

CITY OF LA PORTE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
September 30, 2006

Prepared by:
Department of Finance



City of La Porte
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2006

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INTRODUCTORY SECTION





City of La Porte

Established 1892

February 1, 2007

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 are pleased to submit the Comprehensive Annual Financial Report for the City of La Porte, Texas for the fiscal year ended September 30, 2006. This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government.

This report consists of management's representations concerning the finances of the City of La Porte. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of La Porte's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of La Porte's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of La Porte's financial statements have been audited by Null-Lairson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of La Porte for the fiscal year ended September 30, 2006 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, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as a component of the financial section of this report.

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

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

Profile of the City

The City of La Porte, incorporated in 1892, is located in the southeast quadrant of Harris County and is bounded on the north by the Houston ship channel, on the east by Galveston Bay and the south by the Bayport channel. The City of La Porte currently encompasses 19 square miles and serves a population of 34,825.

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 funds, however require the special approval of the city council. Budget-to-actual comparisons are provided in financial reports for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 76 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 81.

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 4.5 months. The average yield on investments was 3.67% for the government. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

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

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

The City of La Porte also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 57 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, 2005. This was the twenty-fifth 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.

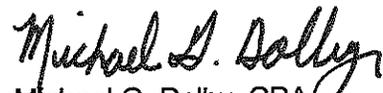
In addition, the government also received the GFOA's Distinguished Budget Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial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

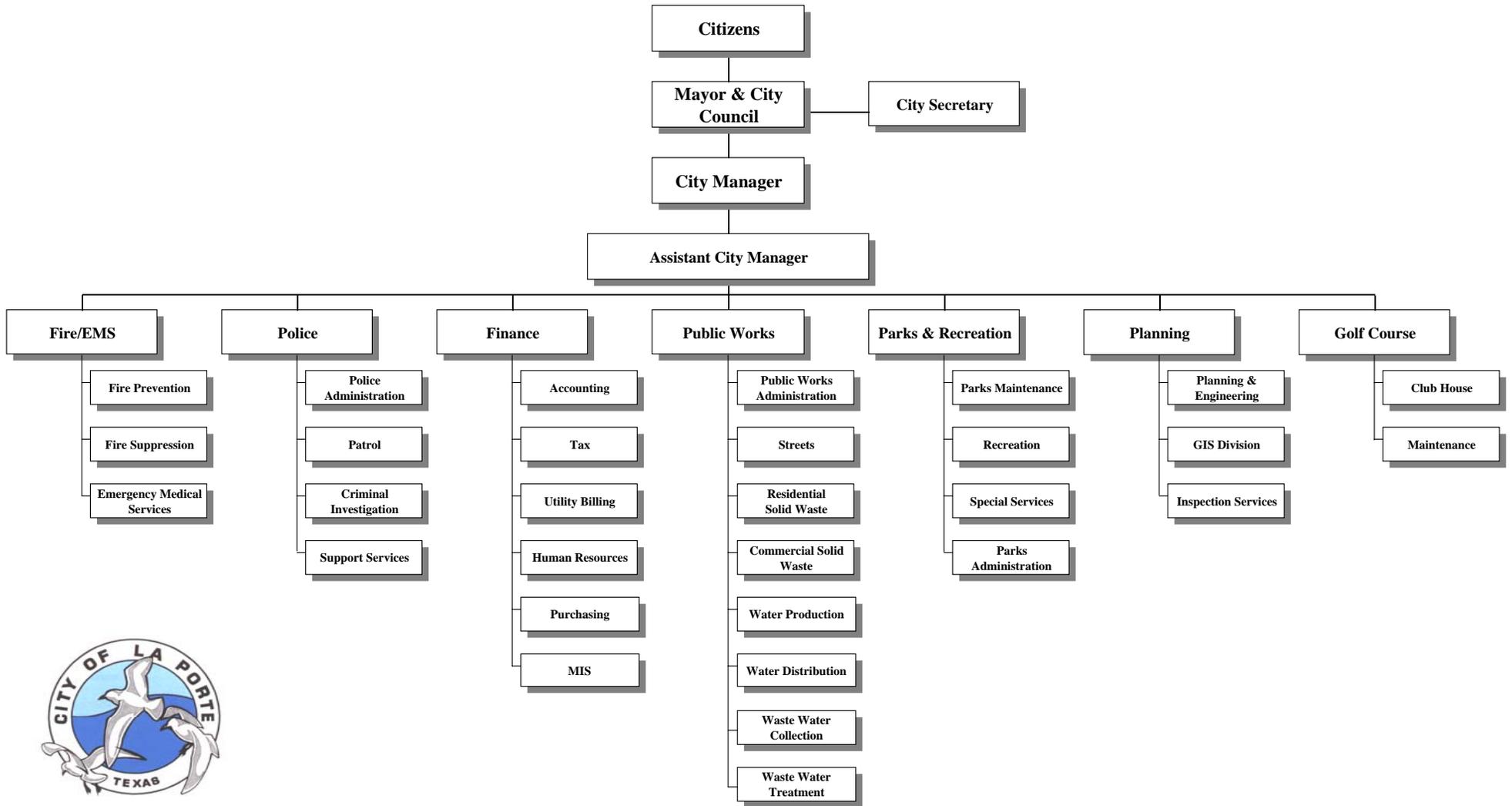


John Joerns
Interim City Manager



Michael G. Dolby, CPA
Interim Director of Finance

CITY OF LA PORTE ORGANIZATIONAL CHART



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.



Carla E. Perry

President

Jeffrey R. Egan

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
COUNCIL PERSON
DISTRICT 1

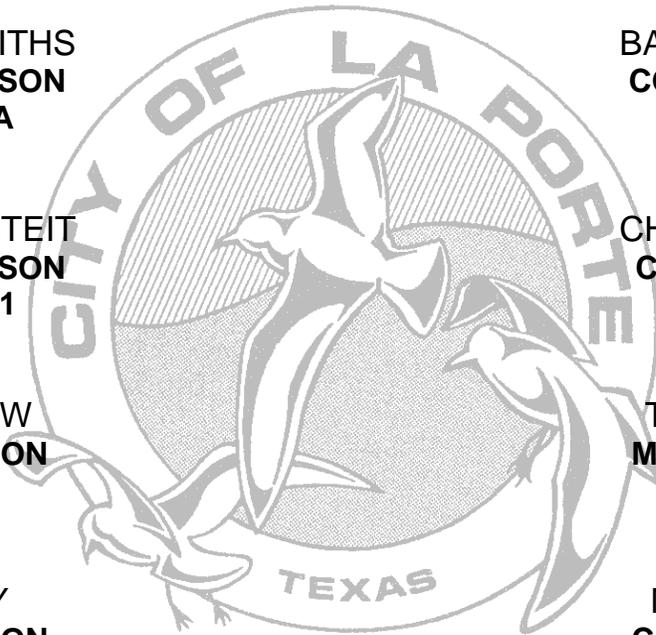
CHUCK ENGELKEN
COUNCIL PERSON
DISTRICT 2

HOWARD EBOW
COUNCIL PERSON
DISTRICT 3

TOMMY MOSER
MAYOR PRO TEM
DISTRICT 4

LOUIS RIGBY
COUNCIL PERSON
DISTRICT 5

MIKE CLAUSEN
COUNCIL PERSON
DISTRICT 6





FINANCIAL SECTION



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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, 2006, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Porte, Texas, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have issued our report dated February 1, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 17 through 23, budgetary comparison information on pages 76 through 78 and Required Pension System Supplementary Information on page 75 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 required 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.



February 1, 2007
Houston, Texas

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2006

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, 2006. 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 \$89,995,863 (net assets). Of this amount \$22,380,404 (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 and working capital requirements.
- The government's total net assets increased by \$3,789,092.
- As of the close of the current fiscal year, the City of La Porte's governmental funds reported combined ending fund balances of \$37,296,933. Of this amount, \$34,885,752 (94%) is unreserved and available for use within the City's designation and policies and working capital requirements.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10,970,885 approximately (45%) 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.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2006

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 18 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, 2005 General Obligation Bond and Section 4B Sales Tax Fund, all of which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation called non-major. 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 Insurance Fund. 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 45-74 of this report.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2006

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 75-78 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 84-104 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 \$89,995,863 at the close of the fiscal year.

By far the largest portion of the City's net assets (65%) 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 51,344,644	\$ 43,543,568	\$ 7,429,428	\$ 7,559,518	\$ 58,774,072	\$ 51,103,086
Capital assets	45,856,003	46,416,520	38,595,964	33,734,685	84,451,967	80,151,205
Total Assets	97,200,647	89,960,088	46,025,392	41,294,203	143,226,039	131,254,291
Long term liabilities	36,883,566	31,157,332	9,444,485	7,498,569	46,328,051	38,655,901
Other liabilities	5,545,896	3,857,929	1,356,227	2,533,691	6,902,123	6,391,620
Total Liabilities	42,429,462	35,015,261	10,800,712	10,032,260	53,230,174	45,047,521
Net Assets:						
Invested in capital assets, net of related debt	28,424,345	28,933,050	29,642,136	26,589,684	58,066,481	55,522,734
Restricted	7,363,187	6,642,077	2,185,791	3,407,445	9,548,978	10,049,522
Unrestricted	18,983,653	19,369,700	3,396,751	1,264,814	22,380,404	20,634,514
Total Net Assets	\$ 54,771,185	\$ 54,944,827	\$ 35,224,678	\$ 31,261,943	\$ 89,995,863	\$ 86,206,770

An additional portion of the City's net assets \$9,548,978 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$22,380,404 (25%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2006, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories – governmental and business-type activities.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2006

Analysis of the City's Operations – the following table provides a summary of the City's operations for the year ended September 30, 2006, with comparative totals for year ended September 30, 2005. Governmental activities decreased the City of La Porte's net assets by \$173,642. Business-type activities increased the City's net assets by \$3,962,734.

City of La Porte's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,535,854	\$ 4,083,297	\$ 9,435,426	\$ 8,254,116	\$ 13,971,280	\$ 12,337,413
Operating grants and contributions	1,106,596	2,639,934	-	-	1,106,596	2,639,934
General revenues:						
Property taxes, levied for general purposes	10,535,316	10,192,599	-	-	10,535,316	10,192,599
Property taxes, levied for debt service	1,661,801	1,623,095	-	-	1,661,801	1,623,095
Industrial payments	7,659,591	6,991,926	-	-	7,659,591	6,991,926
Franchise taxes	1,986,698	1,885,801	-	-	1,986,698	1,885,801
Sales tax	4,067,767	3,459,979	-	-	4,067,767	3,459,979
Unrestricted investment earnings	1,874,828	720,137	300,099	165,162	2,174,927	885,299
Miscellaneous	1,137,928	753,595	694,507	827,183	1,832,435	1,580,778
Gain (loss) on sale/retirement of capital assets	-	103,594	(16,083)	-	(16,083)	103,594
Total revenues	\$ 34,566,379	\$ 32,453,957	\$ 10,413,949	\$ 9,246,461	\$ 44,980,328	\$ 41,700,418
Expenses:						
General Government	7,348,812	7,411,122	-	-	7,348,812	7,411,122
Public Safety	11,602,951	10,367,759	-	-	11,602,951	10,367,759
Public Works	5,209,686	5,164,855	-	-	5,209,686	5,164,855
Health and Sanitation	1,862,368	1,887,204	-	-	1,862,368	1,887,204
Culture and Recreation	3,579,917	3,717,791	-	-	3,579,917	3,717,791
Interest on Long-term debt	1,226,231	863,818	-	-	1,226,231	863,818
Water Services	-	-	6,844,635	6,477,962	6,844,635	6,477,962
Sewer Services	-	-	1,894,415	1,819,756	1,894,415	1,819,756
Airport	-	-	122,548	157,186	122,548	157,186
Bay Forest Golf Course	-	-	1,285,121	1,242,613	1,285,121	1,242,613
Sylvan Beach Convention Center	-	-	214,552	211,682	214,552	211,682
Total Expenses	30,829,965	29,412,549	10,361,271	9,909,199	41,191,236	39,321,748
Change in net assets before transfers	3,736,415	3,041,408	52,678	(662,738)	3,789,092	2,378,670
Transfers	(3,910,056)	381,625	3,910,056	(381,625)	-	-
Change in net assets	(173,642)	3,423,033	3,962,734	(1,044,363)	3,789,092	2,378,670
Net assets - beginning	54,944,827	51,521,794	31,261,944	32,306,306	86,206,771	83,828,100
Net assets - ending	\$ 54,771,185	\$ 54,944,827	\$ 35,224,678	\$ 31,261,943	\$ 89,995,863	\$ 86,206,770

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2006

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 \$37,296,933. Approximately 95% of this total amount (\$34,885,752) 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 (\$74,649), 2) to provide for inventories (\$70,126), 3) to pay for debt service (\$1,813,887), 4) to provide for municipal court building security (\$106,652), 5) to provide for municipal court technology (\$73,724), 6) to provide for park zone (\$153,006) and 7) to provide for confiscated funds (\$119,137).

In the general fund, the City budgeted for a decrease in the fund balance of \$213,070. Due to actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2006 was \$1,934,333. The Section 4B Sales Tax Fund balance increased by \$627,110 due to additional revenues. The 2005 General Obligation Fund balance decreased by \$604,347 due to the expenditure of bond proceeds. Other Governmental fund balances increased in 2006 by \$3,353,361 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 - \$1,993,041, Airport \$338,580, La Porte Area Water Authority - \$1,338,767, Sylvan Beach Convention Center -\$134,358 and Bay Forest Golf Course – \$(306,821). The change (decrease) in net assets of the proprietary funds in 2006 was as follows: Utility - \$4,076,332, Airport -\$ (74,748), La Porte Area Water Authority - \$123,645, Sylvan Beach Convention Center - \$(14,539), and Bay Forest Golf Course - \$(147,958).

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 \$210,076.

Variances noted in the general fund are due to City Council appropriating additional capital projects, increased spending for public safety projects and salary savings.

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, 2006 amounts to \$84,451,940 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress.

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

- Construction in progress Fire Station Number 2 \$1.2 million.
- Construction in progress Police Station \$3.1 million.
- Automated Meter Reading \$2.3 million.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2006

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

	Governmental Activities 2006	Business-type Activities 2006	Total
Land	\$ 7,685,517	\$ 2,350,478	\$ 10,035,995
Buildings	7,776,721	409,248	8,185,969
Equipment	5,217,519	69,905	5,287,424
Improvements	2,915,006	33,127,343	36,042,349
Infrastructure	12,277,269	-	12,277,269
Construction in Progress	9,983,973	2,638,961	12,622,934
Total	\$ 45,856,005	\$ 38,595,935	\$ 84,451,940

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 \$43,200,000 . Of this amount, \$34,145,000 comprises bonded debt backed by the full faith and credit of the government and \$9,055,000 represents bonds secured solely by water and sewer revenues.

**Outstanding Debt at Year End
Bonds Payable**

	Governmental Activities 2006	Business-type Activities 2006	Totals
General Obligations	\$ 17,740,000	\$ -	\$ 17,740,000
Revenue Bonds Payable	-	6,430,000	6,430,000
Certificate of Obligations	16,405,000	2,625,000	19,030,000
Total	\$ 34,145,000	\$ 9,055,000	\$ 43,200,000

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.

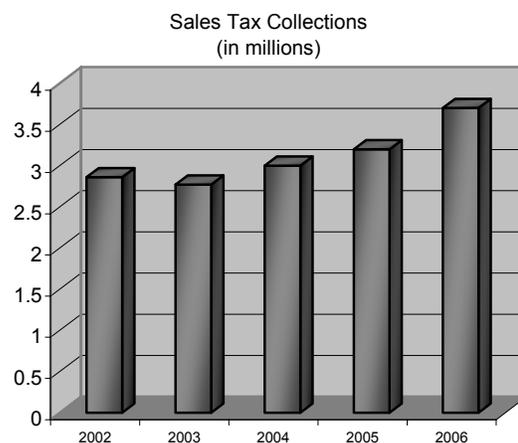
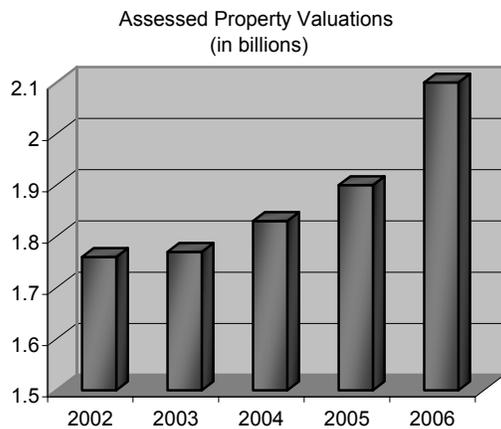
Additional information on the City of La Porte's long-term debt can be found in Note 5 on pages 61-65 of this report.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2006

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the Houston metropolitan area is currently 4.5 percent, which is a decrease from a rate of 6.1 percent a year ago. This compares identical to the state's average unemployment rate of 4.7 percent which is comparable to the national average rate of 4.4 percent. The City's budgets for all funds have benefited from a strong and expanding economy from the past several years, which is anticipated to continue in the upcoming Fiscal Year. The City is projected to benefit from growth in the tax base due to increased valuations and new construction. Total assessed property value for all residential and commercial property in the City of La Porte exceeded \$2.1 billion for fiscal year 2006 which is 10 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 16% this fiscal year due to an increase in economic activity. 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 Interim 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, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,759,498	\$ 1,821,041	\$ 18,580,539
Investments	27,196,952	4,455,769	31,652,721
Receivables, net of allowance for uncollectibles			
Accounts receivable	4,485,118	1,156,952	5,642,070
Taxes receivable	761,592	-	761,592
Due from other governments	4,716	-	4,716
Accrued interest receivable	183,367	26,289	209,656
Deferred Issuance Costs	346,635	-	346,635
Internal Balances	1,490,460	(1,490,460)	-
Materials and supplies inventories at cost	116,306	4,540	120,846
Cash and cash equivalents restricted for customer service deposits	-	505,287	505,287
Investments restricted for debt service	-	125,000	125,000
Other	-	825,010	825,010
Capital assets:			
Land	7,685,517	2,350,478	10,035,995
Buildings and improvements	17,732,228	1,166,840	18,899,068
Improvements other than buildings	7,687,857	69,188,355	76,876,212
Infrastructure	26,873,816	-	26,873,816
Machinery and equipment	13,319,881	422,213	13,742,094
Construction in progress	9,983,973	2,638,961	12,622,934
Accumulated depreciation	(37,427,269)	(37,170,883)	(74,598,152)
Total assets	<u>97,200,647</u>	<u>46,025,392</u>	<u>143,226,039</u>
LIABILITIES			
Accounts payable	4,762,818	607,062	5,369,880
Accrued salaries payable	296,234	52,100	348,334
Interest payable	88,945	-	88,945
Due to others	5,226	-	5,226
Unearned revenue	86,557	87,150	173,707
Other current liabilities	-	5,930	5,930
Premium on Issuance	293,388	-	293,388
Accrued interest payable	12,728	76,330	89,058
Customer deposits	-	527,655	527,655
Noncurrent liabilities :			
Due within one year	1,384,000	877,500	2,261,500
Due in more than one year	35,499,566	8,566,985	44,066,551
Total liabilities	<u>42,429,462</u>	<u>10,800,712</u>	<u>53,230,174</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,424,345	29,642,136	58,066,481
Restricted for:			
Debt service	1,838,370	2,185,791	4,024,161
Grants and state programs	5,524,817	-	5,524,817
Unrestricted	18,983,653	3,396,751	22,380,404
Total net assets	<u>\$ 54,771,185</u>	<u>\$ 35,224,678</u>	<u>\$ 89,995,863</u>

See accompanying notes to financial statements.

CITY OF LA PORTE, TEXAS
Statement of Activities
For The Year Ended September 30, 2006

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<i>Governmental activities:</i>			
General Government	\$ 7,348,812	\$ 1,002,267	\$ -
Public Safety	11,602,951	1,333,005	935,588
Public Works	5,209,686	-	-
Health & Sanitation	1,862,368	1,770,611	-
Culture and recreation	3,579,917	429,971	95,820
Interest on Long Term Debt	1,226,231	-	-
Total governmental activities	<u>30,829,965</u>	<u>4,535,854</u>	<u>1,031,408</u>
<i>Business-type activities:</i>			
Water Services	6,844,635	5,438,932	-
Sewer Services	1,894,415	2,842,495	-
Airport	122,548	35,624	-
Golf Course	1,285,121	955,867	-
Sylvan Beach Convention Ctr	214,552	162,508	-
Total business-type activities	<u>10,361,271</u>	<u>9,435,426</u>	<u>-</u>
Total government	<u>\$ 41,191,236</u>	<u>\$ 13,971,280</u>	<u>\$ 1,031,408</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Industrial payments
- Franchise taxes
- Public service taxes

Grants not specified for specific program

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

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

Governmental Activities	Business-type Activities	Total
\$ (6,346,545)	\$ -	\$ (6,346,545)
(9,334,358)	-	(9,334,358)
(5,209,686)	-	(5,209,686)
(91,757)	-	(91,757)
(3,054,126)	-	(3,054,126)
(1,226,231)	-	(1,226,231)
<u>(25,262,703)</u>	<u>-</u>	<u>(25,262,703)</u>
-	(1,405,703)	(1,405,703)
-	948,080	948,080
-	(86,924)	(86,924)
-	(329,254)	(329,254)
-	(52,044)	(52,044)
<u>-</u>	<u>(925,845)</u>	<u>(925,845)</u>
<u>\$ (25,262,703)</u>	<u>\$ (925,845)</u>	<u>\$ (26,188,548)</u>
10,535,316	-	10,535,316
1,661,801	-	1,661,801
7,659,591	-	7,659,591
1,986,698	-	1,986,698
4,067,767	-	4,067,767
75,188	-	75,188
1,874,828	300,099	2,174,927
1,137,928	694,507	1,832,435
-	(16,083)	(16,083)
<u>(3,910,056)</u>	<u>3,910,056</u>	<u>-</u>
<u>25,089,061</u>	<u>4,888,579</u>	<u>29,977,640</u>
<u>(173,642)</u>	<u>3,962,734</u>	<u>3,789,092</u>
<u>54,944,827</u>	<u>31,261,944</u>	<u>86,206,771</u>
<u>\$ 54,771,185</u>	<u>\$ 35,224,678</u>	<u>\$ 89,995,863</u>

CITY OF LA PORTE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2006

	General	Section 4B Sales Tax	2005 General Obligation Bonds
ASSETS			
Cash and cash equivalents	\$ 5,415,959	\$ 1,830,686	\$ 97,152
Investments	5,287,784	1,772,321	7,598,390
Receivables, net of allowance for uncollectibles:			
Accounts receivable	4,126,733	-	-
Taxes receivable	647,980	-	-
Due from other funds	2,091,346	-	-
Grant receivable	-	-	-
Other accounts receivables	-	229,385	918
Accrued interest receivable	74,781	21,223	572
Materials and supplies inventories, at cost	70,126	-	-
Total assets	17,714,709	3,853,615	7,697,032
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	2,679,812	-	651,832
Accrued salaries payable	280,320	-	-
Due to other funds	-	-	-
Retainage payable	-	-	-
Deferred revenue	3,538,917	-	-
Accrued employee separation pay	100,000	-	-
Total liabilities	6,599,049	-	651,832
 Fund balances:			
Reserved for:			
Inventories	70,126	-	-
Encumbrances	74,649	-	-
Municipal Court Building Security	-	-	-
Municipal Court Technology Fee	-	-	-
Park Zone	-	-	-
Confiscated funds	-	-	-
Debt service	-	-	-
Unreserved, Designated for capital projects	51,084	-	-
Unreserved/Undesignated	10,919,801	3,853,615	7,045,200
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Total fund balances	11,115,660	3,853,615	7,045,200
 Total liabilities and fund balances	\$ 17,714,709	\$ 3,853,615	\$ 7,697,032

See accompanying notes to basic financial statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,754,307	\$ 13,098,104
10,960,558	25,619,053
-	4,126,733
108,386	756,366
-	2,091,346
4,716	4,716
46,286	276,589
56,056	152,632
-	70,126
<u>16,930,309</u>	<u>46,195,665</u>
881,195	4,212,839
2,319	282,639
600,886	600,886
168	168
163,282	3,702,199
-	100,000
<u>1,647,850</u>	<u>8,898,731</u>
-	70,126
-	74,649
106,652	106,652
73,724	73,724
153,006	153,006
119,137	119,137
1,813,887	1,813,887
-	51,084
-	21,818,616
1,247,380	1,247,380
<u>11,768,672</u>	<u>11,768,672</u>
<u>15,282,458</u>	<u>37,296,933</u>
<u>\$ 16,930,308</u>	<u>46,195,664</u>



CITY OF LA PORTE, TEXAS
Reconciliation of the Governmental Funds
Balance Sheet to Statement of Net Assets
September 30, 2006

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

Total fund balances - total governmental funds	\$ 37,296,933
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.	41,427,153
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds Unearned Revenues	3,617,756
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.	(88,945)
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the statement of net assets.	9,127,242
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	(34,294,000)
Premium on Issuance	(293,388)
Compensated Absences Payable	(2,368,201)
Bond Issuance Costs	346,635
Net assets of governmental activities	\$ 54,771,185

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, 2006

	<u>General</u>	<u>Section 4B Sales Tax</u>	<u>2005 General Obligation Bonds</u>
REVENUES			
Property taxes	\$ 10,454,157	\$ -	\$ -
Franchise taxes	1,986,698	-	-
Sales taxes	2,495,547	1,245,774	-
Donations	-	-	-
Industrial payments	7,470,700	-	-
Harris County Joint Venture	-	-	-
Other taxes	69,310	-	-
Licenses and permits	683,284	-	-
Fines and forfeits	848,232	-	-
Charges for services	3,852,570	-	-
Intergovernmental	8,489	-	-
Interest	652,700	121,396	303,628
Miscellaneous	24,778	-	-
Total revenues	<u>28,546,465</u>	<u>1,367,170</u>	<u>303,628</u>
EXPENDITURES			
Current:			
General Government	6,047,422	-	-
Public Safety	11,071,829	-	-
Public Works	2,360,073	-	-
Health and Sanitation	1,813,812	-	-
Culture and Recreation	3,010,725	-	-
Debt service:			
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	3,707,975
Total expenditures	<u>24,303,861</u>	<u>-</u>	<u>3,707,975</u>
Excess (deficiency) of revenues over expenditures	<u>4,242,604</u>	<u>1,367,170</u>	<u>(3,404,347)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	-	-
Premium on bonds	-	-	-
Transfers in	647,449	-	2,800,000
Transfers out	(3,045,803)	(740,060)	-
Proceeds from sale of Assets	90,083	-	-
Total other financing sources (uses)	<u>(2,308,271)</u>	<u>(740,060)</u>	<u>2,800,000</u>
Net change in fund balances	1,934,333	627,110	(604,347)
Fund balances—beginning	9,181,327	3,226,505	7,649,547
Fund balances—ending	<u>\$ 11,115,660</u>	<u>\$ 3,853,615</u>	<u>\$ 7,045,200</u>

See accompanying notes to basic financial statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,708,484	\$ 12,162,641
-	1,986,698
-	3,741,321
-	-
-	7,470,700
-	-
257,194	326,504
-	683,284
-	848,232
35,000	3,887,570
1,165,892	1,174,381
631,439	1,709,163
138,602	163,380
<u>3,936,611</u>	<u>34,153,874</u>
1,189,343	7,236,765
-	11,071,829
-	2,360,073
-	1,813,812
-	3,010,725
1,195,000	1,195,000
1,374,314	1,374,314
2,842,334	6,550,309
<u>6,600,991</u>	<u>34,612,827</u>
<u>(2,664,380)</u>	<u>(458,953)</u>
6,965,000	6,965,000
191,055	191,055
2,608,425	6,055,874
(3,746,739)	(7,532,602)
-	90,083
<u>6,017,741</u>	<u>5,769,410</u>
3,353,361	5,310,457
11,929,098	31,986,477
<u>\$ 15,282,459</u>	<u>\$ 37,296,934</u>

CITY OF LA PORTE, TEXAS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For The Year Ended September 30, 2006

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

Net change in fund balances—total governmental funds:	\$ 5,310,457
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 \$7,150,012 exceeded depreciation \$6,088,751 and losses from the disposition of capital assets in the current period.	(1,061,261)
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.	246,841
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.	(5,768,649)
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	(38,129)
Additional compensated absences not reflected in governmental funds	59,199
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>1,077,900</u>
Change in net assets of governmental activities	<u><u>\$ (173,642)</u></u>

See accompanying notes to basic financial statements.



CITY OF LA PORTE, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2006

	Business-type Activities – Enterprise Funds		
	Utility	La Porte Area Water Authority	Other Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 685,800	\$ 833,596	\$ 301,645
Investments	3,803,599	407,428	244,742
Receivables, net of allowance for uncollectibles	934,103	169,605	53,244
Accrued interest receivable	10,458	12,351	3,480
Miscellaneous receivables	-	-	-
Material and supplies inventories, at cost	4,540	-	-
Restricted cash and cash equivalents for:			
Customer service deposits	459,426	-	45,861
Current debt service	125,000	-	-
Investments restricted for:			
Current debt service	-	825,010	-
Total current assets	6,022,926	2,247,990	648,972
Noncurrent assets:			
Capital assets:			
Land	266,009	-	2,084,469
Buildings and improvements	51,730	-	1,115,110
Improvements other than buildings	47,884,819	14,719,440	6,584,096
Vehicles and equipment	319,777	6,130	96,306
Construction in progress	2,519,056	-	119,905
Less accumulated depreciation	(26,895,821)	(5,420,933)	(4,854,129)
Total noncurrent assets	24,145,570	9,304,637	5,145,757
Total assets	30,168,496	11,552,627	5,794,729
LIABILITIES			
Current liabilities:			
Accounts payable	432,410	148,523	26,130
Accrued salaries payable	36,711	-	15,388
Due to other funds	1,362,358	-	128,102
Unearned Revenue	-	-	87,150
Other current liabilities	-	-	5,930
Accrued interest payable	63,250	13,080	-
Payable from restricted assets:			
Current portion of revenue bonds	637,500	460,000	-
Customer deposits	459,526	-	68,129
Total current liabilities	2,991,755	621,603	330,829
Noncurrent liabilities:			
Revenue bonds, net of current portion	2,362,500	5,595,000	-
Accrued separation pay	237,459	-	152,026
Total noncurrent liabilities	2,599,959	5,595,000	152,026
Total liabilities	5,591,714	6,216,603	482,855
NET ASSETS			
Invested in capital assets, net of related debt	21,145,570	3,249,637	5,145,757
Restricted for debt service	1,438,171	747,620	-
Unrestricted (deficit)	1,993,041	1,338,767	166,117
Total net assets	\$ 24,576,782	\$ 5,336,024	\$ 5,311,874

See accompanying notes to basic financial statements.

		Governmental Activities –	
Totals		Internal Service Funds	
\$	1,821,041	\$	3,078,666
	4,455,769		2,160,627
	1,156,952		-
	26,289		30,730
	-		81,792
	4,540		46,180
	505,287		-
	125,000		-
	825,010		-
	<u>8,919,888</u>		<u>5,397,995</u>
	2,350,478		-
	1,166,840		-
	69,188,355		-
	422,213		11,740,018
	2,638,961		-
	<u>(37,170,883)</u>		<u>(7,311,172)</u>
	<u>38,595,964</u>		<u>4,428,846</u>
	<u>47,515,852</u>		<u>9,826,841</u>
	607,063		560,225
	52,099		15,903
	1,490,460		-
	87,150		2,106
	5,930		-
	76,330		-
	1,097,500		-
	527,655		-
	<u>3,944,187</u>		<u>578,234</u>
	7,957,500		-
	389,485		121,365
	<u>8,346,985</u>		<u>121,365</u>
	<u>12,291,172</u>		<u>699,599</u>
	29,540,964		4,428,846
	2,185,791		-
	3,497,925		4,698,396
\$	<u>35,224,680</u>	\$	<u>9,127,242</u>

CITY OF LA PORTE, TEXAS
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended September 30, 2006

	Business-type Activities – Enterprise Funds		
	Utility	La Porte Area Water Authority	Other Proprietary Funds
Operating revenues:			
User fees	\$ 7,207,376	\$ 1,079,126	\$ 1,160,634
Operating expenses:			
Personal services	2,369,805	-	944,256
Supplies	200,153	42	135,702
Other services and charges	2,819,825	1,033,491	271,404
Depreciation	1,548,168	441,913	270,859
Total operating expenses	6,937,951	1,475,446	1,622,221
Operating income (loss)	269,425	(396,320)	(461,587)
Nonoperating revenues (expenses):			
Interest income	230,640	44,081	25,378
Interest expense and fiscal charges	(175,495)	(325,653)	-
Gain (loss) on sale of equipment	(7,279)	-	(8,804)
Total nonoperating revenue (expenses)	47,866	(281,572)	16,574
Income (loss) before contributions and transfers	317,291	(677,892)	(445,013)
Capital contributions	4,179,571	858,292	-
Transfers in	3,084,361	-	241,000
Transfers out	(3,504,891)	(56,755)	(33,232)
Change in net assets	4,076,332	123,645	(237,245)
Total net assets—beginning	20,500,450	5,212,379	5,549,119
Total net assets—ending	\$ 24,576,782	\$ 5,336,024	\$ 5,311,874

See accompanying notes to basic financial statements.

Governmental Activities –	
Totals	Internal Service Funds
<u>\$ 9,447,136</u>	<u>\$ 5,868,224</u>
3,314,061	1,361,286
335,897	320,961
4,124,720	4,100,247
<u>2,260,940</u>	<u>869,740</u>
<u>10,035,618</u>	<u>6,652,234</u>
<u>(588,482)</u>	<u>(784,010)</u>
300,099	165,671
(501,148)	-
<u>(16,083)</u>	<u>(50,006)</u>
<u>(217,132)</u>	<u>115,665</u>
(805,614)	(668,345)
5,037,863	-
3,325,361	1,949,442
<u>(3,594,878)</u>	<u>(203,197)</u>
3,962,732	1,077,900
<u>31,261,948</u>	<u>8,049,342</u>
<u>\$ 35,224,680</u>	<u>\$ 9,127,242</u>

CITY OF LA PORTE, TEXAS
Statement of Cash Flows
Proprietary Funds
For The Year Ended September 30, 2006

	Business-type Activities – Enterprise Funds		
	Utility	La Porte Area Water Authority	Other Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from user fees	\$ 6,932,518	\$ 1,073,420	\$ 1,184,726
Cash payments to suppliers	(395,562)	(962,716)	(419,041)
Cash payments for personal services	(2,349,415)	-	(933,806)
Net cash provided by operating activities	<u>4,187,541</u>	<u>110,704</u>	<u>(168,121)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	3,084,361	-	241,000
Transfers to other funds	(3,504,891)	(56,755)	(33,232)
Net cash from noncapital financing activities	<u>(420,530)</u>	<u>(56,755)</u>	<u>207,768</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments received from participants for debt service	-	771,718	-
Payments received from participants for capital recovery	-	86,574	-
Payments for capital acquisitions	(5,627,847)	-	-
Proceeds from sale of assets	-	-	-
Issuance of debt	2,625,000	-	-
Principal payments on revenue bonds	(270,000)	(445,000)	-
Interest paid on debt	(113,461)	(326,719)	-
Net cash (used) by capital and related financing activities	<u>(3,386,308)</u>	<u>86,573</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	242,466	38,943	23,920
Net Investments (purchased) sold	(59,511)	1,022,404	53,579
Net cash provided by investing activities	<u>182,955</u>	<u>1,061,347</u>	<u>77,499</u>
Net increase (decrease) in cash and cash equivalents	563,658	1,201,869	117,146
Balances—beginning of the year	706,568	456,737	230,360
Balances—end of the year	<u>\$ 1,270,226</u>	<u>\$ 1,658,606</u>	<u>\$ 347,506</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 269,425	\$ (396,320)	\$ (461,587)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,548,168	441,913	270,859
(Increase) decrease in accounts receivable	(297,816)	(5,706)	49,125
(Increase) decrease in inventories	-	-	-
Increase (decrease) in accrued salaries payable	(5,195)	-	120
Increase (decrease) in accounts payable	1,262,058	70,817	(127,080)
Increase (decrease) in other current liabilities	-	-	(60,361)
Increase (decrease) in due to other funds	1,362,358	-	128,102
Increase (decrease) in customer utility deposits	22,958	-	22,370
Increase (decrease) in accrued employee separation	25,585	-	10,331
Total adjustments	<u>3,918,116</u>	<u>507,024</u>	<u>293,466</u>
Net cash provided by operating activities	<u>\$ 4,187,541</u>	<u>\$ 110,704</u>	<u>\$ (168,121)</u>
Reconciliation of total cash and cash investments:			
Current Assets - cash and cash equivalents	\$ 685,800	\$ 833,596	\$ 301,645
Restricted Assets - cash and cash equivalents:		825,010	
Customer Deposits	459,426	-	-
Current Debt Service	125,000	-	45,861
Total cash and cash equivalents	<u>\$ 1,270,226</u>	<u>\$ 1,658,606</u>	<u>\$ 347,506</u>

	Governmental Activities –
Totals	Internal Service Funds
\$ 9,190,664	\$ 5,868,249
(1,777,319)	(4,261,959)
<u>(3,283,221)</u>	<u>(1,345,904)</u>
<u>4,130,124</u>	<u>260,386</u>
3,325,361	1,948,753
(3,594,878)	(202,508)
<u>(269,517)</u>	<u>1,746,245</u>
771,718	-
86,574	-
(5,627,847)	(1,432,709)
-	12,217
2,625,000	-
(715,000)	-
(440,180)	-
<u>(3,299,735)</u>	<u>(1,420,492)</u>
305,329	152,095
1,016,472	373,094
<u>1,321,801</u>	<u>525,189</u>
1,882,673	1,111,328
1,393,665	1,967,338
<u>\$ 3,276,338</u>	<u>\$ 3,078,666</u>
<u>\$ (588,482)</u>	<u>\$ (784,010)</u>
2,260,940	869,740
(254,397)	(705)
-	(1,649)
(5,075)	(51)
1,205,795	160,898
(60,361)	-
1,490,460	-
45,328	-
35,916	15,433
<u>4,718,606</u>	<u>1,043,666</u>
<u>\$ 4,130,124</u>	<u>\$ 259,656</u>
\$ 1,821,041	\$ 3,078,666
825,010	-
459,426	-
170,861	-
<u>\$ 3,276,338</u>	<u>\$ 3,078,666</u>



CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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) *Section 4B Sales Tax Fund* – This fund is used to account for funds received from the ½ cent sales tax dedicated to certain economic and infrastructure projects.
- (c) *2005 General Obligation Bond Fund* – This fund is used to fund projects that benefit the City in general. A specific project from this issue is the construction of the Police Facility.

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 fund, which is the legal level of control. City Council approves changes between departments as well as amendments to the budget during the year as may be required.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Formal budgetary integration is not employed for the Debt Service Fund and Capital Projects Funds because effective budgetary control is alternatively achieved through bond indenture provisions and legally binding construction contracts, respectively.
6. The budget for the General Fund and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgets for the Proprietary Funds are utilized for planning, control and evaluation purposes. They are adopted on a basis consistent with GAAP except that bond principal payments and fixed asset acquisitions are treated as expenditures.
7. Budgeted amounts are amended by the City Council during the year. Individual amendments were not material in relation to the original appropriations, which were amended.

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

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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:

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

1. Summary of significant accounting policies – Continued

Fund	Taxes	Grant	Interest	Other	Accounts	Total
General	\$ 1,222,893	\$ -	\$ 74,781	\$ -	\$ 6,179,258	\$ 7,476,932
Section 4b Sales Tax	-	-	21,224	229,385	-	250,609
Debt Service	321,954	-	10,438	-	-	332,392
Grant	-	-	2,643	41,981	-	44,624
Community Investment	-	-	3,864	-	-	3,864
Hotel/Motel Tax	-	-	3,610	-	-	3,610
T.I.R.Z. One	-	-	1,046	-	-	1,046
Capital Improvements	-	4,716	8,745	-	-	13,461
Transportation	-	-	6,505	-	-	6,505
1998 G.O. Bonds	-	-	6,546	-	-	6,546
2000 C.O. Bonds	-	-	157	-	-	157
2000 G.O. Bonds	-	-	6,543	-	-	6,543
2002 G.O. Bonds	-	-	2,550	-	-	2,550
2004 C.O. Bonds	-	-	3,150	2,157	-	5,307
2005 C.O. Bonds	-	-	-	2,152	-	2,152
2005 G.O. Bonds	-	-	572	918	-	1,490
2006 C.O. Bonds	-	-	103	-	-	103
2006 G.O. Bonds	-	-	158	-	-	158
Utility	-	-	10,458	-	968,734	979,192
Water Authority	-	-	12,351	-	169,605	181,956
Airport	-	-	1,972	-	2,771	4,743
Sylvan Beach	-	-	1,508	-	-	1,508
Golf Course	-	-	-	-	50,473	50,473
Motorpool	-	-	13,980	-	79,711	93,691
Technology	-	-	5,643	-	-	5,643
Insurance	-	-	11,107	-	2,081	13,188
Gross Receivables	1,544,847	4,716	209,654	276,593	7,452,633	9,488,443
Less: allowance for uncollectibles	(788,481)	-	-	-	(2,087,157)	(2,875,638)
Net total receivables	<u>\$ 756,366</u>	<u>\$ 4,716</u>	<u>\$ 209,654</u>	<u>\$ 276,593</u>	<u>\$ 5,365,476</u>	<u>\$ 6,612,805</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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	Total
	General	Debt Service	Proprietary	Revenue	
Delinquent property taxes receivable	\$ 647,980	\$ 113,612	\$ -	\$ -	\$ 761,592
Charges for services and customer deposits	2,890,937	-	87,151	-	2,978,088
Grant Revenues	-	-	-	49,670	49,670
Total deferred / unearned revenue	<u>\$ 3,538,917</u>	<u>\$ 113,612</u>	<u>\$ 87,151</u>	<u>\$ 49,670</u>	<u>\$ 3,789,350</u>

I. Use of Estimates

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

J. Indirect Expense Allocations

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

K. Restricted Assets

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

L. Inventories

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

M. Interfund Transactions

Transactions Between Funds

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures or expenses in the funds involved. Transactions, which constitute reimbursement to a fund for expenditures or expenses initially made from that fund, which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Nonrecurring or nonroutine transfers of equity between funds are reported as additions to, or reductions of, the fund balance of Governmental Funds. All other legally authorized transfers are treated as transfers and are included in the results of operations of both Governmental and Proprietary Funds.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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, 2006, 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, 2006 is comprised of the following:

	Governmental	Business Type	Total
Vacation	\$ 675,505	\$ 124,553	\$ 800,058
Sick Leave	1,595,279	198,404	1,793,683
Total All Funds	\$ 2,270,784	\$ 322,957	\$ 2,593,741

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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

2. Cash, Cash Equivalents and Investments - Continued

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 (MMMMF), with a dollar weighted average portfolio maturity of 90 days or less, includes in their investment objectives the maintenance of a stable net asset value of \$1 for each share.
- SEC-registered, no-load money market mutual funds (MMMMF) that have an average weighted maturity of less than two years, invests exclusively in obligations described above and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of no less than "AAA" or its equivalent.
- Authorized government investment pools that invest solely in obligations of any of the above investments provided that the pools are rated no lower than "Aaa" or "AAA" or an equivalent by at least one nationally recognized rating service.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

2. Cash, Cash Equivalents and Investments - Continued

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 \$51,688,558.

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

	Cash Bank			Total
	Deposits	Pooled Funds	Investments	
General	\$ 905,549	\$ 4,510,411	\$ 5,287,784	\$ 10,703,744
Debt Service	178,690	890,030	752,683	1,821,403
Capital Projects	585,744	17,616,871	2,467,282	20,669,897
Special Revenue Funds	496,420	2,472,598	2,553,096	5,522,114
Total Governmental Funds	<u>2,166,403</u>	<u>25,489,910</u>	<u>11,060,845</u>	<u>38,717,158</u>
Internal Service Funds	514,753	2,563,913	2,160,627	5,239,293
Total Governmental Activities	<u>2,681,156</u>	<u>28,053,823</u>	<u>13,221,472</u>	<u>43,956,451</u>
Enterprise	304,478	5,686,214	1,741,415	7,732,107
Total	<u>\$ 2,985,633</u>	<u>\$ 33,740,038</u>	<u>\$ 14,962,887</u>	<u>\$ 51,688,558</u>

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	\$ 2,122,366
Net Increase (Decrease) in Fair Value of Investments	50,053
Total Investment Income	<u>\$ 2,172,419</u>

Investment Risks

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

<u>Investment Type</u>	<u>Fair Value</u>
Public funds investment pools	\$ 33,740,038
US Agency securities	14,962,887
Total	<u>\$ 48,702,925</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

2. Cash, Cash Equivalents and Investments - Continued

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:

	Fair Value	Weighted Average Maturity (Months)
Federal Home Loan Bank (FHLB)	\$9,965,937	4.42
Federal Home Loan Mortgage Corporation (FHLMC)	1,997,580	1.69
Federal National Mortgage Association (FNMA)	2,999,370	0.78
 Total fair value	 \$14,962,887	
 Portfolio weighted average maturity		 9.42

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>
Agency Notes	\$ 14,962,887	48%
Investment Pools	33,740,038	52%
	\$ 48,702,925	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, Federal Home Loan Mortgage Corporation (FHLMC) 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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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 2005-06 tax year were \$0.613 and \$0.097, respectively, per \$100 of assessed valuation. The 2005 assessed value and total tax levy as adjusted through September 30, 2006 were \$1,695,166,598 and \$12,035,686 respectively.

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

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

4. Capital Assets

Capital asset activity for the year ended September 30, 2006 was as follows:

	Beginning Balance 10/01/05	Additions	Retirements & Adjustments	Ending Balance 09/30/06
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,682,585	\$ 2,932	\$ -	\$ 7,685,517
Construction in progress	9,431,427	4,518,754	(3,966,207)	9,983,974
Total capital assets, not being depreciated	<u>17,114,012</u>	<u>4,521,686</u>	<u>(3,966,207)</u>	<u>17,669,491</u>
Capital assets, being depreciated:				
Buildings and improvements	17,925,224	20,659	(213,655)	17,732,228
Improvements other than buildings	10,476,050	103,503	(2,891,695)	7,687,858
Infrastructure	23,482,106	854,597	2,537,113	26,873,816
Machinery and equipment	12,236,506	1,663,337	(579,962)	13,319,881
Total capital assets being depreciated	<u>64,119,886</u>	<u>2,642,096</u>	<u>(1,148,199)</u>	<u>65,613,783</u>
Less accumulated depreciation for:				
Buildings	9,227,792	736,872	(9,157)	9,955,507
Improvements other than buildings	4,512,020	300,019	(39,186)	4,772,853
Machinery and equipment	7,572,159	1,008,556	(478,353)	8,102,362
Infrastructure	13,505,407	1,090,389	751	14,596,547
Total accumulated depreciation	<u>34,817,378</u>	<u>3,135,836</u>	<u>(525,945)</u>	<u>37,427,269</u>
Total capital assets, being depreciated, net	<u>29,302,508</u>	<u>(493,740)</u>	<u>(622,254)</u>	<u>28,186,514</u>
Governmental activities capital assets, net	<u>\$ 46,416,520</u>	<u>\$ 4,027,946</u>	<u>\$ (4,588,461)</u>	<u>\$ 45,856,005</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

4. Capital Assets – Continued

	Beginning Balance 10/01/05	Additions	Retirements & Adjustments	Ending Balance 09/30/06
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,350,478	\$ -	\$ -	\$ 2,350,478
Construction in progress	1,184,241	2,371,664	(916,944)	2,638,961
Total capital assets, not being depreciated	<u>3,534,719</u>	<u>2,371,664</u>	<u>(916,944)</u>	<u>4,989,439</u>
Capital assets, being depreciated				
Buildings and improvements	1,166,840	-	-	1,166,840
Improvements other than buildings	63,504,133	580,706	5,096,516	69,181,355
Machinery and equipment	453,644	6,330	(30,790)	429,184
Total capital assets, being depreciated	<u>65,124,617</u>	<u>587,036</u>	<u>5,065,726</u>	<u>70,777,379</u>
Less accumulated depreciation for:				
Buildings and improvements	706,880	50,102	-	756,982
Improvements other than buildings	33,871,842	2,189,521	-	36,061,363
Machinery and equipment	345,929	21,317	(14,708)	352,538
Total accumulated depreciation	<u>34,924,651</u>	<u>2,260,940</u>	<u>(14,708)</u>	<u>37,170,883</u>
Total capital assets, being depreciated net	<u>30,199,966</u>	<u>(1,673,902)</u>	<u>5,080,434</u>	<u>33,606,500</u>
Business-type activities capital assets, net	<u>\$ 33,734,685</u>	<u>\$ 697,761</u>	<u>\$ 4,163,489</u>	<u>\$ 38,595,935</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

4. Capital Assets – Continued

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

Governmental activities:	
General government	\$ 298,938
Public safety	307,965
Public works	1,167,845
Culture and Recreation	491,459
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>869,628</u>
Total depreciation expense - governmental activities	<u>\$ 3,135,835</u>
Business-type activities:	
Water & Sewer Services	\$ 1,990,081
Airport	108,772
Golf Course	147,215
Sylvan Beach Pavillion	<u>14,872</u>
Total depreciation expense - business-type activities	<u>\$ 2,260,940</u>

The City has active construction projects as of September 30, 2006. Total accumulated commitments for ongoing capital projects are composed of the following:

	Construction In Progress	Remaining Contract Balance
Utility Capital Projects Fund	\$ 2,519,056	\$ 19,545
Sylvan Beach Fund	34,905	-
Airport Fund	85,000	-
Hotel/Motel Occupancy Tax Fund	52,316	-
TIRZ Fund	21,057	-
General CIP	557,584	19,545
S1998 General Obligation Bonds	558,210	-
S2000 General Obligation Bonds	822,486	645,255
S2002 General Obligation Bonds	1,514,308	21,716
S2004 Cert. of Obligation Bonds	3,460,479	-
S2005 General Obligation Bonds	2,997,534	7,120,597
Total	<u>\$ 12,622,935</u>	<u>\$ 7,826,658</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

5. Long Term Liabilities

At September 30, 2006 bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
1998 General Obligation Serial Bonds; due in annual installments of \$125,000 through March 15, 2019; interest at 4.25% to 6.25%	\$ 1,625,000	
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%		375,000
1999 La Porte Area Water Authority Contract Revenue Refunding Bonds due in annual payments through March 15, 2017; interest at 7% to 7.5%		6,055,000
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%	2,350,000	
2000 Certificates of Obligation due in annual installments of \$150,000 through March 15, 2020; interest at 5% to 7%	2,100,000	
2002 Limited Tax Bonds due in annual installments of \$270,000 through March 15, 2025; interest at 4.25% to 5%	5,130,000	
2004 Certificates of Obligation due in annual payments through March 15, 2025; interest at 3.6% to 4.45%	6,800,000	
2005 General Obligation Serial Bonds due in annual payments through March 15, 2025; interest at 3.75% to 4.25%	7,435,000	
2005 Certificates of Obligation due in annual payments through March 15, 2015; interest at 2.8% to 3.8%	1,740,000	
2006 Public Property Finance Contractual Obligation due in annual payments through January 25, 2016; interest at 3.74%		2,625,000
2006 General Obligation Serial Bonds due in annual payments through March 15, 2005; interest at 3.625% to 4.25%	1,200,000	
2006 Certificate of Obligation due in annual payments through March 15, 2025; interest at 3.75% to 4.3%	5,765,000	
Total Bonds Payable	<u><u>\$ 34,145,000</u></u>	<u><u>\$ 9,055,000</u></u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

5. Long Term Liabilities – Continued

Changes in Outstanding Debt –

Transactions for the year ended September 30, 2006 are summarized as follows:

	Balance October 1, 2005	Issues or Additions	Payments or Expenditures	Balance September 30, 2006	Due within one year
Governmental Type Activities					
General Obligation Bonds	\$ 17,325,000	\$ 1,200,000	\$ 785,000	\$ 17,740,000	\$ 810,000
Certificates of Obligation	11,050,000	5,765,000	410,000	16,405,000	425,000
Compensated Absences	2,602,839	151,420	237,058	2,517,201	149,000
Total governmental fund types	<u>30,977,839</u>	<u>7,116,420</u>	<u>1,432,058</u>	<u>36,662,201</u>	<u>1,384,000</u>
Business Type Activities					
Revenue Bonds Payable	7,145,000	-	715,000	6,430,000	585,000
Public Property Finance					
Contractual Obligation	-	2,625,000	-	2,625,000	262,500
Compensated absences	459,500	63,387	12,037	510,850	30,000
Total business fund types	<u>7,604,500</u>	<u>2,688,387</u>	<u>727,037</u>	<u>9,565,850</u>	<u>877,500</u>
Total of all fund types	<u>\$ 38,582,339</u>	<u>\$ 9,804,807</u>	<u>\$ 2,159,095</u>	<u>\$ 46,228,051</u>	<u>\$ 2,261,500</u>

General Obligation Bonds and Certificates of Obligation –

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligations Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each 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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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, 2006.

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

Current Maturities of Revenue Bonds	\$ 950,010
Customer Deposits Payable	<u>505,287</u>
Total Restricted Cash and Cash Investments as of September 30, 2006	<u><u>\$ 1,455,297</u></u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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, 2006, are as follows:

General Obligation Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2007	\$ 810,000	\$ 782,479	\$ -	\$ -	\$ 1,592,479
2008	865,000	724,726	-	-	1,589,726
2009	875,000	684,138	-	-	1,559,138
2010	895,000	644,779	-	-	1,539,779
2011	930,000	605,335	-	-	1,535,335
2012-2016	4,890,000	2,398,341	-	-	7,288,341
2017-2021	4,960,000	1,289,372	-	-	6,249,372
2022-2026	3,515,000	315,505	-	-	3,830,505
Total	\$ 17,740,000	\$ 7,444,676	\$ -	\$ -	\$ 25,184,676

Certificate of Obligations

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2007	\$ 425,000	\$ 780,813	\$ 262,500	\$ 93,266	\$ 1,561,579
2008	650,000	671,014	262,500	83,449	1,666,963
2009	670,000	642,120	262,500	73,631	1,648,251
2010	700,000	613,310	262,500	63,814	1,639,624
2011	725,000	584,340	262,500	53,996	1,625,836
2012-2016	4,080,000	2,437,383	1,312,500	122,719	7,952,601
2017-2021	4,875,000	1,451,051	-	-	6,326,051
2022-2026	4,280,000	379,209	-	-	4,659,209
Total	\$ 16,405,000	\$ 7,559,240	\$ 2,625,000	\$ 490,875	\$ 27,080,115

Revenue Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
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	-	-	550,000	185,513	735,513
2012-2016	-	-	3,210,000	474,706	3,684,706
2017-2021	-	-	320,000	7,600	327,600
Total	\$ -	\$ -	\$ 6,430,000	\$ 1,727,014	\$ 8,157,014

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

5. Long Term Liabilities – Continued

Bonds Authorized and Unissued –

At September 30, 2006, 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, 2006, \$2,025,000 of the refunded bonds have been paid and \$6,055,000 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 811 administered by TMRS, an agent multiple-employer public employee retirement system. A copy of the 2005 TMRS Comprehensive Annual Financial Report may be obtained by writing to P.O. Box 149153, Austin, Texas 78714. In addition, the city provides pension benefits to its volunteer firemen through the Texas Statewide Emergency Services Personnel Retirement Fund, one of 150 administered by the Fire Fighters' Pension Commissioner, a cost sharing multiple employer pension system. That report may be obtained by writing to Firefighters Pension Commission, P.O. Box 12577, Austin, Texas 78711. Both Plans are more fully described below.

Texas Municipal Retirement System

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

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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, 2005
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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2003	\$ 1,743,041	100%	-
2004	2,037,218	100%	-
2005	1,984,770	100%	-

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

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

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, 2006 there were 181 member departments participating in the pension system. The following table summarizes the pension system membership as of August 31, 2006:

Retirees and beneficiaries currently receiving benefits	1,766
Terminated members entitled to benefits but not yet receiving those	1,815
Current active members (vested and non-vested)	4,480

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 6.2 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. As of September 1, 2006, the governing bodies of participating department members are required to contribute at least \$16 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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

6. Pension Benefits – Continued

Contributions Required and Contributions Made

As previously stated the required contribution of at least \$16 per member per month is not actuarially determined. The 2005 Legislative Session gave the Board of Trustees of the Texas Emergency Services Retirement System (TESRS) the authority to establish vesting periods, contribution levels, benefit formulas and eligibility requirements under Title 8, Government Code, Subtitle H. The minimum monthly contribution rate per member is increasing from \$12 to \$36 in \$4 annual increments beginning September 1, 2006 and becoming \$36 September 1, 2011. For the fiscal year ending August 31, 2006, contributions totaling \$2,077,728 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.

Fiscal Year	City Annual Contributions	Percentage of Required Contributions
2004	13,392	100%
2005	13,104	100%
2006	10,360	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, 2006 are \$546,780 less than the minimum required contributions for that fiscal year, based on amortizing the unfunded actuarial accrued liability over 30 years.

7. Interfund Receivables, Payables and Transfers

Interfund transfers during the year ended September 30, 2006 were as follows:

Transfer out:	Transfer In:						Totals
	General Fund	Capital Project Funds	Debt Service Fund	Special Revenue Funds	Enterprise Fund	Internal Service Funds	
General Fund		1,368,365	\$ -	500,000	\$ -	1,177,438	\$ 3,045,803
Capital Project Funds	-	2,800,000	-	-	-	636,925	3,436,925
Debt Service Fund	-	-	-	-	-	-	-
Special Revenue Funds	249,814	-	740,060	-	60,000	-	1,049,874
Enterprise Funds	343,000	-	-	-	3,084,361	112,882	3,540,243
Internal Service Funds	-	-	-	-	181,000	22,197	203,197
Total	\$ 592,814	\$ 4,168,365	\$ 740,060	\$ 500,000	\$ 3,325,361	\$ 1,949,442	\$ 11,276,042

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 from debt service, 5) transfer from General Fund to La Porte Area Water Authority for an operator's agreement, 6) transfers to fund an employee incentive program and 7) transfer from Hotel/Motel to the Golf Fund for advertising expenditures.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

7. Interfund Receivables, Payables and Transfers - Continued

In the year September 30, 2006, the government made the following one-time transfers:

A transfer of \$500,000 from the General Fund to the Insurance Fund for additional funding for health insurance to offset potential increases to the employee's contributions. A transfer of \$714,450 from the General Fund to the Capital Projects Fund for additional funding for general CIP projects. The Capital Projects Fund does not have an alternative source of revenue so additional amounts were sent over since expenditures were higher than anticipated. A transfer of \$500,000 from the General Fund to the Community Development Fund to fund future economic development. A transfer of \$500,000 from the General Fund to the 2000 General Obligation Bond Fund to cover project overruns for Fire Station #3. A transfer of \$153,915 from the General Fund to the 2002 General Obligation Bond Fund to cover project overruns for the EMS remodel project. A transfer of \$130,000 was made from the Vehicle Replacement to the Golf Fund to purchase Golf Carts. A transfer of \$51,000 from the Insurance Fund to the Golf Fund for repairs due to storm damage.

The composition of interfund balances as of September 30, 2006 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	
General	Utility Fund	\$ 1,362,358
	Golf Fund	128,102
	2005 Certificates of Obligation Bond Fund	600,886
		\$ 2,091,346

The outstanding balances result from overdraws of the pooled cash.

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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

8. Risk Management - Continued

Activity during the year included:

Revenues:	
Charges to divisions	\$ 2,539,214
Charges to employees	446,593
Charges to retirees	80,443
Charges to COBRA participants	-
Total revenues	3,066,250
Expenses:	
Personnel expenses	408,278
Other expenses	396,213
Claims administration	136,222
Claims incurred	2,750,136
Re-insurance premiums	188,684
Total health services expenses	\$ 3,879,533

Included in the claims paid amount is \$406,650 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, 2006 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 2004, 2005 and 2006 are as follows:

	Beginning of Year Accrual	Current Year Estimates	Payment for Claims	End of Year Accrual
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
Fiscal Year 2006	304,387	2,750,136	2,647,873	406,650

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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

9. Commitments and Contingent Liabilities

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

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

10. Post-Employment Benefits

In addition to pension benefits described in Note 6, employees who retire from the City and are eligible for pension benefits shall be provided medical coverage by the City to the extent and subject to the conditions of such coverage that is provided to current employees of the City. This coverage for retired employees is provided at the option of City council through adoption of the annual budget. The City funds these premiums in the same manner as it funds similar premiums for current employees.

Employees, who retired from the City before October 1, 1992, have 100% of their coverage paid for by the City. Employees who retired from the City in 1993 and up to December 31, 1999, with 20 or more years of service have 100% of their coverage paid for by the City. Prior to January 1, 2000, employees who have 15 years but less than 20 years of service are required to pay for 10% of the cost and employees who have 10 years but less than 15 years of service are required to pay for 20% of their costs. For employees who retire after January 1, 2000 the following applies:

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

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2006

10. Post-Employment Benefits - Continued

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

<u>Years of Service with City</u>	<u>Retiree Cost</u>	<u>City Cost</u>
at least 20 years	60% + dependent premiums	40%
21 years	55% + dependent premiums	45%
22 years	50% + dependent premiums	50%
23 years	45% + dependent premiums	55%
24 years	40% + dependent premiums	60%
25 years	35% + dependent premiums	65%
26 years	30% + dependent premiums	70%
27 years	25% + dependent premiums	75%
28 years	20% + dependent premiums	80%
29 years	15% + dependent premiums	85%
30 years	10% + dependent premiums	90%

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

<u>Total Cost</u>	<u>City's Cost</u>	<u>Retiree Cost</u>	<u>Number of Retired Employees</u>
\$480,182	\$376,202	\$103,980	57

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]
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
2005	43,001,769	53,388,381	10,386,612	80.5	15,137,017	68.6

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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Property taxes	\$ 10,395,130	\$ 10,395,130	\$ 10,454,157	\$ 59,027
Franchise taxes	1,837,680	1,904,237	1,986,698	82,461
Sales taxes	2,389,099	2,389,099	2,495,547	106,448
Industrial payments	7,448,417	7,448,417	7,470,700	22,283
Other taxes	55,883	55,883	69,310	13,427
Licenses and permits	368,730	603,917	683,284	79,367
Fines and forfeits	676,446	803,323	848,232	44,909
Charges for services	3,606,414	3,752,821	3,852,570	99,749
Intergovernmental	22,500	22,500	8,489	(14,011)
Interest	329,370	534,526	652,700	118,174
Miscellaneous	30,000	44,960	24,778	(20,182)
Total revenues	<u>27,159,669</u>	<u>27,954,813</u>	<u>28,546,465</u>	<u>591,652</u>
EXPENDITURES				
General Government:				
Administration	2,348,030	2,367,687	2,359,502	8,185
Finance	2,521,974	2,492,363	2,262,531	229,832
Planning & Engineering	1,527,418	1,572,418	1,425,389	147,029
Public Safety:				
Fire	3,538,587	3,593,163	3,433,273	159,890
Police	7,864,805	7,915,513	7,638,556	276,957
Public Works:				
Public Works Administration	320,488	333,488	303,538	29,950
Streets	2,239,503	2,248,773	2,056,535	192,238
Health and Sanitation:				
Solidwaste	1,805,705	1,819,705	1,813,812	5,893
Culture and Recreation	3,143,129	3,176,605	3,010,725	165,880
Total expenditures	<u>25,309,639</u>	<u>25,519,715</u>	<u>24,303,861</u>	<u>1,215,854</u>
Excess (deficiency) of revenues over expenditures	<u>1,850,030</u>	<u>2,435,098</u>	<u>4,242,604</u>	<u>1,807,506</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	90,083	90,083
Transfers in	397,635	397,635	647,449	249,814
Transfers out	(677,438)	(3,045,803)	(3,045,803)	-
Total other financing sources (uses)	<u>(279,803)</u>	<u>(2,648,168)</u>	<u>(2,308,271)</u>	<u>339,897</u>
Net change in fund balances	1,570,227	(213,070)	1,934,333	2,147,403
Fund balances—beginning	9,181,327	9,181,327	9,181,327	-
Fund balances—ending	<u>\$ 10,751,554</u>	<u>\$ 8,968,257</u>	<u>\$ 11,115,660</u>	<u>\$ 2,147,403</u>

Required Supplementary Information

**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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales taxes	\$ 1,117,500	\$ 1,117,500	\$ 1,245,774	\$ 128,274
Interest	65,390	65,390	121,396	56,006
Total revenues	<u>1,182,890</u>	<u>1,182,890</u>	<u>1,367,170</u>	<u>184,280</u>
EXPENDITURES				
Current:				
Capital Outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,182,890</u>	<u>1,182,890</u>	<u>1,367,170</u>	<u>184,280</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(740,060)	(740,060)	(740,060)	-
Total other financing sources (uses)	<u>(740,060)</u>	<u>(740,060)</u>	<u>(740,060)</u>	<u>-</u>
Net change in fund balances	442,830	442,830	627,110	184,280
Fund balances—beginning	3,226,505	3,226,505	3,226,505	-
Fund balances—ending	<u>\$ 3,669,335</u>	<u>\$ 3,669,335</u>	<u>\$ 3,853,615</u>	<u>\$ 184,280</u>

CITY OF LA PORTE, TEXAS
Notes to the Required Supplementary Information
September 30, 2006

Budgetary Basis of Accounting

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

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund

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

Special Revenue Funds

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

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

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

2004 Certificate of Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures related to Bay Area Boulevard, Canada Road Paving and Drainage Improvements and the land acquisition of the Police Headquarters.

2005 Certificate of Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures related to the purchase of an aerial fire truck, Bayshore Water/Sewer Replacement and various other Water/Sewer Capital Improvements.

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

2006 General Obligation Bonds Fund - This fund is used to account for the proceeds and expenditures related to the Westside Park Improvements.



CITY OF LA PORTE, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

	Special Revenue Funds							
	Grant	Community Investment	Hotel/Motel Occupancy Tax	Tax Increment Reinvestment Zone One (TIRZ)	Totals	Capital Projects	Transportation & Other Infrastructure	1998 General Obligation Bonds
ASSETS								
Cash and cash equivalents	\$ 285,791	\$ 386,773	\$ 361,799	\$ 103,969	\$1,138,332	\$ 874,664	\$ 650,451	\$ 657,467
Investments	180,344	272,398	254,809	73,224	780,775	616,011	458,103	463,043
Due from others	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-	-
Grant receivable	-	-	-	-	-	4,716	-	-
Other receivables	41,977	-	-	-	41,977	-	-	-
Accrued interest receivable	2,643	3,864	3,612	1,045	11,164	8,744	6,506	6,546
Total assets	<u>510,755</u>	<u>663,035</u>	<u>620,220</u>	<u>178,238</u>	<u>1,972,248</u>	<u>1,504,135</u>	<u>1,115,060</u>	<u>1,127,056</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	4,811	771	213,807	971	220,360	332,694	-	(20)
Accrued salaries payable	-	-	2,319	-	2,319	-	-	-
Retainage payable	-	-	-	-	-	168	-	-
Due to other funds	-	-	-	-	-	-	-	-
Unearned Revenue	49,670	-	-	-	49,670	-	-	-
Total liabilities	<u>54,481</u>	<u>771</u>	<u>216,126</u>	<u>971</u>	<u>272,349</u>	<u>332,862</u>	<u>-</u>	<u>(20)</u>
Fund Balances:								
Reserved for:								
Capital projects	-	-	-	-	-	-	-	-
Municipal Court Building Security	106,652	-	-	-	106,652	-	-	-
Municipal Court Technology Fee	73,724	-	-	-	73,724	-	-	-
Park Zone	153,006	-	-	-	153,006	-	-	-
Confiscated funds	119,137	-	-	-	119,137	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Unreserved	3,755	662,264	404,094	177,267	1,247,380	1,171,273	1,115,060	1,127,076
Other purposes	-	-	-	-	-	-	-	-
Total fund balances	<u>456,274</u>	<u>662,264</u>	<u>404,094</u>	<u>177,267</u>	<u>1,699,899</u>	<u>1,171,273</u>	<u>1,115,060</u>	<u>1,127,076</u>
Total liabilities and fund balances	<u>\$ 510,755</u>	<u>\$ 663,035</u>	<u>\$ 620,220</u>	<u>\$ 178,238</u>	<u>\$1,972,248</u>	<u>\$1,504,135</u>	<u>\$ 1,115,060</u>	<u>\$ 1,127,056</u>

Capital Projects Funds

2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	2002 General Obligation Bonds	2004 Certificate of Obligation Bonds	2005 Certificate of Obligation Bonds	2006 Certificate of Obligation Bonds	2006 General Obligation Bonds	Totals	Debt Service	Total Nonmajor Governmental Funds
\$ 15,620	\$ 737,132	\$ 254,327	\$ 313,348	\$ -	\$ 17,493	\$ 26,753	\$ 3,547,255	\$ 1,068,720	\$ 5,754,307
11,000	460,889	820,278	797,161	1,542,434	3,082,581	1,175,600	9,427,100	752,683	10,960,558
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	108,386	108,386
-	-	-	-	-	-	-	4,716	-	4,716
-	-	-	2,157	2,152	-	-	4,309	-	46,286
157	6,541	2,549	3,150	-	103	158	34,454	10,438	56,056
26,777	1,204,562	1,077,154	1,115,816	1,544,586	3,100,177	1,202,511	13,017,834	1,940,227	16,930,309
25,720	232,613	21,669	2,762	8,456	20,180	4,033	648,107	12,728	881,195
-	-	-	-	-	-	-	-	-	2,319
-	-	-	-	-	-	-	168	-	168
-	-	-	-	600,886	-	-	600,886	-	600,886
-	-	-	-	-	-	-	-	113,612	163,282
25,720	232,613	21,669	2,762	609,342	20,180	4,033	1,249,161	126,340	1,647,850
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	106,652
-	-	-	-	-	-	-	-	-	73,724
-	-	-	-	-	-	-	-	-	153,006
-	-	-	-	-	-	-	-	-	119,137
-	-	-	-	-	-	-	-	1,813,887	1,813,887
1,057	971,949	1,055,485	1,113,054	935,244	3,079,997	1,198,478	11,768,672	-	13,016,052
-	-	-	-	-	-	-	-	-	-
1,057	971,949	1,055,485	1,113,054	935,244	3,079,997	1,198,478	11,768,672	1,813,887	15,282,458
\$ 26,777	\$ 1,204,562	\$ 1,077,154	\$ 1,115,816	\$ 1,544,586	\$ 3,100,177	\$ 1,202,511	\$ 13,017,834	\$ 1,940,227	\$ 16,930,309

CITY OF LA PORTE, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended September 30, 2006

	Special Revenue Funds				Totals	Capital Projects	Transportation & Other Infrastructure	1998 General Obligation Bonds
	Grant	Community Investment	Hotel/Motel Occupancy Tax	Tax Increment Reinvestment Zone One (TIRZ)				
REVENUES								
Property taxes	\$ -	\$ -	\$ -	\$ 45,549	\$ 45,549	\$ -	\$ -	\$ -
Donations	-	-	-	-	-	-	-	-
Intergovernmental	977,001	188,891	-	-	1,165,892	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	257,151	-	257,151	-	-	-
Interest	2,953	12,548	30,246	4,408	50,155	44,072	43,779	49,930
Charges for services	-	-	-	-	-	35,000	-	-
Miscellaneous	121,107	-	17,495	-	138,602	-	-	-
Total revenues	<u>1,101,061</u>	<u>201,439</u>	<u>304,892</u>	<u>49,957</u>	<u>1,657,349</u>	<u>79,072</u>	<u>43,779</u>	<u>49,930</u>
EXPENDITURES								
Current:								
Administration	769,873	120,713	275,458	23,299	1,189,343	-	-	-
Capital Outlay	-	-	344,216	-	344,216	308,440	-	102,454
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>769,873</u>	<u>120,713</u>	<u>619,674</u>	<u>23,299</u>	<u>1,533,559</u>	<u>308,440</u>	<u>-</u>	<u>102,454</u>
Excess (deficiency) of revenues over expenditures	<u>331,188</u>	<u>80,726</u>	<u>(314,782)</u>	<u>26,658</u>	<u>123,790</u>	<u>(229,368)</u>	<u>43,779</u>	<u>(52,524)</u>
OTHER FINANCING SOURCES (USES)								
Issuance of debt	-	-	-	-	-	-	-	-
Premium on bonds	-	-	-	-	-	-	-	-
Transfers in	-	500,000	-	-	500,000	714,450	-	-
Transfers out	(249,814)	-	(60,000)	-	(309,814)	-	-	-
Total other financing sources (uses)	<u>(249,814)</u>	<u>500,000</u>	<u>(60,000)</u>	<u>-</u>	<u>190,186</u>	<u>714,450</u>	<u>-</u>	<u>-</u>
Net change in fund balances	81,374	580,726	(374,782)	26,658	313,976	485,082	43,779	(52,524)
Fund balances—beginning	374,900	81,538	778,876	150,609	1,385,923	686,191	1,071,281	1,179,600
Fund balances—ending	<u>\$ 456,274</u>	<u>\$ 662,264</u>	<u>\$ 404,094</u>	<u>\$ 177,267</u>	<u>\$ 1,699,899</u>	<u>\$ 1,171,273</u>	<u>\$ 1,115,060</u>	<u>\$ 1,127,076</u>

Capital Projects Funds

2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	2002 General Obligation Bonds	2004 General Obligation Bonds	2005 Certificate of Obligation Bonds	2006 Certificate of Obligation Bonds	2006 General Obligation Bonds	Totals	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,662,935	\$ 1,708,484
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,165,892
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	43	257,194
906	47,390	99,725	27,815	69,716	92,666	18,704	494,703	86,581	631,439
-	-	-	-	-	-	-	35,000	-	35,000
-	-	-	-	-	-	-	-	-	138,602
<u>906</u>	<u>47,390</u>	<u>99,725</u>	<u>27,815</u>	<u>69,716</u>	<u>92,666</u>	<u>18,704</u>	<u>529,703</u>	<u>1,749,559</u>	<u>3,936,611</u>
-	-	-	-	-	-	-	-	-	1,189,343
-	786,671	562,655	479,599	258,299	-	-	2,498,118	-	2,842,334
-	-	-	-	-	-	-	-	1,195,000	1,195,000
-	-	-	-	-	-	-	-	1,185,364	1,185,364
-	-	-	-	-	154,994	33,956	188,950	-	188,950
-	786,671	562,655	479,599	258,299	154,994	33,956	2,687,068	2,380,364	6,600,991
<u>906</u>	<u>(739,281)</u>	<u>(462,930)</u>	<u>(451,784)</u>	<u>(188,583)</u>	<u>(62,328)</u>	<u>(15,252)</u>	<u>(2,157,365)</u>	<u>(630,805)</u>	<u>(2,664,380)</u>
-	-	-	-	-	5,765,000	1,200,000	6,965,000	-	6,965,000
-	-	-	-	-	177,325	13,730	191,055	-	191,055
-	500,000	153,915	-	-	-	-	1,368,365	740,060	2,608,425
-	-	-	-	(636,925)	(2,800,000)	-	(3,436,925)	-	(3,746,739)
-	500,000	153,915	-	(636,925)	3,142,325	1,213,730	5,087,495	740,060	6,017,741
906	(239,281)	(309,015)	(451,784)	(825,508)	3,079,997	1,198,478	2,930,130	109,255	3,353,361
151	1,211,230	1,364,500	1,564,838	1,760,752	-	-	8,838,543	1,704,632	11,929,098
<u>\$ 1,057</u>	<u>\$ 971,949</u>	<u>\$ 1,055,485</u>	<u>\$ 1,113,054</u>	<u>\$ 935,244</u>	<u>\$ 3,079,997</u>	<u>\$ 1,198,478</u>	<u>\$ 11,768,673</u>	<u>\$ 1,813,887</u>	<u>\$ 15,282,459</u>



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

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

CITY OF LA PORTE, TEXAS
Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 2,793,931	\$ 2,950,524	\$ 977,001	\$ (1,973,523)
Interest	-	-	2,953	2,953
Miscellaneous	-	-	121,107	121,107
Total revenues	<u>2,793,931</u>	<u>2,950,524</u>	<u>1,101,061</u>	<u>(1,849,463)</u>
EXPENDITURES				
Current:				
Administration	2,793,931	3,039,385	769,873	2,269,512
Total expenditures	<u>2,793,931</u>	<u>3,039,385</u>	<u>769,873</u>	<u>2,269,512</u>
Excess (deficiency) of revenues over expenditures	-	(88,861)	331,188	420,049
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	
Transfers out	-	(249,814)	(249,814)	
Total other financing sources (uses)	<u>-</u>	<u>(249,814)</u>	<u>(249,814)</u>	
Net change in fund balances	-	(338,675)	81,374	420,049
Fund balances—beginning	374,900	374,900	374,900	-
Fund balances—ending	<u>\$ 374,900</u>	<u>\$ 36,225</u>	<u>\$ 456,274</u>	<u>\$ 420,049</u>

CITY OF LA PORTE, TEXAS
Community Investment Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Industrial payments	\$ 132,687	\$ 132,687	\$ 188,891	\$ 56,204
Interest	2,690	2,690	12,548	9,858
Total revenues	<u>135,377</u>	<u>135,377</u>	<u>201,439</u>	<u>66,062</u>
EXPENDITURES				
Current:				
Administration	190,000	190,000	120,713	69,287
Capital Outlay	-	-	-	-
Total expenditures	<u>190,000</u>	<u>190,000</u>	<u>120,713</u>	<u>69,287</u>
Excess (deficiency) of revenues over expenditures	<u>(54,623)</u>	<u>(54,623)</u>	<u>80,726</u>	<u>135,349</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balances	445,377	445,377	580,726	135,349
Fund balances—beginning	81,538	81,538	81,538	-
Fund balances—ending	<u>\$ 526,915</u>	<u>\$ 526,915</u>	<u>\$ 662,264</u>	<u>\$ 135,349</u>

CITY OF LA PORTE, TEXAS
Hotel/Motel Occupancy Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other taxes	\$ 230,000	\$ 230,000	\$ 257,151	\$ 27,151
Interest	20,590	20,590	30,246	9,656
Miscellaneous	15,995	15,995	17,495	1,500
Total revenues	<u>266,585</u>	<u>266,585</u>	<u>304,892</u>	<u>38,307</u>
EXPENDITURES				
Current:				
Administration	274,280	294,288	275,458	18,830
Capital Outlay	-	133,842	344,216	(210,374)
Total expenditures	<u>274,280</u>	<u>428,130</u>	<u>619,674</u>	<u>(191,544)</u>
Excess (deficiency) of revenues over expenditures	<u>(7,695)</u>	<u>(161,545)</u>	<u>(314,782)</u>	<u>(153,237)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(60,000)	(60,000)	(60,000)	-
Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Net change in fund balances	(67,695)	(221,545)	(374,782)	(153,237)
Fund balances—beginning	778,876	778,876	778,876	-
Fund balances—ending	<u>\$ 711,181</u>	<u>\$ 557,331</u>	<u>\$ 404,094</u>	<u>\$ (153,237)</u>

CITY OF LA PORTE, TEXAS
Tax Increment Reinvestment Zone One Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 40,750	\$ 40,750	\$ 45,549	\$ 4,799
Interest	3,100	3,100	4,408	1,308
Total revenues	<u>43,850</u>	<u>43,850</u>	<u>49,957</u>	<u>6,107</u>
EXPENDITURES				
Current:				
Administration	36,000	36,000	23,299	12,701
Capital Outlay	-	-	-	-
Total expenditures	<u>36,000</u>	<u>36,000</u>	<u>23,299</u>	<u>12,701</u>
Excess (deficiency) of revenues over expenditures	<u>7,850</u>	<u>7,850</u>	<u>26,658</u>	<u>18,808</u>
Net change in fund balances	7,850	7,850	26,658	18,808
Fund Balances—beginning	150,609	150,609	150,609	-
Fund Balances—ending	<u>\$ 158,459</u>	<u>\$ 158,459</u>	<u>\$ 177,267</u>	<u>\$ 18,808</u>

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Interest	28,000	28,000	44,072	16,072
Total revenues	<u>63,000</u>	<u>63,000</u>	<u>79,072</u>	<u>16,072</u>
EXPENDITURES				
Current:				
Capital Outlay	433,500	688,885	308,440	380,445
Total expenditures	<u>433,500</u>	<u>688,885</u>	<u>308,440</u>	<u>380,445</u>
Excess (deficiency) of revenues over expenditures	<u>(370,500)</u>	<u>(625,885)</u>	<u>(229,368)</u>	<u>396,517</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	714,450	714,450	714,450	-
Net change in fund balances	343,950	88,565	485,082	396,517
Fund balances—beginning	686,191	686,191	686,191	-
Fund balances—ending	<u>\$ 1,030,141</u>	<u>\$ 774,756</u>	<u>\$ 1,171,273</u>	<u>\$ 396,517</u>

CITY OF LA PORTE, TEXAS
Transportation and Other Infrastructure Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	17,000	\$ 17,000	\$ 43,779	\$ 26,779
EXPENDITURES				
Current:				
Administration	60,000	60,000	-	60,000
Total expenditures	60,000	60,000	-	60,000
Excess (deficiency) of revenues over expenditures	(43,000)	(43,000)	43,779	86,779
Net change in fund balances	(43,000)	(43,000)	43,779	86,779
Fund balances—beginning	1,071,281	1,071,281	1,071,281	-
Fund balances—ending	<u>\$ 1,028,281</u>	<u>\$ 1,028,281</u>	<u>\$ 1,115,060</u>	<u>\$ 86,779</u>

CITY OF LA PORTE, TEXAS
1998 General Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 20,000	\$ 20,000	\$ 49,930	\$ 29,930
EXPENDITURES				
Current:				
Capital Outlay	1,207,639	1,207,639	102,454	1,105,185
Excess (deficiency) of revenues over expenditures	<u>(1,187,639)</u>	<u>(1,187,639)</u>	<u>(52,524)</u>	<u>1,135,115</u>
Net change in fund balances	(1,187,639)	(1,187,639)	(52,524)	1,135,115
Fund balances—beginning	<u>1,179,600</u>	<u>1,179,600</u>	<u>1,179,600</u>	<u>-</u>
Fund balances—ending	<u><u>\$ (8,039)</u></u>	<u><u>\$ (8,039)</u></u>	<u><u>\$ 1,127,076</u></u>	<u><u>\$ 1,135,115</u></u>

CITY OF LA PORTE, TEXAS
2000 Certificate of Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 906	\$ 906
EXPENDITURES				
Current:				
Capital Outlay	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	906	906
Net change in fund balances	-	-	906	906
Fund balances—beginning	151	151	151	-
Fund balances—ending	<u>\$ 151</u>	<u>\$ 151</u>	<u>\$ 1,057</u>	<u>\$ 906</u>

CITY OF LA PORTE, TEXAS
2000 General Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 5,000	\$ 5,000	\$ 47,390	\$ 42,390
EXPENDITURES				
Current:				
Capital Outlay	565,000	565,000	786,671	(221,671)
Excess (deficiency) of revenues over expenditures	(560,000)	(560,000)	(739,281)	(179,281)
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
Total other financing sources (uses)	500,000	500,000	500,000	-
Net change in fund balances	(60,000)	(60,000)	(239,281)	(179,281)
Fund balances—beginning	1,211,230	1,211,230	1,211,230	-
Fund balances—ending	<u>\$ 1,151,230</u>	<u>\$ 1,151,230</u>	<u>\$ 971,949</u>	<u>\$ (179,281)</u>

CITY OF LA PORTE, TEXAS
2002 General Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 20,000	\$ 20,000	\$ 99,725	\$ 79,725
EXPENDITURES				
Current:				
Capital Outlay	831,877	831,877	562,655	269,222
Excess (deficiency) of revenues over expenditures	(811,877)	(811,877)	(462,930)	348,947
OTHER FINANCING SOURCES (USES)				
Transfers in	-	153,915	153,915	-
Net change in fund balances	(811,877)	(657,962)	(309,015)	348,947
Fund balances—beginning	1,364,500	1,364,500	1,364,500	-
Fund balances—ending	<u>\$ 552,623</u>	<u>\$ 706,538</u>	<u>\$ 1,055,485</u>	<u>\$ 348,947</u>

CITY OF LA PORTE, TEXAS
2004 General Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 40,800	\$ 40,800	\$ 27,815	\$ (12,985)
Total revenues	<u>40,800</u>	<u>40,800</u>	<u>27,815</u>	<u>(12,985)</u>
EXPENDITURES				
Current:				
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>479,599</u>	<u>(469,599)</u>
Excess (deficiency) of revenues over expenditures	<u>30,800</u>	<u>30,800</u>	<u>(451,784)</u>	<u>(482,584)</u>
Net change in fund balances	30,800	30,800	(451,784)	(482,584)
Fund balances—beginning	<u>1,564,838</u>	<u>1,564,838</u>	<u>1,564,838</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,595,638</u>	<u>\$ 1,595,638</u>	<u>\$ 1,113,054</u>	<u>\$ (482,584)</u>

CITY OF LA PORTE, TEXAS
2005 General Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 303,628	\$ 303,628
EXPENDITURES				
Current:				
Capital Outlay	10,500,000	10,500,000	3,707,975	6,792,025
Debt Service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>10,500,000</u>	<u>10,500,000</u>	<u>3,707,975</u>	<u>6,792,025</u>
Excess (deficiency) of revenues over expenditures	<u>(10,500,000)</u>	<u>(10,500,000)</u>	<u>(3,404,347)</u>	<u>7,095,653</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Bonds	7,700,000	7,700,000	-	(7,700,000)
Transfers in	2,800,000	2,800,000	2,800,000	-
Total other financing sources (uses)	<u>10,500,000</u>	<u>10,500,000</u>	<u>2,800,000</u>	<u>(7,700,000)</u>
Net change in fund balances	-	-	(604,347)	(604,347)
Fund balances—beginning	<u>7,649,547</u>	<u>7,649,547</u>	<u>7,649,547</u>	<u>-</u>
Fund balances—ending	<u>\$ 7,649,547</u>	<u>\$ 7,649,547</u>	<u>\$ 7,045,200</u>	<u>\$ (604,347)</u>

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 69,716	\$ 69,716
EXPENDITURES				
Current:				
Capital Outlay	1,800,000	1,800,000	258,299	1,541,701
Total expenditures	<u>1,800,000</u>	<u>1,800,000</u>	<u>258,299</u>	<u>1,541,701</u>
Excess (deficiency) of revenues over expenditures	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(188,583)</u>	<u>1,611,417</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Bonds	1,800,000	1,800,000	-	(1,800,000)
Transfers out	-	-	(636,925)	(636,925)
Total other financing sources (uses)	<u>1,800,000</u>	<u>1,800,000</u>	<u>(636,925)</u>	<u>(2,436,925)</u>
Net change in fund balances	-	-	(825,508)	(825,508)
Fund balances—beginning	1,760,752	1,760,752	1,760,752	-
Fund balances—ending	<u>\$ 1,760,752</u>	<u>\$ 1,760,752</u>	<u>\$ 935,244</u>	<u>\$ (825,508)</u>

CITY OF LA PORTE, TEXAS
2006 Certificates of Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 92,666	\$ 92,666
EXPENDITURES				
Current:				
Administration	-	-	-	-
Capital Outlay	-	3,000,000	-	3,000,000
Debt Service:				
Interest and fiscal charges	-	-	154,994	(154,994)
Total expenditures	<u>-</u>	<u>3,000,000</u>	<u>154,994</u>	<u>2,845,006</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(3,000,000)</u>	<u>(62,328)</u>	<u>2,937,672</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	5,800,000	5,800,000	5,765,000	(35,000)
Premium on bonds	-	-	177,325	177,325
Transfers out	-	(2,800,000)	(2,800,000)	-
Total other financing sources (uses)	<u>5,800,000</u>	<u>3,000,000</u>	<u>3,142,325</u>	<u>142,325</u>
Net change in fund balances	5,800,000	-	3,079,997	3,079,997
Fund balances—beginning	-	-	-	-
Fund balances—ending	<u><u>\$ 5,800,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,079,997</u></u>	<u><u>\$ 3,079,997</u></u>

CITY OF LA PORTE, TEXAS
2006 General Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 18,704	\$ 18,704
EXPENDITURES				
Current:				
Capital Outlay	\$ 1,200,000	\$ 1,200,000	\$ -	\$ 1,200,000
Debt Service:				
Interest and fiscal charges	-	-	33,956	(33,956)
Total expenditures	<u>1,200,000</u>	<u>1,200,000</u>	<u>33,956</u>	<u>1,166,044</u>
Excess (deficiency) of revenues over expenditures	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(15,252)</u>	<u>1,184,748</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,200,000	1,200,000	1,200,000	-
Premium on bonds	-	-	13,730	13,730
Total other financing sources (uses)	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,213,730</u>	<u>13,730</u>
Net change in fund balances	-	-	1,198,478	1,198,478
Fund balances—beginning	-	-	-	-
Fund balances—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,478</u>	<u>\$ 1,198,478</u>

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,574,489	\$ 1,574,489	\$ 1,662,935	\$ 88,446
Industrial payments	-	-	43	43
Interest	25,000	25,000	86,581	61,581
Total revenues	<u>1,599,489</u>	<u>1,599,489</u>	<u>1,749,559</u>	<u>150,070</u>
EXPENDITURES				
Debt Service:				
Principal	895,000	895,000	1,195,000	(300,000)
Interest	1,295,671	1,295,671	1,185,364	110,307
Total expenditures	<u>2,190,671</u>	<u>2,190,671</u>	<u>2,380,364</u>	<u>(189,693)</u>
Excess (deficiency) of revenues over expenditures	<u>(591,182)</u>	<u>(591,182)</u>	<u>(630,805)</u>	<u>(39,623)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>740,060</u>	<u>740,060</u>	<u>740,060</u>	<u>-</u>
Net change in fund balances	148,878	148,878	109,255	(39,623)
Fund balances—beginning	1,704,632	1,704,632	1,704,632	-
Fund balances—ending	<u>\$ 1,853,510</u>	<u>\$ 1,853,510</u>	<u>\$ 1,813,887</u>	<u>\$ (39,623)</u>



**SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

General Fund

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

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Revenues - Budget and Actual
Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Ad valorem:				
Current	\$ 10,121,783	\$ 10,121,783	\$ 10,139,822	\$ 18,039
Delinquent	146,303	146,303	166,242	19,939
Industrial Payments	7,448,417	7,448,417	7,470,700	22,283
Total ad valorem	<u>17,716,503</u>	<u>17,716,503</u>	<u>17,776,764</u>	<u>60,261</u>
Penalty and interest	127,044	127,044	148,093	21,049
Sales Taxes	2,389,099	2,389,099	2,495,547	106,448
Other Taxes	55,883	55,883	69,310	13,427
Franchise Fees:				
Electrical	1,150,000	1,174,142	1,394,465	220,323
Gas	150,000	170,415	162,070	(8,345)
Telephone	255,000	255,000	199,296	(55,704)
Cable	212,000	234,000	162,250	(71,750)
Commercial Solidwaste	70,680	70,680	68,617	(2,063)
Total Franchise Fees	<u>1,837,680</u>	<u>1,904,237</u>	<u>1,986,698</u>	<u>82,461</u>
Charges for Services:				
Public safety service fees	978,619	1,203,761	1,321,205	117,444
Health and sanitation service fees	1,815,500	1,774,280	1,769,294	(4,986)
Culture and recreation fees	522,415	435,962	427,312	(8,650)
Other service fees	289,880	338,818	334,759	(4,059)
Total Charges for Services	<u>3,606,414</u>	<u>3,752,821</u>	<u>3,852,570</u>	<u>99,749</u>
Intergovernmental	22,500	22,500	8,489	(14,011)
Licenses and permits:				
Building permits	98,880	166,928	189,358	22,430
Licenses	269,850	436,989	493,926	56,937
Total Licenses and permits	<u>368,730</u>	<u>603,917</u>	<u>683,284</u>	<u>79,367</u>
Investment income	329,370	534,526	652,700	118,174
Fines and forfeitures	676,446	803,323	848,232	44,909
Miscellaneous	30,000	44,960	24,778	(20,182)
Total revenues	<u>\$ 27,159,669</u>	<u>\$ 27,954,813</u>	<u>\$ 28,546,465</u>	<u>\$ 591,652</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
Administration:				
Emergency Management:				
Personal services	\$ 76,425	\$ 94,925	\$ 94,691	\$ 234
Supplies	19,850	26,607	26,555	52
Other services and charges	34,580	30,480	30,403	77
Total Emergency Management	<u>130,855</u>	<u>152,012</u>	<u>151,649</u>	<u>363</u>
General Administration:				
Personal services	439,740	455,740	455,451	289
Supplies	7,560	6,560	6,061	499
Other services and charges	86,644	86,644	86,541	103
Total General Administration	<u>533,944</u>	<u>548,944</u>	<u>548,053</u>	<u>891</u>
Human Resources:				
Personal services	199,072	177,072	176,276	796
Supplies	8,000	12,000	11,260	740
Other services and charges	112,798	135,798	134,408	1,390
Total Human Resources	<u>319,870</u>	<u>324,870</u>	<u>321,944</u>	<u>2,926</u>
Municipal Court:				
Personal services	277,212	277,600	277,560	40
Supplies and materials	13,287	13,330	13,079	251
Other services and charges	180,131	200,200	200,173	27
Total Municipal Court	<u>470,630</u>	<u>491,130</u>	<u>490,812</u>	<u>318</u>
Purchasing:				
Personal services	204,214	199,573	197,510	2,063
Supplies	2,659	2,666	2,664	2
Other services and charges	31,466	36,100	36,013	87
Total Purchasing	<u>238,339</u>	<u>238,339</u>	<u>236,187</u>	<u>2,152</u>
Management Information Services:				
Supplies	-	-	-	-
Other services and charges	-	100	23	77
Total Management Information Svcs	<u>-</u>	<u>100</u>	<u>23</u>	<u>77</u>
City Secretary:				
Personal services	261,082	239,165	238,792	373
Supplies and materials	4,650	16,300	16,195	105
Other services and charges	91,633	124,500	124,011	489
Total City Secretary	<u>357,365</u>	<u>379,965</u>	<u>378,998</u>	<u>967</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Legal:				
Personal services	6,000	6,000	6,000	-
Other services and charges	194,069	162,069	161,896	173
Total Legal	200,069	168,069	167,896	173
City Council:				
Personal services	24,636	23,436	23,294	142
Supplies and materials	16,300	8,800	8,647	153
Other services and charges	56,022	32,022	31,999	23
Total City Council	96,958	64,258	63,940	318
Total Administration	2,348,030	2,367,687	2,359,502	8,185
Finance:				
Accounting:				
Personal services	700,279	684,279	658,006	26,273
Supplies	30,050	30,050	20,802	9,248
Other services and charges	172,765	188,765	188,530	235
Total Accounting	903,094	903,094	867,338	35,756
Nondepartmental:				
Personal services	390,498	449,498	448,180	1,318
Supplies	6,500	9,500	9,308	192
Other services and charges	855,495	763,884	591,728	172,156
Total Nondepartmental	1,252,493	1,222,882	1,049,216	173,666
Tax Office:				
Personal services	185,921	185,921	173,492	12,429
Supplies and materials	11,600	11,600	7,629	3,971
Other services and charges	168,866	168,866	164,856	4,010
Total Tax Office	366,387	366,387	345,977	20,410
Total Finance	2,521,974	2,492,363	2,262,531	229,832
Planning and Engineering:				
Planning and Engineering:				
Personal services	683,723	703,723	701,002	2,721
Supplies	21,201	20,676	12,897	7,779
Other services and charges	127,615	132,140	114,446	17,694
Total Planning and Engineering	832,539	856,539	828,345	28,194
Inspection:				
Personal services	479,781	479,781	473,202	6,579
Supplies	22,728	22,728	15,813	6,915
Other services and charges	192,370	213,370	108,029	105,341
Total Inspection	694,879	715,879	597,044	118,835
Total Planning and Engineering	1,527,418	1,572,418	1,425,389	147,029
TOTAL GENERAL GOVERNMENT	6,397,422	6,432,468	6,047,422	385,046

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC SAFETY:				
Fire				
Fire Prevention:				
Personal services	143,152	143,152	118,188	24,964
Supplies	15,999	31,494	10,225	21,269
Other services and charges	31,695	31,631	28,828	2,803
Total Fire Prevention	<u>190,846</u>	<u>206,277</u>	<u>157,241</u>	<u>49,036</u>
Fire suppression:				
Personal services	1,132,362	1,175,712	1,163,958	11,754
Supplies	126,284	131,854	126,067	5,787
Other services and charges	398,131	396,356	394,193	2,163
Capital Outlay	8,000	-	-	-
Total Fire Suppression	<u>1,664,777</u>	<u>1,703,922</u>	<u>1,684,218</u>	<u>19,704</u>
Emergency medical services:				
Personal services	1,280,730	1,276,730	1,254,292	22,438
Supplies	109,099	113,099	112,363	736
Other services and charges	293,135	293,135	225,159	67,976
Total Emergency Services	<u>1,682,964</u>	<u>1,682,964</u>	<u>1,591,814</u>	<u>91,150</u>
Total Fire	<u>3,538,587</u>	<u>3,593,163</u>	<u>3,433,273</u>	<u>159,890</u>
Police				
Police Administration:				
Personal services	475,043	496,887	496,122	765
Supplies	19,067	20,407	19,198	1,209
Other services and charges	169,244	152,400	152,376	24
Total Police Administration	<u>663,354</u>	<u>669,694</u>	<u>667,696</u>	<u>1,998</u>
Police Patrol:				
Personal services	4,159,122	4,159,122	4,012,800	146,322
Supplies	166,398	188,204	186,375	1,829
Other services and charges	509,553	484,553	411,955	72,598
Total Police Patrol	<u>4,835,073</u>	<u>4,875,113</u>	<u>4,654,364</u>	<u>220,749</u>
Criminal Investigation:				
Personal services	1,298,272	1,320,702	1,319,590	1,112
Supplies	47,705	50,300	50,205	95
Other services and charges	174,047	164,000	163,142	858
Total Criminal Investigation	<u>1,520,024</u>	<u>1,535,002</u>	<u>1,532,937</u>	<u>2,065</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services:				
Personal services	723,322	711,322	664,074	47,248
Supplies	46,435	47,435	47,243	192
Other services and charges	76,597	76,947	72,242	4,705
Total Support Services	<u>846,354</u>	<u>835,704</u>	<u>783,559</u>	<u>52,145</u>
Total Police	<u>7,864,805</u>	<u>7,915,513</u>	<u>7,638,556</u>	<u>276,957</u>
TOTAL PUBLIC SAFETY	<u>11,403,392</u>	<u>11,508,676</u>	<u>11,071,829</u>	<u>436,847</u>
PUBLIC WORKS:				
Public Works Administration:				
Personal services	240,281	238,281	215,081	23,200
Supplies and materials	2,860	3,670	3,666	4
Other services and charges	77,347	91,537	84,791	6,746
Total Public Works Administration	<u>320,488</u>	<u>333,488</u>	<u>303,538</u>	<u>29,950</u>
Streets:				
Personal services	1,416,640	1,416,640	1,279,485	137,155
Supplies	127,522	154,877	154,173	704
Other services and charges	642,341	639,256	600,506	38,750
Capital Outlay	53,000	38,000	22,371	15,629
Total Streets	<u>2,239,503</u>	<u>2,248,773</u>	<u>2,056,535</u>	<u>192,238</u>
TOTAL PUBLIC WORKS	<u>2,559,991</u>	<u>2,582,261</u>	<u>2,360,073</u>	<u>222,188</u>
HEALTH AND SANITATION:				
Residential Solidwaste:				
Personal services	927,582	852,582	848,906	3,676
Supplies	176,712	225,712	225,050	662
Other services and charges	680,411	720,401	718,849	1,552
Total Residential Solidwaste	<u>1,784,705</u>	<u>1,798,695</u>	<u>1,792,805</u>	<u>5,890</u>
Commercial solidwaste:				
Other services and charges	21,000	21,010	21,007	3
TOTAL HEALTH AND SANITATION	<u>1,805,705</u>	<u>1,819,705</u>	<u>1,813,812</u>	<u>5,893</u>
CULTURE & RECREATION:				
Park Maintenance:				
Personal services	934,594	815,594	749,260	66,334
Supplies and materials	79,457	99,713	98,699	1,014
Other services and charges	577,840	625,140	620,134	5,006
Capital outlay	25,000	44,600	19,972	24,628
Total Park Maintenance	<u>1,616,891</u>	<u>1,585,047</u>	<u>1,488,065</u>	<u>96,982</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Recreation:				
Personal services	514,840	574,840	570,114	4,726
Supplies	52,732	53,233	49,553	3,680
Other services and charges	79,666	79,666	76,732	2,934
Total Recreation	<u>647,238</u>	<u>711,728</u>	<u>696,399</u>	<u>15,329</u>
Special Services:				
Personal services	348,871	348,871	331,015	17,856
Supplies	21,911	22,346	21,742	604
Other services and charges	66,520	66,520	56,682	9,838
Total Special Services	<u>437,302</u>	<u>437,737</u>	<u>409,439</u>	<u>28,298</u>
Parks Administration:				
Personal Services	385,154	385,154	361,772	23,382
Supplies	9,862	10,357	10,257	100
Other Services and Charges	46,682	46,582	44,793	1,789
Total Parks Administration	<u>441,698</u>	<u>442,093</u>	<u>416,822</u>	<u>25,271</u>
TOTAL CULTURE AND RECREATION	<u>3,143,129</u>	<u>3,176,605</u>	<u>3,010,725</u>	<u>165,880</u>
TOTAL GENERAL FUND	<u><u>\$ 25,309,639</u></u>	<u><u>\$ 25,519,715</u></u>	<u><u>\$ 24,303,861</u></u>	<u><u>\$ 1,215,854</u></u>



COMBINING FINANCIAL STATEMENTS

Nonmajor Enterprise Funds

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

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

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

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

CITY OF LA PORTE, TEXAS
Combining Statement of Net Assets
Nonmajor Proprietary Funds
For the year ended September 30, 2006

	Business-type Activities - Enterprise Funds			Total Nonmajor Proprietary Funds
	Airport	Sylvan Beach Convention Center	Bay Forest Golf Course	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 197,133	\$ 104,512	\$ -	\$ 301,645
Investments	138,837	105,905	-	244,742
Receivables, net of allowance for uncollectibles	2,771	-	50,473	53,244
Accrued interest receivable	1,972	1,508	-	3,480
Restricted cash, cash equivalents and investments:				
Customer service deposits	-	45,861	-	45,861
Total current assets	340,713	257,786	50,473	648,972
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	-	2,547,922	6,584,096
Vehicles and equipment	-	-	96,306	96,306
Construction in progress	85,000	34,905	-	119,905
Less accumulated depreciation	(2,375,550)	(307,307)	(2,171,272)	(4,854,129)
Total noncurrent assets	1,949,128	111,184	3,085,445	5,145,757
Total assets	2,289,841	368,970	3,135,918	5,794,729
LIABILITIES				
Current liabilities:				
Accounts payable	633	10,434	15,063	26,130
Due to other funds	-	-	128,102	128,102
Accrued salaries payable	-	2,186	13,202	15,388
Unearned Revenue	-	36,677	50,473	87,150
Other current liabilities	1,500	-	4,430	5,930
Payable from restricted assets:				
Customer deposits	-	68,129	-	68,129
Total current liabilities	2,133	117,426	211,270	330,829
Noncurrent liabilities:				
Accrued separation pay	-	6,002	146,024	152,026
Total noncurrent liabilities	-	6,002	146,024	152,026
Total liabilities	2,133	123,428	357,294	482,855
NET ASSETS				
Invested in capital assets, net of related debt	1,949,128	111,184	3,085,445	5,145,757
Unrestricted (deficit)	338,580	134,358	(306,821)	166,117
Total net assets	\$ 2,287,708	\$ 245,542	\$ 2,778,624	\$ 5,311,874

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, 2006

	Business-type Activities -			Total Nonmajor Proprietary Funds
	Enterprise Funds			
	Airport	Sylvan Beach Convention Center	Bay Forest Golf Course	
Operating revenues:				
User fees	\$ 35,624	\$ 168,967	\$ 956,043	\$ 1,160,634
Operating expenses:				
Personal services	-	141,803	802,453	944,256
Supplies	-	14,336	121,366	135,702
Other services and charges	13,776	43,541	214,087	271,404
Depreciation	108,772	14,872	147,215	270,859
Total operating expenses	<u>122,548</u>	<u>214,552</u>	<u>1,285,121</u>	<u>1,622,221</u>
Operating income (loss)	<u>(86,924)</u>	<u>(45,585)</u>	<u>(329,078)</u>	<u>(461,587)</u>
Nonoperating revenues (expenses):				
Interest income	13,019	9,662	2,697	25,378
Gain (loss) on sale of equipment	-	-	(8,804)	(8,804)
Total nonoperating revenue (expenses)	<u>13,019</u>	<u>9,662</u>	<u>(6,107)</u>	<u>16,574</u>
Income (loss) before contributions and transfers	(73,905)	(35,923)	(335,185)	(445,013)
Transfers in	-	25,000	216,000	241,000
Transfers out	<u>(843)</u>	<u>(3,616)</u>	<u>(28,773)</u>	<u>(33,232)</u>
Change in net assets	(74,748)	(14,539)	(147,958)	(237,245)
Total net assets—beginning	<u>2,362,456</u>	<u>260,081</u>	<u>2,926,582</u>	<u>5,549,119</u>
Total net assets—ending	<u>\$ 2,287,708</u>	<u>\$ 245,542</u>	<u>\$ 2,778,624</u>	<u>\$ 5,311,874</u>

CITY OF LA PORTE, TEXAS
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For The Year Ended September 30, 2006

	Business-type Activities -			Total Nonmajor Proprietary Funds
	Enterprise Funds			
	Airport	Sylvan Beach Convention Center	Bay Forest Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user fees	\$ 33,944	\$ 194,739	\$ 956,043	\$ 1,184,726
Cash payments to suppliers	(13,464)	(52,652)	(352,925)	(419,041)
Cash payments for personal services	-	(140,763)	(793,043)	(933,806)
Net cash provided by operating activities	<u>20,480</u>	<u>1,324</u>	<u>(189,925)</u>	<u>(168,121)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	25,000	216,000	241,000
Transfers to other funds	(843)	(3,616)	(28,773)	(33,232)
Net cash from noncapital financing activities	<u>(843)</u>	<u>21,384</u>	<u>187,227</u>	<u>207,768</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	-	-	-	-
Net cash (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	12,209	9,013	2,698	23,920
Net Investments (purchased) sold	32,772	20,807	-	53,579
Net cash provided by investing activities	<u>44,981</u>	<u>29,820</u>	<u>2,698</u>	<u>77,499</u>
Net increase (decrease) in cash and cash equivalents	64,618	52,528	-	117,146
Balances—beginning of the year	132,515	97,845	-	230,360
Balances—end of the year	<u>\$ 197,133</u>	<u>\$ 150,373</u>	<u>\$ -</u>	<u>\$ 347,506</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (86,924)	\$ (45,585)	\$ (329,078)	\$ (461,587)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	108,772	14,872	147,215	270,859
(Increase) decrease in accounts receivable	(1,680)	805	50,000	49,125
Increase (decrease) in accrued salaries payable	-	(90)	210	120
Increase (decrease) in accounts payable	312	5,225	(132,617)	(127,080)
Increase (decrease) in other current liabilities	-	2,597	(62,958)	(60,361)
Increase (decrease) in customer utility deposits	-	22,370	-	22,370
Increase (decrease) due to other funds	-	-	128,102	128,102
Increase (decrease) in accrued employee separation	-	1,130	9,201	10,331
Total adjustments	<u>107,404</u>	<u>46,909</u>	<u>139,153</u>	<u>293,466</u>
Net cash provided by operating activities	<u>\$ 20,480</u>	<u>\$ 1,324</u>	<u>\$ (189,925)</u>	<u>\$ (168,121)</u>
Reconciliation of total cash and cash investments:				
Current Assets - cash and cash equivalents	\$ 197,133	\$ 104,512	\$ -	\$ 301,645
Restricted Assets - cash and cash equivalents	-	45,861	-	45,861
Total cash and cash equivalents	<u>\$ 197,133</u>	<u>\$ 150,373</u>	<u>\$ -</u>	<u>\$ 347,506</u>

COMBINING FINANCIAL STATEMENTS

Internal Service Funds

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

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

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

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

CITY OF LA PORTE, TEXAS
Internal Service Funds
Combining Statement of Net Assets
For the year ended September 30, 2006

	<u>Motor Pool</u>	<u>Technology</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,396,747	\$ 564,534	\$ 1,117,385	\$ 3,078,666
Investments	983,706	397,592	779,329	2,160,627
Accrued interest receivable	13,980	5,643	11,107	30,730
Miscellaneous Receivable	79,711	-	2,081	81,792
Material and supplies inventories, at cost	46,180	-	-	46,180
Total current assets	<u>2,520,324</u>	<u>967,769</u>	<u>1,909,902</u>	<u>5,397,995</u>
Noncurrent assets:				
Capital assets				
Vehicles and equipment	10,614,885	1,125,133	-	11,740,018
Less accumulated depreciation	<u>(6,318,635)</u>	<u>(992,537)</u>	<u>-</u>	<u>(7,311,172)</u>
Total noncurrent assets	<u>4,296,250</u>	<u>132,596</u>	<u>-</u>	<u>4,428,846</u>
Total assets	<u>6,816,574</u>	<u>1,100,365</u>	<u>1,909,902</u>	<u>9,826,841</u>
LIABILITIES				
Current liabilities:				
Accounts payable	29,692	21,212	509,321	560,225
Accrued salaries payable	11,323	4,580	-	15,903
Deferred revenue	-	-	2,106	2,106
Total current liabilities	<u>41,015</u>	<u>25,792</u>	<u>511,427</u>	<u>578,234</u>
Noncurrent liabilities:				
Accrued employee separation pay	121,365	-	-	121,365
Total noncurrent liabilities	<u>121,365</u>	<u>-</u>	<u>-</u>	<u>121,365</u>
Total liabilities	<u>162,380</u>	<u>25,792</u>	<u>511,427</u>	<u>699,599</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,296,250	132,596	-	4,428,846
Unrestricted (deficit)	<u>2,357,944</u>	<u>941,977</u>	<u>1,398,475</u>	<u>4,698,396</u>
Total net assets	<u>\$ 6,654,194</u>	<u>\$ 1,074,573</u>	<u>\$ 1,398,475</u>	<u>\$ 9,127,242</u>

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, 2006

	<u>Motor Pool</u>	<u>Technology</u>	<u>Insurance</u>	<u>Totals</u>
Operating revenues:				
User Fees	\$ 1,799,270	\$ 915,172	\$ 3,100,782	\$ 5,815,224
Cable Fees	-	53,000	-	53,000
Total operating revenues	<u>1,799,270</u>	<u>968,172</u>	<u>3,100,782</u>	<u>5,868,224</u>
Operating expenses:				
Personal services	684,567	268,463	408,256	1,361,286
Supplies	245,939	75,022	-	320,961
Other services and charges	149,485	529,692	3,421,070	4,100,247
Miscellaneous	-	-	-	-
Depreciation	825,185	44,555	-	869,740
Total operating expenses	<u>1,905,176</u>	<u>917,732</u>	<u>3,829,326</u>	<u>6,652,234</u>
Operating income (loss)	<u>(105,906)</u>	<u>50,440</u>	<u>(728,544)</u>	<u>(784,010)</u>
Nonoperating revenues (expenses):				
Interest income	84,518	35,444	45,709	165,671
Gain (loss) on sale of equipment	<u>(50,006)</u>	<u>-</u>	<u>-</u>	<u>(50,006)</u>
Total nonoperating revenues (expenses)	<u>34,512</u>	<u>35,444</u>	<u>45,709</u>	<u>115,665</u>
Income(loss) before contributions and transfers	(71,394)	85,884	(682,835)	(668,345)
Transfers in	636,925	-	1,312,517	1,949,442
Transfers out	<u>(151,508)</u>	<u>(689)</u>	<u>(51,000)</u>	<u>(203,197)</u>
Change in net assets	414,023	85,195	578,682	1,077,900
Net assets—beginning	6,240,171	989,378	819,793	8,049,342
Net assets—ending	<u>\$ 6,654,194</u>	<u>\$ 1,074,573</u>	<u>\$ 1,398,475</u>	<u>\$ 9,127,242</u>

CITY OF LA PORTE, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended September 30, 2006

	<u>Motor Pool</u>	<u>Technology</u>	<u>Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user fees	\$ 1,799,270	\$ 968,172	\$ 3,100,807	\$ 5,868,249
Cash payments to suppliers	(408,449)	(628,982)	(3,224,528)	(4,261,959)
Cash payments for personal services	(669,227)	(268,421)	(408,256)	(1,345,904)
Net cash provided by operating activities	<u>721,594</u>	<u>70,769</u>	<u>(531,977)</u>	<u>260,386</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	636,925	(689)	1,312,517	1,948,753
Transfers out to other funds	(151,508)	-	(51,000)	(202,508)
Net cash from noncapital financing activities	<u>485,417</u>	<u>(689)</u>	<u>1,261,517</u>	<u>1,746,245</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(1,415,060)	(17,649)	-	(1,432,709)
Proceeds from sale of assets	12,217	-	-	12,217
Proceeds from insurance	-	-	-	-
Net cash (used) by capital and related financing activities	<u>(1,402,843)</u>	<u>(17,649)</u>	<u>-</u>	<u>(1,420,492)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	80,075	33,149	38,871	152,095
Investments purchased	424,841	97,020	(148,767)	373,094
Investments sold	-	-	-	-
Net cash provided by investing activities	<u>504,916</u>	<u>130,169</u>	<u>(109,896)</u>	<u>525,189</u>
Net increase (decrease) in cash and cash equivalents	309,084	182,600	619,644	1,111,328
Balances—beginning of the year	1,087,663	381,934	497,741	1,967,338
Balances—end of the year	<u>\$ 1,396,747</u>	<u>\$ 564,534</u>	<u>\$ 1,117,385</u>	<u>\$ 3,078,666</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (105,906)	\$ 50,440	\$ (728,544)	\$ (784,010)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	825,185	44,555	-	869,740
(Increase) decrease in accounts receivable			(705)	(705)
(Increase) decrease in accounts receivable			730	
(Increase) decrease in inventories & prepaid expenses	(1,649)	-	-	(1,649)
Increase (decrease) in accrued salaries payable	(93)	42	-	(51)
Increase (decrease) in accounts payable	(11,376)	(24,268)	196,542	160,898
Increase (decrease) in accrued employee separation	15,433	-	-	15,433
Total adjustments	<u>827,500</u>	<u>20,329</u>	<u>196,567</u>	<u>1,043,666</u>
Net cash provided by operating activities	<u>\$ 721,594</u>	<u>\$ 70,769</u>	<u>\$ (531,977)</u>	<u>\$ 260,386</u>

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

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



CITY OF LA PORTE, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
For the year ended September 30, 2006

Governmental funds capital assets	
Land	\$ 7,685,517
Buildings	17,732,227
Equipment	1,579,863
Improvements	7,687,858
Infrastructure	26,873,816
Construction in progress	<u>9,983,972</u>
Total governmental funds capital assets	<u><u>\$ 71,543,253</u></u>
Investment in governmental funds capital assets by source	
Current Operations	\$ 15,580,656
Capital Projects	54,818,170
Section 4B Sales Tax	<u>1,144,427</u>
Total governmental funds capital assets	<u><u>\$ 71,543,253</u></u>

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

CITY OF LA PORTE, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2006

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Improvements</u>
General Government				
Administration	\$ 858,364	\$ 6,153,276	\$ 309,678	\$ 407,287
Finance	-	-	-	-
Planning	217,002	-	19,922	-
Total general government	<u>1,075,366</u>	<u>6,153,276</u>	<u>329,600</u>	<u>407,287</u>
Public Safety				
Fire	563,413	3,784,847	606,471	28,422
Police	45,089	1,064,031	416,422	25,732
Total Public Safety	<u>608,502</u>	<u>4,848,878</u>	<u>1,022,893</u>	<u>54,154</u>
Public Works				
Administration	2,760,405	2,112,774	106,089	138,145
Streets	-	-	-	-
Total Public Works	<u>2,760,405</u>	<u>2,112,774</u>	<u>106,089</u>	<u>138,145</u>
Cultural and Recreational				
Parks and Recreation	<u>3,241,244</u>	<u>4,617,299</u>	<u>121,281</u>	<u>7,088,272</u>
Total governmental funds capital assets	<u>\$ 7,685,517</u>	<u>\$ 17,732,227</u>	<u>\$ 1,579,863</u>	<u>\$ 7,687,858</u>

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

<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ -	\$ 60,721	\$ 7,789,326
-	-	-
190,488	704,318	1,131,730
<u>190,488</u>	<u>765,039</u>	<u>8,921,056</u>
-	2,336,982	7,320,135
-	3,247,154	4,798,428
<u>-</u>	<u>5,584,136</u>	<u>12,118,563</u>
10,069,895	3,452,927	18,640,235
16,515,354	-	16,515,354
<u>26,585,249</u>	<u>3,452,927</u>	<u>35,155,589</u>
<u>98,079</u>	<u>181,870</u>	<u>15,348,045</u>
<u>\$ 26,873,816</u>	<u>\$ 9,983,972</u>	<u>\$ 71,543,253</u>

CITY OF LA PORTE, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For The Year Ended September 30, 2006

<u>Function and Activity</u>	<u>Governmental Fund Capital Assets October 1, 2005</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Governmental Fund Capital Assets September 30, 2006</u>
General government				
Administration	\$ 9,122,743	\$ 56,310	\$ (1,389,727)	\$ 7,789,326
Planning	1,111,711	120,570	(100,551)	1,131,730
Total general government	<u>10,234,454</u>	<u>176,880</u>	<u>(1,490,278)</u>	<u>8,921,056</u>
Public safety				
Fire	6,098,964	1,282,467	(61,295)	7,320,136
Police	1,602,080	3,271,115	(74,766)	4,798,429
Total public safety	<u>7,701,044</u>	<u>4,553,582</u>	<u>(136,061)</u>	<u>12,118,565</u>
Public works				
Administration	20,807,761	18,558	-	20,826,319
Streets	16,515,353	3,386,174	(5,572,258)	14,329,269
Total public works	<u>37,323,114</u>	<u>3,404,732</u>	<u>(5,572,258)</u>	<u>35,155,588</u>
Cultural and Recreational				
Parks and recreation	<u>15,228,464</u>	<u>156,233</u>	<u>(36,653)</u>	<u>15,348,044</u>
Total governmental funds capital assets	<u>\$ 70,487,076</u>	<u>\$ 8,291,427</u>	<u>\$ (7,235,250)</u>	<u>\$ 71,543,253</u>

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

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time</i>	129
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	136
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	144
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	151
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	154

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



City of La Porte, Texas
 Net Assets by Component
 Last Four Fiscal Years
 (accrual basis of accounting)
 (unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 23,400,108	\$ 32,752,971	\$ 28,933,050	\$ 28,424,345
Restricted	5,804,419	5,770,840	6,642,077	7,363,187
Unrestricted	23,953,457	12,997,982	19,369,700	18,983,653
Total governmental activities net assets	\$ 53,157,984	\$ 51,521,793	\$ 54,944,827	\$ 54,771,185
Business-type activities				
Invested in capital assets, net of related debt	\$ 26,109,776	\$ 25,996,416	\$ 26,589,684	\$ 29,642,136
Restricted	3,042,730	3,662,800	3,407,445	2,185,791
Unrestricted	4,709,368	2,647,090	1,264,814	3,396,751
Total business-type activities net assets	\$ 33,861,874	\$ 32,306,306	\$ 31,261,943	\$ 35,224,678
Primary government				
Invested in capital assets, net of related debt	\$ 49,509,884	\$ 58,749,387	\$ 55,522,734	\$ 58,066,481
Restricted	8,847,149	9,433,640	10,049,522	9,548,978
Unrestricted	28,662,825	15,645,072	20,634,514	22,380,404
Total primary government net assets	\$ 87,019,858	\$ 83,828,099	\$ 86,206,770	\$ 89,995,863

City of La Porte, Texas
 Changes in Net Assets
 Last Four Fiscal Years
 (accrual basis of accounting)
 (unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General Government	\$ 8,625,554	\$ 10,487,889	\$ 7,411,122	\$ 7,348,812
Public Safety	10,771,423	11,947,286	10,367,759	11,602,951
Public Works	3,638,063	1,267,829	5,164,855	5,209,686
Health and Sanitation	1,823,462	1,906,519	1,887,204	1,862,368
Culture and Recreation	4,048,974	4,106,491	3,717,791	3,579,917
Interest on Long-term debt	747,351	689,644	863,818	1,226,231
Total governmental activities expenses	<u>29,654,827</u>	<u>30,405,658</u>	<u>29,412,549</u>	<u>30,829,965</u>
Business-type activities:				
Water Services	6,339,238	6,256,424	6,477,962	6,844,635
Sewer Services	1,913,284	1,895,709	1,819,756	1,894,415
Airport	149,472	142,765	157,186	122,548
Bay Forest Golf Course	1,284,729	1,222,819	1,242,613	1,285,121
Sylvan Beach Convention Center	212,947	194,314	211,682	214,552
Total business-type expenses	<u>9,899,670</u>	<u>9,712,031</u>	<u>9,909,199</u>	<u>10,361,271</u>
Total primary government expenses	<u>\$ 39,554,497</u>	<u>\$ 40,117,689</u>	<u>\$ 39,321,748</u>	<u>\$ 41,191,236</u>
Program Revenues				
Governmental activities:				
Charges for services	\$ 5,320,571	\$ 3,697,062	\$ 4,083,297	\$ 4,535,854
Operating grants and contributions	480,037	576,262	2,639,934	1,031,408
Total governmental activities program revenues	<u>5,800,608</u>	<u>4,273,324</u>	<u>6,723,231</u>	<u>5,567,262</u>
Business-type activities:				
Charges for services	7,785,689	7,884,196	8,254,116	9,435,426
Total business-type program revenues	<u>7,785,689</u>	<u>7,884,196</u>	<u>8,254,116</u>	<u>9,435,426</u>
Total primary government program revenues	<u>\$ 13,586,297</u>	<u>\$ 12,157,520</u>	<u>\$ 14,977,347</u>	<u>\$ 15,002,688</u>
Net (expense)/revenue				
Governmental activities:	\$ (23,854,219)	\$ (26,132,334)	\$ (22,689,318)	\$ (25,262,703)
Business-type activities:	<u>(2,113,981)</u>	<u>(1,827,835)</u>	<u>(1,655,083)</u>	<u>(925,845)</u>
Total primary government net expense	<u>\$ (25,968,200)</u>	<u>\$ (27,960,169)</u>	<u>\$ (24,344,401)</u>	<u>\$ (26,188,548)</u>

**General Revenues and Other Changes in
Net Assets**

Governmental activities:

Taxes

Property taxes, levied for general purposes	\$ 8,797,886	\$ 9,139,422	\$ 10,192,599	\$ 10,535,316
Property taxes, levied for debt service	2,070,120	1,922,117	1,623,095	1,661,801
Industrial payments	7,276,821	6,896,112	6,991,926	7,659,591
Franchise taxes	1,682,849	1,718,875	1,885,801	1,986,698
Sales tax	3,037,574	3,263,459	3,459,979	4,067,767
Unrestricted investment earnings	542,254	376,359	720,137	1,874,828
Grants not specified for specific program	-	-	-	75,189
Miscellaneous	704,886	495,102	753,595	1,137,928
Gain/(loss) on sale/retirement of capital assets	(260,545)	-	103,594	-
Transfers	(253,629)	684,697	381,625	(3,910,056)
Total governmental activities	23,598,216	24,496,143	26,112,351	25,089,062
Business-type activities				
Unrestricted investment earnings	121,174	88,602	165,162	300,099
Miscellaneous	889,298	874,146	827,183	694,507
Gain/(loss) on sale/retirement of capital assets	-	(5,784)	-	(16,083)
Transfers	253,629	(684,697)	(381,625)	3,910,056
Total business-type activities	1,264,101	272,267	610,720	4,888,579
Total primary government	\$ 24,862,317	\$ 24,768,410	\$ 26,723,071	\$ 29,977,640
Change in Net Assets				
Governmental activities	\$ (256,003)	\$ (1,636,191)	\$ 3,423,033	\$ (173,642)
Business-type activities	(849,880)	(1,555,568)	(1,044,363)	3,962,734
Total primary government	\$ (1,105,883)	\$ (3,191,759)	\$ 2,378,670	\$ 3,789,091

City of La Porte, Texas
 Governmental Activities Tax Revenues By Source
 Last Four Fiscal Years
 (accrual basis of accounting)
 (unaudited)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Franchise Taxes</u>	<u>Sales Taxes</u>	<u>Industrial Payments</u>	<u>Other Taxes</u>	<u>Total</u>
2003	\$ 10,925,425	\$ 1,682,849	\$ 2,764,876	\$ 7,094,900	\$ 454,619	\$ 22,922,669
2004	11,070,189	1,718,875	2,993,481	6,896,112	269,978	22,948,635
2005	11,787,495	1,805,800	3,166,900	6,991,926	293,819	24,045,940
2006	12,162,641	1,986,698	3,741,321	7,470,700	326,504	25,687,864



City of La Porte, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year				
	1997	1998	1999	2000	2001
General fund					
Reserved	\$ 63,724	\$ 65,028	\$ 66,158	\$ 72,088	\$ 58,827
Unreserved	6,070,673	5,947,020	5,428,233	5,924,197	7,608,591
Total general fund	<u>\$ 6,134,397</u>	<u>\$ 6,012,048</u>	<u>\$ 5,494,391</u>	<u>\$ 5,996,285</u>	<u>\$ 7,667,418</u>
All other governmental funds					
Reserved	\$ 647,619	\$ 959,678	\$ 1,119,041	\$ 1,263,483	\$ 1,303,068
Unreserved/Undesignated					
Unreserved, reported in:					
Special revenue funds	-	1,515,126	2,171,471	2,837,718	3,307,882
Capital projects funds	4,151,355	7,613,980	7,178,328	13,038,143	11,765,217
Total all other governmental funds	<u>\$ 4,798,974</u>	<u>\$ 10,088,784</u>	<u>\$ 10,468,840</u>	<u>\$ 17,139,344</u>	<u>\$ 16,376,167</u>

Fiscal Year				
2002	2003	2004	2005	2006
\$ 74,843	\$ 209,191	\$ 440,926	\$ 209,191	\$ 144,775
7,053,076	6,632,833	7,009,028	8,972,133	10,970,885
<u>\$ 7,127,919</u>	<u>\$ 6,842,024</u>	<u>\$ 7,449,954</u>	<u>\$ 9,181,324</u>	<u>\$ 11,115,660</u>
\$ 1,589,610	\$ 7,462,916	\$ 1,584,497	\$ 2,061,426	\$ 2,266,406
3,850,787	3,770,935	1,005,159	4,255,634	5,100,995
13,778,877	5,067,980	9,287,535	16,488,090	18,813,872
<u>\$ 19,219,274</u>	<u>\$ 16,301,831</u>	<u>\$ 11,877,191</u>	<u>\$ 22,805,150</u>	<u>\$ 26,181,273</u>

City of La Porte, Texas
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (unaudited)

	Fiscal Year			
	1997	1998	1999	2000
Revenues				
Taxes	\$ 17,793,280	\$ 19,614,559	\$ 20,164,016	\$ 20,860,043
Donations	-	-	-	-
Harris County Joint Ventures	-	-	-	-
Licenses and permits	243,632	303,890	357,694	337,259
Fines and forfeits	427,305	617,432	479,363	407,459
Charges and services	2,567,400	2,552,849	2,996,774	3,147,031
Intergovernmental	187,333	192,821	170,044	313,261
Interest	822,116	994,455	976,007	1,395,339
Miscellaneous	93,658	244,819	213,794	193,585
Total revenues	<u>\$ 22,134,724</u>	<u>\$ 24,520,825</u>	<u>\$ 25,357,692</u>	<u>\$ 26,653,977</u>
Expenditures				
General Government	4,495,678	4,537,921	5,056,127	5,152,844
Public Safety	6,889,530	7,472,289	7,842,420	8,644,309
Public Works	2,070,686	2,144,846	2,204,287	2,304,829
Health and Sanitation	1,873,746	2,225,835	2,413,218	2,411,767
Culture and Recreation	2,331,312	2,560,069	2,697,886	2,944,296
Debt Service				
Principal	1,610,000	1,555,000	1,495,000	1,555,000
Interest	602,278	506,420	559,379	590,841
Capital Outlay	797,271	949,895	2,514,438	2,685,085
Total expenditures	<u>20,670,501</u>	<u>21,952,275</u>	<u>24,782,755</u>	<u>26,288,971</u>
Excess of revenues over (under) expenditures	1,464,223	2,568,550	574,937	365,006
Other financing sources (uses)				
Issuance of debt	-	2,500,000	-	6,250,000
Premium on bond	-	-	-	-
Transfers in	2,840,000	1,090,000	1,346,030	1,099,032
Transfers out	(2,412,495)	(991,087)	(2,058,568)	(1,377,318)
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	<u>427,505</u>	<u>2,598,913</u>	<u>(712,538)</u>	<u>5,971,714</u>
Net change in fund balances	\$ 1,891,728	\$ 5,167,463	\$ (137,601)	\$ 6,336,720
Debt service as a percentage of noncapital expenditures	11%	9%	8%	8%

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 22,406,291	\$ 23,300,851	\$ 22,922,669	\$ 22,948,635	\$ 24,045,940	\$ 25,687,864
-	-	-	-	30,000	-
-	-	-	-	1,751,555	-
262,010	238,535	199,970	320,405	531,091	683,284
561,547	614,534	847,250	554,559	678,205	848,232
2,923,504	2,129,487	2,275,333	2,947,340	3,233,453	3,887,570
673,105	385,722	480,037	576,262	1,112,687	1,174,381
1,626,693	748,798	481,822	325,418	630,683	1,709,163
119,228	143,668	125,020	32,605	183,658	163,380
<u>\$ 28,572,378</u>	<u>\$ 27,561,595</u>	<u>27,332,101</u>	<u>27,705,224</u>	<u>32,197,272</u>	<u>34,153,874</u>
5,232,112	5,294,977	5,542,520	7,971,284	6,848,838	7,236,765
9,364,320	10,165,683	10,477,080	10,414,544	10,532,857	11,071,829
2,487,825	2,422,522	2,556,011	2,361,192	2,430,322	2,360,073
2,278,761	1,764,906	1,823,462	1,758,964	1,808,313	1,813,812
3,058,199	3,297,865	3,475,888	3,245,144	3,067,815	3,010,725
1,775,000	1,685,000	1,590,000	1,490,000	1,330,000	1,195,000
729,932	634,535	795,199	699,834	1,030,430	1,374,314
3,032,461	4,077,477	2,771,651	3,259,141	8,566,314	6,550,309
<u>27,958,610</u>	<u>29,342,965</u>	<u>29,031,811</u>	<u>31,200,103</u>	<u>35,614,889</u>	<u>34,612,827</u>
613,768	(1,781,370)	(1,699,710)	(3,494,879)	(3,417,617)	(458,953)
-	5,400,000	-	-	16,586,900	6,965,000
-	-	-	-	-	191,055
1,974,671	1,870,191	1,919,871	3,469,026	3,222,196	6,055,874
(1,849,671)	(3,185,214)	(3,423,500)	(3,790,857)	(3,774,399)	(7,532,602)
-	-	-	-	42,250	90,083
<u>125,000</u>	<u>4,084,977</u>	<u>(1,503,629)</u>	<u>(321,831)</u>	<u>16,076,947</u>	<u>5,769,410</u>
\$ 738,768	\$ 2,303,607	\$ (3,203,339)	\$ (3,816,710)	\$ 12,659,330	\$ 5,310,457
9%	8%	8%	7%	7%	7%

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

Fiscal Year Ended September 30	Estimated Market Value		Less: Tax Exempt Property	Total Taxable Assessed Value
	Real Property	Personal Property		
1997	\$ 1,107,091,700	\$ 222,428,561	\$ 147,472,790	\$ 1,182,047,471
1998	1,132,150,100	239,361,192	151,237,850	1,220,273,442
1999	1,200,942,090	231,352,908	170,254,950	1,262,040,048
2000	1,348,881,240	258,255,710	187,918,790	1,419,218,160
2001	1,346,611,820	295,183,470	219,056,080	1,422,739,210
2002	1,461,368,400	295,213,550	251,950,970	1,504,630,980
2003	1,498,049,850	270,257,240	255,642,570	1,512,664,520
2004	1,546,560,410	279,687,470	265,840,970	1,560,406,910
2005	1,601,433,200	311,721,280	278,265,540	1,634,888,940
2006	1,777,351,563	325,549,640	407,734,605	1,695,166,598

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

Total Direct Tax Rate	Total Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 0.71	1,182,047,471	100.00%
0.71	1,220,273,442	100.00%
0.71	1,262,040,048	100.00%
0.71	1,419,218,160	100.00%
0.71	1,422,739,210	100.00%
0.71	1,504,630,980	100.00%
0.71	1,512,664,520	100.00%
0.71	1,560,406,910	100.00%
0.71	1,634,888,940	100.00%
0.71	1,695,166,598	100.00%

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

Fiscal Year	City of La Porte ¹			Harris County Flood Control District ²	Harris County ²
	Basic Rate	General Obligation Debt Service	Total Direct		
1997	\$ 0.57	\$ 0.14	\$ 0.71	\$ 0.0742	\$ 0.4276
1998	0.57	0.14	0.71	0.0800	0.4166
1999	0.57	0.14	0.71	0.0800	0.3948
2000	0.57	0.14	0.71	0.0617	0.3590
2001	0.57	0.14	0.71	0.0476	0.3839
2002	0.57	0.14	0.71	0.0476	0.3839
2003	0.575	0.135	0.71	0.041740	0.3881
2004	0.575	0.135	0.71	0.033180	0.3999
2005	0.612	0.098	0.71	0.033220	0.39986
2006	0.612	0.098	0.71	0.032410	0.40239

Source: ¹ City of La Porte records

² Office of Harris County

³ Office of La Porte Independence School District

Overlapping Rates

Port of Houston Authority ²	Harris County Board of Education ²	Hospital District ²	La Porte I.S.D. ³	San Jacinto Jr. College District ⁴	Total
\$ 0.0160	\$ 0.0056	\$ 0.1238	\$ 1.560	\$ 0.1100	\$ 3.0272
0.0213	0.0061	0.1238	1.610	0.1100	3.0778
0.0204	0.0063	0.1465	1.610	0.1100	3.0780
0.0183	0.0063	0.2027	1.650	0.1260	3.1340
0.0183	0.0063	0.1902	1.630	0.1307	3.1170
0.0183	0.0063	0.1902	1.630	0.1307	3.1170
0.0199	0.0063	0.1902	1.680	0.1307	3.16694
0.0167	0.0063	0.1902	1.734	0.1391	3.22938
0.01474	0.00629	0.19216	1.734	0.145365	3.23564
0.01302	0.00629	0.19216	1.635	0.145365	3.13664

City of La Porte, Texas
Principal Property Tax Payers
Current Year and Nine Years Ago
(Unaudited)

2006			1997		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Conoco Phillips Inc	\$ 54,702,820	3.09%	Conoco Inc	\$ 54,111,440	3.19%
Oxy Vinyls LP	49,177,149	2.78%	Equistar Chemicals LP	44,664,690	2.63%
Equistar Chemicals LP	45,219,482	2.56%	H L & P	42,425,040	2.50%
BP Solvay	37,068,510	2.10%	Solvay Polymer Corp	37,068,510	2.19%
PPG Industries	32,016,935	1.81%	Occidental Electrochem	36,236,280	2.14%
Dupont Dow Elastomers	25,986,060	1.47%	PPG Industries	30,016,160	1.77%
Centerpoint Energy	24,651,811	1.39%	Fina Oil & Chem. Co.	24,606,050	1.45%
Dow Chemicals	20,576,356	1.16%	Dow Chemicals	21,053,500	1.24%
Attofina Petrochemicals	20,215,323	1.14%	Geon Company	20,408,900	1.20%
PPG Industries	14,643,050	0.77%	Noltex	14,662,470	0.86%
	<u>\$ 324,257,496</u>	<u>18.33%</u>		<u>\$ 325,253,040</u>	<u>19.19%</u>

Source: City of La Porte Tax Department

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 8,328,374	\$ 8,100,624	97.27%	\$ 198,565	\$ 8,299,189	99.65%
1998	8,599,139	8,437,322	98.12%	109,722	8,547,044	99.39%
1999	8,951,409	8,795,498	98.26%	131,067	8,926,565	99.72%
2000	9,197,733	9,006,072	97.92%	161,927	9,167,999	99.68%
2001	10,026,472	9,780,571	97.55%	213,936	9,994,507	99.68%
2002	10,734,711	10,463,515	97.47%	237,588	10,701,103	99.69%
2003	10,771,175	10,491,257	97.40%	219,436	10,710,693	99.44%
2004	11,108,701	10,829,202	97.48%	207,969	11,037,171	99.36%
2005	11,603,414	11,334,572	97.68%	164,553	11,499,125	99.10%
2006	12,035,686	11,755,121	97.67%	-	11,755,121	97.67%

Source: City of La Porte Tax Department

City of La Porte, Texas
 Ratio of Outstanding Debt by Type
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	Governmental Activities		
	General Obligation Bonds	Certificates of Obligation	Other Obligations
1997	\$ 10,225,000	\$ -	\$ -
1998	11,170,000	-	-
1999	9,675,000	-	-
2000	11,370,000	3,000,000	-
2001	9,745,000	2,850,000	-
2002	8,210,000	2,700,000	5,400,000
2003	6,770,000	2,550,000	5,400,000
2004	5,430,000	2,400,000	5,400,000
2005	11,925,000	11,050,000	5,400,000
2006	12,610,000	16,405,000	5,130,000

Source: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 Percentage of personal income and Per capita personal

Business-Type Activities					
Water and Sewer Revenue Bonds	General Obligation Refunding Bonds	Other Obligations	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 600,000	\$ 3,585,000	\$ 8,800,000	23,210,000	N/A	\$ 729
1,750,000	3,145,000	8,575,000	24,640,000	N/A	754
1,650,000	2,710,000	8,335,000	22,370,000	N/A	654
1,425,000	2,275,000	8,080,000	26,150,000	3.87%	820
1,200,000	1,840,000	8,080,000	23,715,000	N/A	733
975,000	1,440,000	7,710,000	26,435,000	N/A	803
750,000	1,040,000	7,293,358	23,803,358	N/A	704
625,000	585,000	6,904,178	21,344,178	N/A	633
500,000	145,000	6,500,000	35,520,000	N/A	1,028
375,000	-	8,680,000	43,200,000	N/A	1,240

City of La Porte, Texas
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(unaudited)

Fiscal Year	General Bonded Debt Outstanding			Total	Percentage of Actual Taxable Value of Property ¹	Per Capita ²
	General Obligation Bonds	Certificates of Obligation	Less: Amounts Available in Debt Service Fund			
1997	\$ 10,225,000	\$ -	\$ 647,619	\$ 9,577,381	0.81%	\$301
1998	11,170,000	-	959,678	10,210,322	0.84%	313
1999	9,675,000	-	1,119,041	8,555,959	0.68%	250
2000	14,370,000	-	1,263,483	13,106,517	0.92%	411
2001	12,595,000	-	1,303,068	11,291,932	0.79%	349
2002	16,310,000	-	1,589,610	14,720,390	0.98%	447
2003	12,170,000	2,550,000	1,797,213	12,922,787	0.85%	382
2004	10,830,000	2,400,000	1,584,497	11,645,503	0.75%	345
2005	17,325,000	11,050,000	1,704,531	26,670,469	1.63%	772
2006	17,740,000	16,405,000	1,813,887	32,331,113	1.91%	928

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

Per Capita provided from the 2000 Census

1. See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
2. Population data can be found in the Schedule of Demographic and Economic Statistics.

City of La Porte, Texas
 Direct and Overlapping Governmental Activities Debt
 As of September 30, 2006
 (unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Harris County	\$ 1,735,371,000	0.82%	\$ 14,230,042
Harris County Department of Education	-	0.82%	-
Harris County Flood Control District	443,370,000	0.82%	3,635,634
Harris County Toll Road - Toll Road Bonds	34,324,985	0.82%	281,465
La Porte ISD	115,170,000	37.82%	43,557,294
Port of Houston Authority	314,705,000	0.83%	2,612,052
San Jacinto Jr. Collect District	73,200,000	6.32%	4,626,240
Other debt	-		
Subtotal, overlapping debt	\$ 2,716,140,985		\$ 68,942,727
City of La Porte direct debt	36,770,000	100%	<u>\$ 36,770,000</u>
Total direct and overlapping debt			<u><u>\$ 105,712,727</u></u>

Source: RBC Dain Rauscher Inc., Financial Advisors

City of La Porte, Texas
 Legal Debt Margin Information
 Last Ten Fiscal Years
(amounts expressed in thousands)
 (unaudited)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Debt limit	\$ 29,784,084	\$ 30,787,158	\$ 31,930,272	\$ 38,129,152	\$ 35,568,480
Total net debt applicable to limit	9,577,381	10,210,322	8,555,959	13,106,517	11,291,932
Legal debt margin	<u>\$ 20,206,703</u>	<u>\$ 20,576,836</u>	<u>\$ 23,374,313</u>	<u>\$ 25,022,635</u>	<u>\$ 24,276,548</u>

Total net debt applicable to the limit
 as a percentage of debt limit

Note: 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 of the appraised value

Fiscal Year				
2002	2003	2004	2005	2006
\$ 37,615,775	\$ 37,816,613	\$ 39,010,173	\$ 40,872,224	42,379,165
14,720,390	10,372,787	9,245,503	15,620,369	15,926,113
<u>\$ 22,895,385</u>	<u>\$ 27,443,826</u>	<u>\$ 29,764,670</u>	<u>\$ 25,251,855</u>	<u>\$ 26,453,052</u>

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 1,695,166,598
Add back: exempt property	<u>\$ 407,734,605</u>
Total assessed value	\$ 2,102,901,203
Debt limit (2.5% of total assessed value)	42,379,165
Debt applicable to limit:	
General obligation bonds	\$ 17,740,000
Less: Amount set aside for repayment of general obligation debt	<u>(1,813,887)</u>
Total net debt applicable to limit	15,926,113
Legal debt margin	<u>\$ 26,453,052</u>

City of La Porte, Texas
Pledged-Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Water and Sewer System Revenue Bonds						
Fiscal Year	Utility Service Charges ¹	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
1997	\$ 6,106,337	\$ 4,081,712	\$ 2,024,625	\$ 540,000	\$ 256,603	2.54
1998	6,368,938	4,177,982	2,190,956	535,000	263,547	2.74
1999	6,445,231	4,386,479	2,058,752	660,000	211,328	2.36
2000	6,844,236	5,626,662	1,217,574	660,000	170,483	1.47
2001	6,094,735	4,347,508	1,747,227	660,000	168,781	2.11
2002	5,988,595	4,814,158	1,174,437	625,000	132,418	1.55
2003	5,837,448	5,025,158	812,290	580,000	115,948	1.17
2004	5,836,221	5,125,635	710,586	580,000	71,293	1.09
2005	6,193,451	5,259,943	933,508	565,000	43,161	1.53
2006	7,438,016	5,389,783	2,048,233	270,000	111,712	5.37

Note:

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

City of La Porte, Texas
 Demographic and Economic Statistics
 Last Ten Calendar Years
 (Unaudited)

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1997	31,859	N/A	N/A	N/A	7,353	5.3%
1998	32,658	N/A	N/A	N/A	7,415	4.3%
1999	34,191	N/A	N/A	N/A	7,477	4.4%
2000	31,880	675,155	21,178	33	7,645	3.9%
2001	32,356	N/A	N/A	N/A	7,772	4.6%
2002	32,910	N/A	N/A	N/A	7,732	5.6%
2003	33,789	N/A	N/A	N/A	7,648	7.0%
2004	33,712	N/A	N/A	N/A	7,629	6.0%
2005	34,538	N/A	N/A	N/A	7,808	6.1%
2006	34,825	N/A	N/A	N/A	7,786	4.5%

Sources:

Estimated population provided by the Planning Department.

Personal, income, per capita personal income and median age provided from the 2000 US Census.

School enrollment provided by LPISD.

Unemployment rates provided on the Texas Workforce Commission Website.

City of La Porte, Texas
Principal Employers
Current Year and Nine Years Ago
(unaudited)

2006 *				1997 **			
Employer	Employees	Rank	Percentage of Total City Employment	Employer	Employees	Rank	Percentage of Total City Employment
La Porte ISD	1,000	1	5.29%	Solvay Polymer	1,100	1	N/A
E.I. Dupont De Nemours & Co.	580	2	3.07%	San Jacinto College	1,003	2	N/A
City of La Porte	368	3	1.95%	La Porte ISD	987	3	N/A
Furmanite Worldwide	334	4	1.77%	E.I. Dupont	870	4	N/A
A&L Industrial Services Inc.	300	5	1.59%	Millenium (formerly Quantum)	736	5	N/A
CCC Group Inc.	300	6	1.59%	Akzo Nobel	500	6	N/A
Aker Kvaerner Industrial Constructors, Inc.	250	7	1.32%	Hickham Industries	270	7	N/A
James H Jackson Industries Inc.	250	8	1.32%	Dow Chemical	250	8	N/A
Occidental Chemical Corp.	175	9	0.92%	Fina Oil & Chemical	225	9	N/A
Intercontinental Terminals Co.	160	10	0.85%	Geon Company	180	10	N/A
Total	3,717		19.65%		6,121		

Source:

* Bay Area Economic Partnership

** City of La Porte Official Statement, Series 1998 General Obligation Bonds

Total employment figures for 1997 were not available, so therefore the percentages of total city employment could not be calculated.

City of La Porte, Texas
 Full-Time Equivalent City Government Employees by Function/Program
 Last Two Fiscal Years
 (unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>	
	<u>2005</u>	<u>2006</u>
General Government	76	76
Public Safety	135	138
Public Works	32	32
Health & Sanitation	22	21
Culture and recreation	47	45
Water Services	26	27
Sewer Services	20	20
Golf Course	13	13
Sylvan Beach Convention Ctr.	3	3

Source:
 City Budget Office

City of La Porte, Texas
 Operating Indicators by Function/Program
 Last Eight Fiscal Years
 (unaudited)

Function/Program	1999	2000	2001
Police			
Physical arrests	1,541	2,114	2,193
Tickets processed	6,065	6,657	9,489
Fire			
Number of calls answered	N/A	N/A	N/A
Inspections	N/A	N/A	N/A
Highways and streets			
Street resurfacing (linear feet)	40,400	39,200	42,000
Potholes repaired	251	302	232
Sanitation			
Cu. Yds. Garbage collected	25,757	27,300	28,025
Cu. Yds. Trash collected	31,061	38,603	48,049
Culture and recreation			
Fitness center admissions	66,028	67,347	68,668
Water			
Number of water meters	9,500	9,679	10,699
Average daily water consumption (million gallons)	3.1	3.3	3.0
Water mains breaks	806	601	505
Wastewater			
Average daily sewer treatment (thousands of gallons)	3.4	3.0	3.9
Golf Course			
Number of Paid Rounds Played	41,117	48,950	43,063

Source: City Departments

Notes: N/A - Data not available

Fiscal Year

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
2,271	2,000	2,330	2,465	962
9,298	9,605	6,593	6,877	8,212
N/A	N/A	494	644	689
N/A	N/A	500	500	N/A
26,200	27,800	33,800	66,158	27,835
271	413	524	531	321
28,655	28,243	29,675	30,022	30,795
52,796	50,111	54,875	49,140	49,140
73,764	76,311	84,353	81,868	70,558
10,957	10,987	10,987	10,987	11,592
3.1	3.2	3.2	4.1	3.3
491	440	299	437	483
3.4	3.9	4.0	3.5	2.8
42,540	38,594	38,901	34,961	32,731

City of La Porte, Texas
 Capital Asset Statistics by Function/Program
 Last Seven Fiscal Years
 (unaudited)

Function/Program	Fiscal Year						
	2000	2001	2002	2003	2004	2005	2006
Public Safety							
Police Station	1	1	1	1	1	1	1
Police Officers	56	71	71	72	72	72	73
Reserve Officers	9	3	5	5	5	5	5
Fire Stations	4	4	4	4	4	4	4
Sanitation							
Collection trucks	13	13	13	14	14	14	14
Highways and streets							
Streets (miles)	160	160	164	164	164	211	217
Streetlights	1,823	2,072	2,109	1,533	1,665	2,192	1,803
Traffic signals	3	3	3	3	3	3	3
Culture and recreation							
Parks acreage	145	462	463	463	463	337	339
Parks	17	18	18	19	19	21	21
Swimming pools	6	6	6	6	6	6	6
Recreation Centers	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1
Water and Sewer							
Water Mains (miles)	226	229	231	231	231	165	168
Fire Hydrants	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Sanitary Sewers (miles)	184	185	186	187	187	187	187
Storm Sewers (miles)	87	88	88	89	89	89	92

Source: City Departments

Note: N/A - data not available