS				
Invested in capital assets, net of related debt	2,057,901	126,055	3,241,463	5,425,419
Unrestricted (deficit)	304,554	134,025	(314,883)	123,696
Total net assets	$ 2,362,455	$ 260,080	$ 2,926,580	$ 5,549,115

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, 2005

	Business-type Activities - Enterprise Funds			
	Airport	Sylvan Beach Convention Center	Bay Forest Golf Course	Total Nonmajor Proprietary Funds
Operating revenues:				
User fees	$ 32,728	$ 169,284	$ 966,115	$ 1,168,127
Operating expenses:				
Personal services	-	139,103	783,939	923,042
Supplies	-	5,540	135,324	140,864
Other services and charges	38,529	52,168	175,225	265,922
Depreciation	118,658	14,871	148,135	281,664
Total operating expenses	157,187	211,682	1,242,623	1,611,492
Operating income (loss)	(124,459)	(42,398)	(276,508)	(443,365)
Nonoperating revenues (expenses):				
Interest income	6,703	4,937	-	11,640
Interest expense and fiscal charges	-	-	-	-
Gain (loss) on sale of equipment	-	-	(750)	(750)
Total nonoperating revenue (expenses)	6,703	4,937	(750)	10,890
Income (loss) before contributions and transfers	(117,756)	(37,461)	(277,258)	(432,475)
Capital contributions	-	-	-	-
Transfers in	-	64,450	45,555	110,005
Transfers out	(1,076)	(5,399)	(33,451)	(39,926)
Change in net assets	(118,832)	21,590	(265,154)	(362,396)
Total net assets—beginning	2,481,287	238,490	3,191,734	5,911,511
Total net assets—ending	$ 2,362,455	$ 260,080	$ 2,926,580	$ 5,549,115

CITY OF LA PORTE, TEXAS
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For The Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds			
	Airport	Sylvan Beach Convention Center	Bay Forest Golf Course	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user fees	$ 39,303	$ 158,127	$ 966,114	$ 1,163,544
Cash payments to suppliers	(39,919)	(55,472)	(178,218)	(273,609)
Cash payments for personal services	-	(143,021)	(798,203)	(941,224)
Net cash provided by operating activities	(616)	(40,366)	(10,307)	(51,289)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	64,450	45,555	110,005
Transfers to other funds	(1,076)	(5,399)	(33,451)	(39,926)
Net cash from noncapital financing activies	(1,076)	59,051	12,104	70,079
CASH FLOWS FROM CAPITAL AND RELATED FINANCIANG ACTIVITIES				
Payments for capital acquisitions	(79,214)	-	(9,656)	(88,870)
Net cash (used) by capital and related financing activies	(79,214)	-	(9,656)	(88,870)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	6,164	4,410	-	10,574
Net Investments (purchased) sold	(61,723)	(68,280)	1,963	(128,040)
Net cash provided by investing activities	(55,559)	(63,870)	1,963	(117,466)
Net increase (decrease) in cash and cash equivalents	(136,465)	(45,185)	(5,896)	(187,546)
Balances—beginning of the year	268,980	143,030	5,896	417,906
Balances—end of the year	$ 132,515	$ 97,845	$ -	$ 230,360
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (124,459)	$ (42,398)	$ (276,498)	$ (443,355)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	118,658	14,871	148,135	281,664
(Increase) decrease in accounts receivable	6,574	-	-	6,574
Increase (decrease) in accrued salaries payable	-	(4,352)	(23,507)	(27,859)
Increase (decrease) in accounts payable	(1,389)	2,236	131,713	132,560
Increase (decrease) in other current liabilities	-	(8,557)	607	(7,950)
Increase (decrease) in customer utility deposits	-	(2,600)	-	(2,600)
Increase (decrease) in accrued employee separation	-	434	9,243	9,677
Total adjustments	123,843	2,032	266,191	392,066
Net cash provided by operating activities	$ (616)	$ (40,366)	$ (10,307)	$ (51,289)
Reconciliation of total cash and cash investments:				
Current Assets - cash and cash equivalents	$ 132,515	$ 51,984	$ -	$ 184,499
Restricted Assets - cash and cash equivalents	-	45,861	-	45,861
Total cash and cash equivalents	$ 132,515	$ 97,845	$ -	$ 230,360

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
For the year ended September 30, 2005

	Motor Pool	Technology	Insurance	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,087,663	$ 381,934	$ 497,743	$ 1,967,340
Investments	1,408,547	494,612	630,562	2,533,721
Accrued interest receivable	9,537	3,349	4,269	17,155
Miscellaneous Receivable	79,711	-	1,376	81,087
Material and supplies inventories, at cost	44,531	-	-	44,531
Total current assets	2,629,989	879,895	1,133,950	4,643,834
Noncurrent assets:				
Capital assets				
Vehicles and equipment	9,639,336	1,107,484	-	10,746,820
Less accumulated depreciation	(5,870,733)	(947,982)	-	(6,818,715)
Total noncurrent assets	3,768,603	159,502	-	3,928,105
Total assets	6,398,592	1,039,397	1,133,950	8,571,939
LIABILITIES				
Current liabilities:				
Accounts payable	41,066	45,482	312,779	399,327
Accrued salaries payable	11,416	4,538	-	15,954
Deferred revenue	-	-	1,376	1,376
Total current liabilities	52,482	50,020	314,155	416,657
Noncurrent liabilities:				
Accrued employee separation pay	105,932	-	-	105,932
Total noncurrent liabilities	105,932	-	-	105,932
Total liabilities	158,414	50,020	314,155	522,589
NET ASSETS				
Invested in capital assets, net of related debt	6,398,592	159,502	-	6,558,094
Unrestricted (deficit)	(158,414)	829,875	819,795	1,491,256
Total net assets	$ 6,240,178	$ 989,377	$ 819,795	$ 8,049,350

CITY OF LA PORTE, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For The Year Ended September 30, 2005

	Motor Pool	Technology	Insurance	Totals
Operating revenues:				
User Fees	$ 1,790,403	$ 906,018	$ 2,633,974	$ 5,330,395
Cable Fees	-	80,000	-	80,000
Total operating revenues	1,790,403	986,018	2,633,974	5,410,395
Operating expenses:				
Personal services	645,066	260,323	550,335	1,455,724
Supplies	193,808	98,832	-	292,640
Other sevices and charges	138,354	485,954	3,629,365	4,253,673
Miscellaneous	-	-	-	-
Depreciation	883,308	61,674	-	944,982
Total operating expenses	1,860,536	906,783	4,179,700	6,947,019
Operating income (loss)	(70,133)	79,235	(1,545,726)	(1,536,624)
Nonoperating revenues (expenses):				
Interest income	50,204	16,735	22,508	89,447
Gain (loss) on sale of equipment	56,604	-	-	56,604
Total nonoperating revenues (expenses)	106,808	16,735	22,508	146,051
Income(loss) before contributions and transfers	36,675	95,970	(1,523,218)	(1,390,573)
Transfers in	10,000	4,000	945,634	959,634
Transfers out	(25,005)	(801)	-	(25,806)
Change in net assets	21,670	99,169	(577,584)	(456,745)
Net assets—beginning	6,218,508	890,208	1,397,379	8,506,095
Net assets—ending	$ 6,240,178	$ 989,377	$ 819,795	$ 8,049,350

CITY OF LA PORTE, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2005

	Motor Pool	Technology	Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user fees	$ 1,790,403	$ 986,018	$ 2,633,974	$ 5,410,395
Cash payments to suppliers	(457,640)	(591,135)	(3,560,253)	(4,609,028)
Cash payments for personal services	(665,773)	(267,704)	(550,335)	(1,483,812)
Net cash provided by operating activities	666,990	127,179	(1,476,614)	(682,445)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers in from other funds	10,000	(801)	-	9,199
Operating transfers out to other funds	(25,005)	4,000	945,634	924,629
Net cash from noncapital financing activies	(15,005)	3,199	945,634	933,828
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(472,672)	-	-	(472,672)
Proceeds from sale of assets	128,668	-	-	128,668
Proceeds from insurance	10,729	-	-	10,729
Net cash (used) by capital and related financing activies	(333,275)	-	-	(333,275)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	44,210	14,588	20,899	79,697
Investments purchased	(789,807)	(282,425)	(163,449)	(1,235,681)
Investments sold	-	-	-	-
Net cash provided by investing activities	(745,597)	(267,837)	(142,550)	(1,155,984)
Net increase (decrease) in cash and cash equivalents	(426,887)	(137,459)	(673,530)	(1,237,876)
Balances—beginning of the year	1,514,550	519,393	1,171,273	3,205,216
Balances—end of the year	$ 1,087,663	$ 381,934	$ 497,743	$ 1,967,340
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (70,133)	$ 79,235	$ (1,545,726)	$ (1,536,624)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	883,308	61,674	-	944,982
(Increase) decrease in inventories & prepaid expenses	(6,915)	-	-	(6,915)
Increase (decrease) in accrued salaries payable	(18,220)	(7,381)	-	(25,601)
Increase (decrease) in accounts payable	(118,563)	(6,349)	69,112	(55,800)
Increase (decrease) in accrued employee separation	(2,487)	-	-	(2,487)
Total adjustments	737,123	47,944	69,112	854,179
Net cash provided by operating activities	$ 666,990	$ 127,179	$ (1,476,614)	$ (682,445)

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
For the year ended September 30, 2005

Governmental funds capital assets	
Land	$ 7,682,584
Buildings	17,925,224
Equipment	1,489,686
Improvements	10,476,049
Infrastructure	23,482,106
Construction in progress	9,431,427
Total governmental funds capital assets	$ 70,487,076

Investment in governmental funds capital assets by source	
Current Operations	$ 15,554,925
Capital Projects	53,787,724
Section 4B Sales Tax	1,144,427
Total governmental funds capital assets	$ 70,487,076

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, 2005

Function and Activity	Land	Buildings	Equipment	Improvements
General Government				
Administration	$ 858,364	$ 6,377,917	$ 292,578	$ 407,287
Finance	-	-	-	-
Planning	217,002	-	19,922	-
Total general government	1,075,366	6,377,917	312,500	407,287
Public Safety				
Fire	563,413	3,784,847	551,978	28,422
Police	45,089	1,032,387	366,118	-
Total Public Safety	608,502	4,817,234	918,096	28,422
Public Works				
Adminstration	2,760,405	2,112,774	106,089	3,173,289
Streets	-	-	-	-
Total Public Works	2,760,405	2,112,774	106,089	3,173,289
Cultural and Recreational				
Parks and Recreation	3,238,311	4,617,299	153,001	6,867,051
Total governmental funds capital assets	$ 7,682,584	$ 17,925,224	$ 1,489,686	$ 10,476,049

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.

Infrastructure	Construction in Progress	Total
$ -	$ 1,186,597	$ 9,122,743
-	-	-
190,488	684,299	1,111,711
190,488	1,870,896	10,234,454
-	1,170,303	6,098,963
-	158,486	1,602,080
-	1,328,789	7,701,043
6,683,721	5,971,483	20,807,761
16,515,354	-	16,515,354
23,199,075	5,971,483	37,323,115
92,543	260,259	15,228,464
$ 23,482,106	$ 9,431,427	$ 70,487,076

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, 2005

Function and Activity	Governmental Fund Capital Assets October 1, 2004	Additions/ Adjustments	Retirements/ Adjustments	Governmental Fund Capital Assets September 30, 2005
General government				
Administration	$ 7,943,948	$ 1,178,795	$ -	$ 9,122,743
Finance	-	-	-	-
Planning	727,468	384,243	-	1,111,711
Total general government	8,671,416	1,563,038	-	10,234,454
Public safety				
Fire	4,986,767	1,112,197	-	6,098,963
Police	1,390,937	211,143	-	1,602,080
Total public safety	6,377,704	1,323,340	-	7,701,043
Public works				
Administration	14,752,431	6,055,330	-	20,807,761
Streets	16,515,354	-	-	16,515,354
Total public works	31,267,785	6,055,330	-	37,323,115
Cultural and Recreational				
Parks and recreation	15,089,060	142,337	(2,933)	15,228,464
Total governmental funds capital assets	$ 61,405,965	$ 9,084,043	$ (2,933)	$ 70,487,076

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
2005	7,411,122	10,367,759	5,164,855	1,887,204	3,717,791	863,818

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)

	PROGRAM REVENUES		GENERAL REVENUES			
Fiscal Year	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	464,961	1,369,248	(5,784)
2005	12,337,413	2,639,934	24,153,400	885,299	1,580,778	103,594

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.

Water Services	Sewer Services	Airport	Golf Course	Convention Center	Total
$ 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
6,477,962	1,819,756	157,186	1,242,613	211,682	39,321,748

Total
$ 38,448,614
36,925,930
41,700,418

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
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
2005	7,308,905	10,532,857	2,430,322	1,808,313	3,067,815

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

Debt Service	Total
$ 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
2,171,762	27,319,974

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

Fiscal Year	Taxes [2]	Licenses and Permits	Fines and Forfeits	Charges for Services	Inter-governmental
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
2005	24,045,940	531,091	678,205	3,233,453	1,062,653

[1] This table includes General, Special Revenue and Debt Service Funds.
[2] Includes ad valorem, franchise, sales, industrial payments and other taxes.

Interest	Miscellaneous	Total
$ 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
405,902	183,659	30,140,903

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections [1]
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
2005	11,607,713	11,451,693	98.66%	277,123	11,728,816

[1] Excludes penalties and interest.

Percentage of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
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%
101.04%	858,141	7.39%

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] General Fund	City of La Porte [1] Debt Service Fund	City of La Porte [1] Total	Harris County Flood Control District [2]	Harris County [2]	Port of Houston Authority [2]
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	0.575	0.135	0.71	0.04174	0.3881	0.0199
2004	0.575	0.135	0.71	0.03318	0.3999	0.0167
2005	0.612	0.098	0.71	0.03322	0.3999	0.0147

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

Harris County Board of Education [2]	Hospital District [2]	La Porte I.S.D. [3]	San Jacinto Jr. College District [4]	Total
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	3.0780
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	3.16694
0.0063	0.1902	1.734	0.1391	3.22938
0.0063	0.1922	1.734	0.1454	3.23572

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
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
2005	34,538	1,634,888	17,325	1.06%	500

[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, 2005
(Unaudited)

	Net Debt Outstanding	Percentage Applicable to City of La Porte	Amount Applicable to City of La Porte
La Porte Independent School District	$ 62,550,000	36.47%	$ 22,811,985
Harris County Flood Control District	53,599,985	0.84%	450,240
Harris County (includes toll roads and bridges)	1,867,831,590	0.84%	15,689,785
Harris County Dept. of Education	1,135,000	0.84%	9,534
Port of Houston Authority	333,645,000	0.84%	2,802,618
San Jacinto Jr. College District	86,215,000	5.96%	5,138,414
Total Overlapping Debt	2,404,976,575		46,902,576
City of La Porte	28,375,000	100.00%	28,375,000
Total Direct and Overlapping Debt	$ 2,433,351,575		$ 75,277,576
Total Direct and Overlapping Debt Per Capita			$ 2,180

City of La Porte, Texas
Computation of Legal Debt Margin
September 30, 2005
(Unaudited)

The City has no general obligation legal debt limit other than a ceiling on the tax rate as specified by the State of Texas. The prescribed maximum is $2.50 per $100 appraised valuation, calculated as follows:

Total assessed value		$ 1,634,888,940
Times debt limit factor (2.50 per 100)		0.025
Equals debt limit		40,872,224
Less amount applicable to debt limit	17,325,000	
Plus funds accumulated for servicing of debt	1,704,631	
Equals remaining legal debt margin		$ 25,251,855

This means the City could issue up to $25,251,855 in debt and remain in compliance with the State established Debt limits.

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
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%
2005	1,330,000	841,762	2,171,762	25,604,998	8.48%

[1] Includes all General Fund and Debt Service Fund Expenditures.

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

Fiscal Year	Operating Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service
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	5,125,635	710,586
2005	6,080,845	5,259,943	820,902

[1] Includes interest income.
[2] Excludes depreciation and loss on uncollectible accounts.

Debt Service Requirements			
Principal	Interest	Total	Coverage
$ 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	1.09
565,000	43,161	608,161	1.35

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

	Real Property		Personal Property	
Year	Actual Value	Taxable Value	Actual Value	Taxable Value
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
2005	1,601,433,200	1,333,645,620	311,721,280	301,243,320

Source: City of La Porte records 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	
$ 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%
267,787,580	10,477,960	1,913,154,480	1,634,888,940	117.02%

City of La Porte, Texas
Principal Taxpayers
September 30, 2005
(Unaudited)

Taxpayer	Type of Business	2005 Assessed Valuation	Percentage of Total Assessed Valuation
Conoco Phillips Inc	Chemical Plant	$ 54,702,820	3.09%
Oxy Vinyls LP	Chemical Plant	49,177,149	2.78%
Equistar Chemicals LP	Chemical Plant	45,219,482	2.56%
BP Solvay	Chemical Plant	37,068,510	2.10%
PPG Industries	Chemical Plant	32,016,935	1.81%
Dupont Dow Elastomers	Chemical Plant	25,986,060	1.47%
Centerpoint Energy	Utility	24,651,811	1.39%
Dow Chemicals	Chemical Plant	20,576,356	1.16%
Attofina Petrochemicals	Chemical Plant	20,215,323	1.14%
PPG Industries	Chemical Plant	14,643,050	0.83%
		$ 324,257,496	18.33%

Source: City of La Porte Tax records.

City of La Porte, Texas
Demographic Statistics
September 30, 2005
(Unaudited)

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment Rate (3)
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%
2005	34,538	7,808	6.1%

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 Number of Units	Commercial Construction Value	Residential Construction Number of Units	Residential Construction Value	Bank Deposits Number of Units	Bank Deposits Amount	Property Value [1]
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
2005	36	13,125,264	113	24,316,941	*	*	1,634,888,940

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, 2005
(Unaudited)

Date of Incorporation	August 10, 1892	
Form of Government	Council/Manager	
Area	19	Square miles
Miles of Streets	211	Miles
Number of Street Lights	2,192	
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	4.1	Million gallons
Miles of water mains	165	Miles
Sewers:		
Sanitary sewers	187	Miles
Storm sewers	89	Miles
Recreation and Culture		
Number of parks	21	
Acreage	337	
Employees:		
Full-time	360	
Part-time	55	
Education:		
Attendance centers	11	
Number of teachers	513	
Number of students	7,808	

CITY OF LA PORTE

TEXAS