

CITY OF LA PORTE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
September 30, 2007

Prepared by:
Department of Finance



City of La Porte
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2007

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INTRODUCTORY SECTION





CITY OF LA PORTE

Established 1892

February 11, 2008

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, 2007. 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 Pattillo, Brown & Hill, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of La Porte for the fiscal year ended September 30, 2007 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, 2007, 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 35,362.

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 fund level. All agencies of the City of La Porte are required to submit requests for appropriation to the City Manager on or before May 26 of each year. The City Manager uses these requests as the starting point for developing a proposed

budget. The City Manager then presents this proposed budget to council for review prior to August. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than August. The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The directors are given latitude to approve transfers of appropriations within a department. Transfers of appropriations between funds, however require the special approval of the city council. Budget-to-actual comparisons are provided in financial reports for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 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. The County 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 7.42 months. The average yield on investments was 5.14% 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 is a member of a cost sharing multiple employer pension system administered by the State of Texas for its emergency services employees.

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 63 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, 2006. This was the twenty-sixth 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.

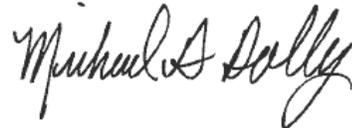
In addition, the government also received the GFOA's Distinguished Budget Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial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

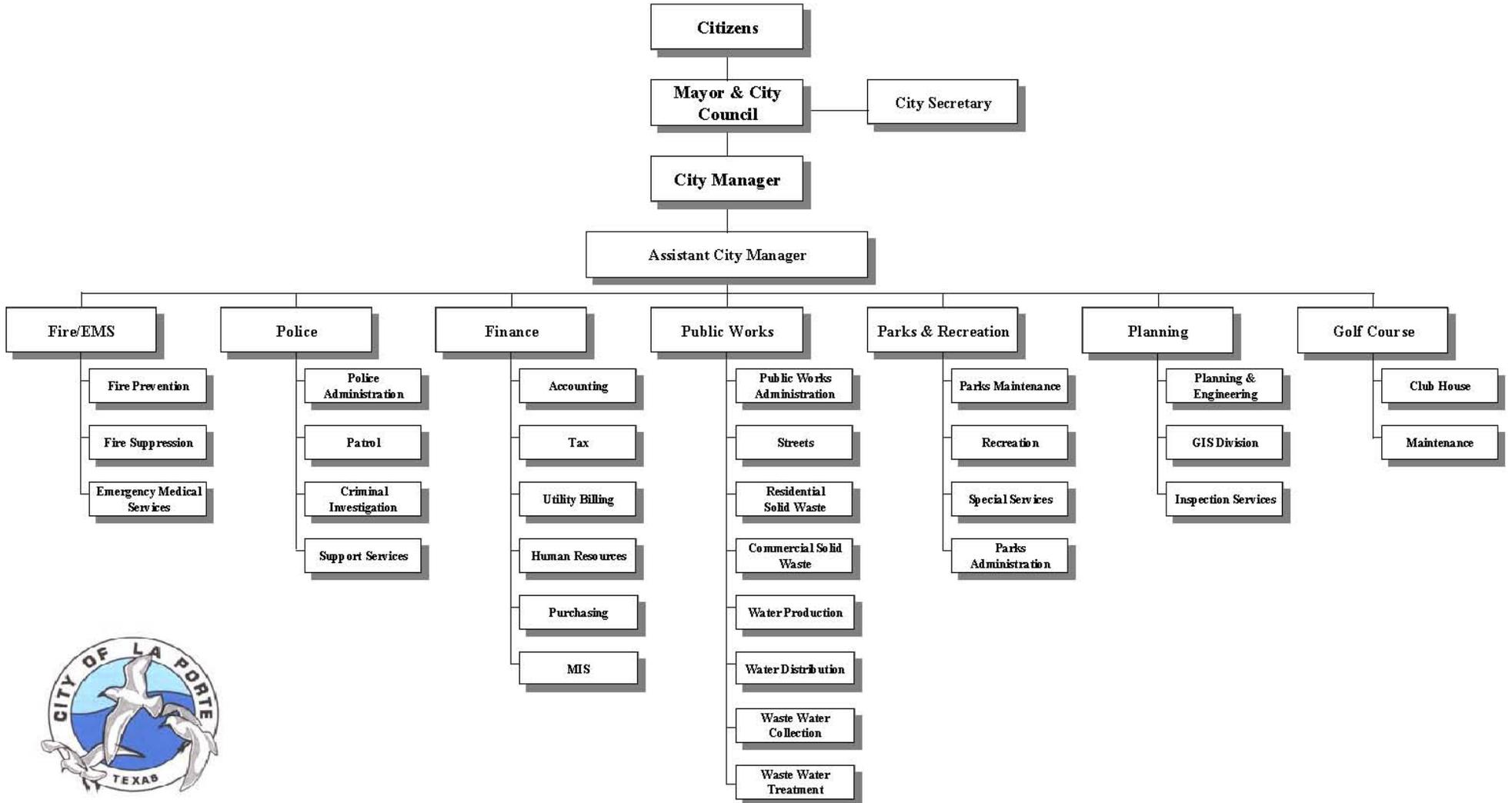


John Joerns
Interim City Manager



Michael G. Dolby, CPA
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, 2006

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF LA PORTE

LIST OF ELECTED OFFICIALS

ALTON PORTER
MAYOR

GEORGIA A. MALONE
COUNCIL PERSON
AT LARGE A

BARRY BEASLEY
COUNCIL PERSON
AT LARGE B

MICHAEL MOSTEIT
COUNCIL PERSON
DISTRICT 1

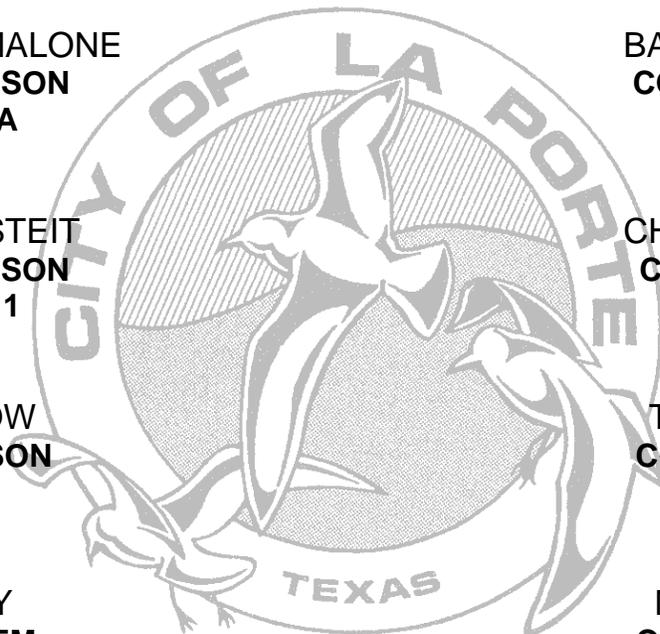
CHUCK ENGELKEN
COUNCIL PERSON
DISTRICT 2

HOWARD EBOW
COUNCIL PERSON
DISTRICT 3

TOMMY MOSER
COUNCIL PERSON
DISTRICT 4

LOUIS RIGBY
MAYOR PRO TEM
DISTRICT 5

MIKE CLAUSEN
COUNCIL PERSON
DISTRICT 6





FINANCIAL SECTION



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, 2007, 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, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated February 11, 2008, 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 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, Pension System Supplementary Information on page 75, and budgetary comparison information on pages 76 through 78 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.

Pattillo, Brown & Hill, L.L.P.

February 11, 2008

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2007

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, 2007. 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 \$95,793,177 (net assets). Of this amount \$23,281,484 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies and working capital requirements.
- The City's total net assets increased by \$5,797,310. This increase is due primarily to receiving additional revenue from industrial districts, sales tax and property tax along with planned reductions in spending.
- As of the close of the current fiscal year, the City of La Porte's governmental funds reported combined ending fund balances of \$42,690,201. Of this amount, \$39,849,635 (93%) 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 \$13,687,895 approximately (54%) 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, 2007

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, 2007 General Obligation Bond and 2005 General Obligation Bond 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, 2007

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 82-110 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 \$95,793,177 at the close of the fiscal year.

By far the largest portion of the City's net assets (\$57,010,377) 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 57,295,634	\$ 51,344,644	\$ 7,231,350	\$ 7,429,428	\$ 64,526,984	\$ 58,774,072
Capital assets	52,727,418	45,856,003	37,688,868	38,595,964	90,416,286	84,451,967
Total Assets	110,023,052	97,200,647	44,920,218	46,025,392	154,943,270	143,226,039
Long term liabilities	44,109,498	36,883,566	8,607,342	9,444,483	52,716,840	46,328,049
Other liabilities	5,081,971	5,545,896	1,351,282	1,356,227	6,433,253	6,902,123
Total Liabilities	49,191,469	42,429,462	9,958,624	10,800,710	59,150,093	53,230,172
Net Assets:						
Invested in capital assets, net of related debt	27,529,009	28,424,345	29,481,368	29,642,136	57,010,377	58,066,481
Restricted	13,316,591	7,363,187	2,184,725	2,185,791	15,501,316	9,548,978
Unrestricted	19,985,983	18,983,653	3,295,501	3,396,755	23,281,484	22,380,408
Total Net Assets	\$ 60,831,583	\$ 54,771,185	\$ 34,961,594	\$ 35,224,682	\$ 95,793,177	\$ 89,995,867

An additional portion of the City's net assets \$15,501,316 (16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$23,281,484 (24%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2007, 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, 2007

Analysis of the City's Operations – the following table provides a summary of the City's operations for the year ended September 30, 2007, with comparative totals for year ended September 30, 2006. Governmental activities increased the City of La Porte's net assets by \$6,060,398. Business-type activities decreased the City's net assets by (\$263,088).

City of La Porte's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,715,891	\$ 4,535,854	\$ 8,696,589	\$ 9,435,426	\$ 13,412,480	\$ 13,971,280
Operating grants and contributions	991,679	1,106,596	-	-	991,679	1,106,596
Capital grants and contributions	-	-	1,060,948	-	1,060,948	-
General revenues:						
Property taxes, levied for general purposes	11,246,050	10,535,316	-	-	11,246,050	10,535,316
Property taxes, levied for debt service	1,819,554	1,661,801	-	-	1,819,554	1,661,801
Industrial payments	8,188,891	7,659,591	-	-	8,188,891	7,659,591
Franchise taxes	2,003,691	1,986,698	-	-	2,003,691	1,986,698
Sales tax	5,735,725	4,067,767	-	-	5,735,725	4,067,767
Unrestricted investment earnings	2,386,980	1,874,828	342,566	300,099	2,729,546	2,174,927
Miscellaneous	89,400	1,137,928	-	694,507	89,400	1,832,435
Gain on sale/retirement of capital assets	-	-	-	(16,083)	-	(16,083)
Total revenues	\$ 37,177,861	\$ 34,566,379	10,100,103	10,413,949	47,277,964	44,980,328
Expenses:						
General Government	8,410,865	7,348,812	-	-	8,410,865	7,348,812
Public Safety	12,153,324	11,602,951	-	-	12,153,324	11,602,951
Public Works	3,668,425	5,209,686	-	-	3,668,425	5,209,686
Health and Sanitation	2,487,531	1,862,368	-	-	2,487,531	1,862,368
Culture and Recreation	3,120,183	3,579,917	-	-	3,120,183	3,579,917
Interest on Long-term debt	1,352,747	1,226,231	-	-	1,352,747	1,226,231
Water Services	-	-	6,548,382	6,844,631	6,548,382	6,844,631
Sewer Services	-	-	2,086,651	1,894,415	2,086,651	1,894,415
Airport	-	-	123,904	122,548	123,904	122,548
Bay Forest Golf Course	-	-	1,310,589	1,285,121	1,310,589	1,285,121
Sylvan Beach Convention Center	-	-	218,053	214,552	218,053	214,552
Total Expenses	31,193,075	30,829,965	10,287,579	10,361,267	41,480,654	41,191,232
Change in net assets before transfers	5,984,787	3,736,414	(187,476)	52,682	5,797,310	3,789,096
Transfers	75,612	(3,910,056)	(75,612)	3,910,056	-	-
Change in net assets	6,060,398	(173,642)	(263,088)	3,962,738	5,797,310	3,789,096
Net assets - beginning	54,771,185	54,944,827	35,224,682	31,261,944	89,995,867	86,206,771
Net assets - ending	\$ 60,831,583	\$ 54,771,185	\$ 34,961,594	\$ 35,224,682	\$ 95,793,177	\$ 89,995,867

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2007

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 \$42,690,201. Approximately 93% of this total amount (\$39,849,635) 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 (\$95,427), 2) to provide for inventories (\$83,431), 3) to pay for debt service (\$1,925,756), 4) to provide for municipal court building security (\$123,475), 5) to provide for municipal court technology (\$96,529), 6) to provide for park zone (\$169,683), and 7) to provide for confiscated funds (\$346,265).

In the general fund, the City budgeted for an increase in the fund balance of \$869,658. Due to actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2007 was \$2,741,943. The 2007 Certificate of Obligation Fund balance increased by \$8,048,780 due to issues of bonds in the current fiscal year. The 2005 General Obligation Fund balance decreased by \$6,555,527 due to the expenditure of bond proceeds. Other Governmental fund balances increased in 2007 by \$1,158,071 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 - \$1,213,407, Airport - \$210,211, La Porte Area Water Authority - \$1,791,280, Sylvan Beach Convention Center - \$158,144, and Bay Forest Golf Course – (\$77,541). The change (decrease) in net assets of the proprietary funds in 2007 was as follows: Utility - (\$970,353), Airport - \$145,769, La Porte Area Water Authority - \$469,531, Sylvan Beach Convention Center - \$8,915, and Bay Forest Golf Course - \$83,050.

General Fund Budgetary Highlights – The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a decrease from the original budget of 2% or \$580,094. The City increased its anticipated revenues by \$2.4 million. This revenue included an upturn in industrial district payments, sales tax and property tax.

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, 2007 amounts to \$90,416,286 (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 3 \$1.7 million.
- Construction in progress Police Station \$11.3 million.

These projects were substantially complete at year end, but were finalized in fiscal year 2008.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2007

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

	Governmental Activities 2007	Business-type Activities 2007	Total
Land	\$ 7,925,969	\$ 2,308,777	\$ 10,234,746
Buildings	7,510,072	360,907	7,870,979
Equipment	4,974,474	180,226	5,154,700
Improvements	2,571,031	31,697,149	34,268,180
Infrastructure	11,187,460	-	11,187,460
Construction in Progress	18,558,412	3,141,809	21,700,221
Total	\$ 52,727,418	\$ 37,688,868	\$ 90,416,286

Additional information of the City of La Porte's capital assets can be found in Note 4 on pages 57-59 of this report.

Debt Administration – At the end of the current fiscal year, the City of La Porte had bonded debt payable of \$49,192,500. Of this amount, \$40,985,000 comprises bonded debt backed by the full faith and credit of the government and \$8,207,500 represents bonds secured solely by water and sewer revenues.

**Outstanding Debt at Year End
Bonds Payable**

	Governmental Activities 2007	Business-type Activities 2007	Totals
General Obligations	\$ 16,930,000	\$ -	\$ 16,930,000
Revenue Bonds Payable	-	5,845,000	5,845,000
Certificate of Obligations	24,055,000	2,362,500	26,417,500
Total	\$ 40,985,000	\$ 8,207,500	\$ 49,192,500

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.

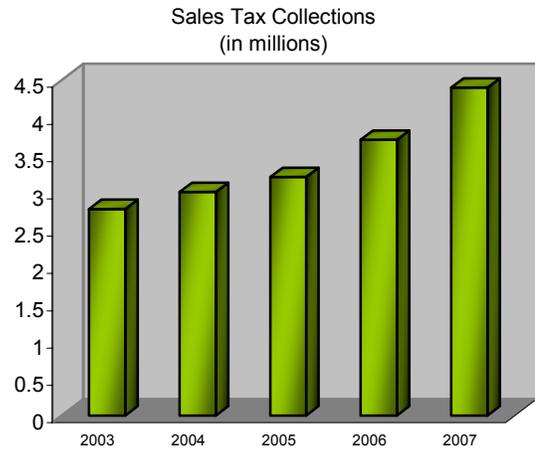
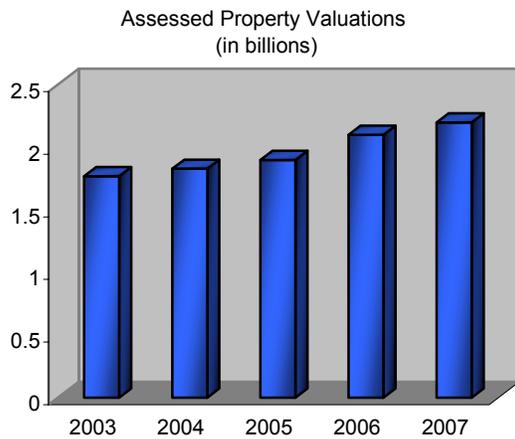
Additional information on the City of La Porte's long-term debt can be found in Note 5 on pages 60-64 of this report.

CITY OF LA PORTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2007

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the Houston metropolitan area is currently 4.4 percent, which is a decrease from a rate of 4.5 percent a year ago. This compares identical to the state's average unemployment rate of 4.2 percent which is comparable to the national average rate of 4.6 percent. The City's budgets for all funds have benefited from a strong and expanding economy from the past several years. During the upcoming year, the City will closely monitor the volatility in the housing market. Although our area has not been adversely affected by home foreclosures, we will observe economic changes due to a possible recession. Total assessed property value for all residential and commercial property in the City of La Porte exceeded \$1.7 billion for fiscal year 2007 which is 6 percent higher than last year. The trend for total assessed property values has been steadily increasing each year with an average annual increase of 3.5 percent over the past 5 years. Sales tax receipts have grown 40% this fiscal year due to an increase in economic activity as well as an addition of a ¼ cent sales tax for street maintenance. 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 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, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 24,872,891	\$ 3,122,546	\$ 27,995,437
Investments	26,415,327	1,591,913	28,007,240
Receivables, net of allowance for uncollectibles			
Accounts receivable	1,936,031	931,647	2,867,678
Taxes receivable	2,153,738	-	2,153,738
Due from other governments	1,023,599	-	1,023,599
Accrued interest receivable	199,874	32,893	232,767
Other	8,978.00	-	8,978
Materials and supplies inventories at cost	124,839	4,540	129,379
Prepaid expenses	-	149,580	149,580
Deferred issuance costs	560,357	-	560,357
Restricted Assets:			
Cash and cash equivalents restricted for:			
Customer service deposits	-	514,700	514,700
Investments restricted for debt service	-	883,531	883,531
Capital assets:			
Land	7,925,969	2,308,777	10,234,746
Buildings and improvements	18,187,994	1,166,840	19,354,834
Improvements other than buildings	7,649,693	69,928,070	77,577,763
Infrastructure	26,957,309	-	26,957,309
Machinery and equipment	13,672,416	525,652	14,198,068
Construction in progress	18,558,412	3,141,809	21,700,221
Accumulated depreciation	<u>(40,224,375)</u>	<u>(39,382,280)</u>	<u>(79,606,655)</u>
Total assets	<u>110,023,052</u>	<u>44,920,218</u>	<u>154,943,270</u>
LIABILITIES			
Accounts payable	4,530,006	676,392	5,206,398
Accrued salaries payable	409,091	59,977	469,068
Due to other governments	64,445	-	64,445
Unearned revenue	364	48,783	49,147
Other current liabilities	-	7,608	7,608
Interest payable	78,065	32,310	110,375
Customer deposits	-	526,212	526,212
Noncurrent liabilities :			
Due within one year	1,804,000	872,500	2,676,500
Due in more than one year	42,305,498	7,734,842	50,040,340
Total liabilities	<u>49,191,469</u>	<u>9,958,624</u>	<u>59,150,093</u>
NET ASSETS			
Invested in capital assets, net of related debt	27,529,009	29,481,368	57,010,377
Restricted for:			
Debt service	1,962,005	2,184,725	4,146,730
Economic development	5,004,327	-	5,004,327
Capital improvements	4,749,039	-	4,749,039
Grants and state programs	1,601,220	-	1,601,220
Unrestricted	19,985,983	3,295,501	23,281,484
Total net assets	<u>\$ 60,831,583</u>	<u>\$ 34,961,594</u>	<u>\$ 95,793,177</u>

See accompanying notes to financial statements.

CITY OF LA PORTE, TEXAS
Statement of Activities
For The Year Ended September 30, 2007

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General Government	\$ 8,410,865	\$ 2,006,607	\$ 30,000	\$ -
Public Safety	12,153,324	435,128	871,320	-
Public Works	3,668,425	-	-	-
Health & Sanitation	2,487,531	1,856,013	53,591	-
Culture and recreation	3,120,183	418,143	36,768	-
Interest on Long Term Debt	1,352,747	-	-	-
Total governmental activities	31,193,075	4,715,891	991,679	-
Business-type activities:				
Water Services	6,548,382	4,789,854	-	847,006
Sewer Services	2,086,651	2,763,715	-	-
Airport	123,904	42,359	-	213,942
Golf Course	1,310,589	911,371	-	-
Sylvan Beach Convention Ctr	218,053	189,290	-	-
Total business-type activities	10,287,579	8,696,589	-	1,060,948
Total government	\$ 41,480,654	\$ 13,412,480	\$ 991,679	\$ 1,060,948

General revenues:

Taxes:

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

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets—beginning

Net assets—ending

See accompanying notes to basic financial statements.

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

Governmental Activities	Business-type Activities	Total
\$ (6,374,258)	\$ -	\$ (6,374,258)
(10,846,876)	-	(10,846,876)
(3,668,425)	-	(3,668,425)
(577,927)	-	(577,927)
(2,665,272)	-	(2,665,272)
(1,352,747)	-	(1,352,747)
<u>(25,485,505)</u>	<u>-</u>	<u>(25,485,505)</u>
-	(911,522)	(911,522)
-	677,064	677,064
-	132,397	132,397
-	(399,218)	(399,218)
-	(28,763)	(28,763)
<u>-</u>	<u>(530,042)</u>	<u>(530,042)</u>
<u>\$ (25,485,505)</u>	<u>\$ (530,042)</u>	<u>\$ (26,015,547)</u>

11,246,050	-	11,246,050
1,819,554	-	1,819,554
8,188,891	-	8,188,891
2,003,691	-	2,003,691
5,735,725	-	5,735,725
2,386,980	342,566	2,729,546
89,400	-	89,400
75,612	(75,612)	-
<u>31,545,903</u>	<u>266,954</u>	<u>31,812,857</u>
6,060,398	(263,088)	5,797,310
54,771,185	35,224,682	89,995,867
<u>\$ 60,831,583</u>	<u>\$ 34,961,594</u>	<u>\$ 95,793,177</u>

CITY OF LA PORTE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2007

	General	2007 General Obligation Bonds	2005 General Obligation Bonds
ASSETS			
Cash and cash equivalents	\$ 9,726,084	\$ 36,838	\$ -
Investments	5,000,437	8,067,088	1,370,902
Receivables, net of allowance for uncollectibles:			
Accounts	1,936,031	-	-
Taxes	1,646,148	-	-
Intergovernmental	-	-	-
Accrued interest	81,843	296	918
Other	-	-	-
Due from other funds	591,539	-	-
Materials and supplies inventories, at cost	83,433	-	-
Total assets	19,065,515	8,104,222	1,371,820
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	2,411,957	55,442	290,608
Accrued salaries payable	288,407	-	-
Due to other governments	-	-	-
Due to other funds	-	-	591,539
Retainage payable	-	-	-
Deferred revenue	2,407,548	-	-
Accrued employee separation pay	100,000	-	-
Total liabilities	5,207,912	55,442	882,147
Fund balances:			
Reserved for:			
Inventories	83,431	-	-
Encumbrances	86,277	-	-
Municipal Court Building Security	-	-	-
Municipal Court Technology Fee	-	-	-
Park Zone	-	-	-
Confiscated funds	-	-	-
Debt service	-	-	-
Unreserved, Designated for capital projects	38,084	-	-
Unreserved/Undesignated	13,649,811	8,048,780	489,673
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Total fund balances	13,857,603	8,048,780	489,673
 Total liabilities and fund balances	\$ 19,065,515	\$ 8,104,222	\$ 1,371,820

See accompanying notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 10,407,778	\$ 20,170,700
9,579,149	24,017,576
-	1,936,031
507,590	2,153,738
1,023,599	1,023,599
79,220	162,277
4,309	4,309
-	591,539
-	83,433
<u>21,601,645</u>	<u>50,143,202</u>
1,053,786	3,811,793
2,701	291,108
64,445	64,445
-	591,539
71,890	71,890
114,678	2,522,226
-	100,000
<u>1,307,500</u>	<u>7,453,001</u>
-	83,431
9,150	95,427
123,475	123,475
96,529	96,529
169,683	169,683
346,265	346,265
1,925,756	1,925,756
-	38,084
-	22,188,264
7,501,313	7,501,313
10,121,974	10,121,974
<u>20,294,145</u>	<u>42,690,201</u>
<u>\$ 21,601,645</u>	<u>\$ 50,143,202</u>



CITY OF LA PORTE, TEXAS
Reconciliation of the Governmental Funds
Balance Sheet to Statement of Net Assets
September 30, 2007

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

Total fund balances - total governmental funds	\$ 42,690,201
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.	48,725,880
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Unavailable revenues	2,523,556
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.	(78,065)
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.	10,383,055
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	(40,985,000)
Premium on Issuance	(326,022)
Compensated Absences Payable	(2,662,379)
Bond Issuance Costs	560,357
Net assets of governmental activities	\$ 60,831,583

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, 2007

	<u>General</u>	<u>2007 Certificate of Obligation Bonds</u>	<u>2005 General Obligation Bonds</u>
REVENUES			
Property taxes	\$ 11,137,787	\$ -	\$ -
Franchise taxes	2,003,691	-	-
Sales taxes	2,986,733	-	-
Donations	-	-	-
Industrial payments	7,987,846	-	-
Other taxes	66,937	-	-
Licenses and permits	919,923	-	-
Fines and forfeits	965,216	-	-
Charges for services	3,928,027	-	-
Intergovernmental	5,483	-	-
Interest	868,955	94,041	131,325
Miscellaneous	62,318	-	-
Total revenues	<u>30,932,916</u>	<u>94,041</u>	<u>131,325</u>
EXPENDITURES			
Current:			
General Government	6,241,603	-	-
Public Safety	11,769,003	-	-
Public Works	2,407,428	-	-
Health and Sanitation	1,972,823	-	-
Culture and Recreation	3,103,466	-	-
Debt service:			
Principal retirements	-	-	-
Interest and fiscal charges	-	129,476	-
Capital outlay	-	28,357	6,515,799
Total expenditures	<u>25,494,323</u>	<u>157,833</u>	<u>6,515,799</u>
Excess (deficiency) of revenues over expenditures	<u>5,438,593</u>	<u>(63,792)</u>	<u>(6,384,474)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	8,075,000	-
Premium on bonds	-	37,572	-
Transfers in	419,717	-	-
Transfers out	(3,137,620)	-	(171,053)
Proceeds from sale of Assets	21,253	-	-
Total other financing sources (uses)	<u>(2,696,650)</u>	<u>8,112,572</u>	<u>(171,053)</u>
Net change in fund balances	2,741,943	8,048,780	(6,555,527)
Fund balances—beginning	11,115,660	-	7,045,200
Fund balances—ending	<u>\$ 13,857,603</u>	<u>\$ 8,048,780</u>	<u>\$ 489,673</u>

See accompanying notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,853,065	\$ 12,990,852
-	2,003,691
2,240,367	5,227,100
30,000	30,000
201,045	8,188,891
441,688	508,625
-	919,923
278,478	1,243,694
38,774	3,966,801
710,620	716,103
1,023,054	2,117,375
14,738	77,056
<u>6,831,829</u>	<u>37,990,111</u>
1,433,089	7,674,692
-	11,769,003
-	2,407,428
-	1,972,823
-	3,103,466
1,235,000	1,235,000
1,452,811	1,582,287
3,490,535	10,034,691
<u>7,611,435</u>	<u>39,779,390</u>
<u>(779,606)</u>	<u>(1,789,279)</u>
-	8,075,000
-	37,572
3,776,857	4,196,574
(1,839,180)	(5,147,853)
-	21,253
<u>1,937,677</u>	<u>7,182,546</u>
1,158,071	5,393,267
19,136,074	37,296,934
<u>\$ 20,294,145</u>	<u>\$ 42,690,201</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, 2007

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

Net change in fund balances—total governmental funds:	\$ 5,393,267
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 \$9,789,991 exceeded depreciation \$2,466,325 and losses from the disposition of capital assets in the current period.	7,298,727
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.	(1,094,199)
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.	(6,723,204)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest not reflected in governmental funds	10,880
Additional compensated absences not reflected in governmental funds	(145,178)
Amortization of bond issuance costs	59,354
Amortization of premium on bonds	4,938
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>1,255,813</u>
Change in net assets of governmental activities	<u>\$ 6,060,398</u>

CITY OF LA PORTE, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2007

	Business-type Activities –		
	Enterprise Funds		
	Utility	La Porte Area Water Authority	Other Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,687,755	\$ 1,072,565	\$ 362,226
Investments	860,509	547,022	184,382
Receivables, net of allowance for uncollectibles	767,934	159,215	4,498
Accrued interest receivable	17,192	12,583	3,118
Miscellaneous receivables	-	-	-
Material and supplies inventories, at cost	4,540	-	-
Prepaid expenses	-	149,580	-
Restricted cash and cash equivalents for:			
Customer service deposits	468,839	-	45,861
Investments restricted for:			
Current debt service	125,000	758,531	-
Total current assets	<u>3,931,769</u>	<u>2,699,496</u>	<u>600,085</u>
Noncurrent assets:			
Capital assets:			
Land	224,308	-	2,084,469
Buildings and improvements	51,730	-	1,115,110
Improvements other than buildings	48,624,534	14,719,440	6,584,096
Vehicles and equipment	428,392	6,130	91,130
Construction in progress	2,638,994	-	502,815
Less accumulated depreciation	(28,400,608)	(5,862,846)	(5,118,826)
Total noncurrent assets	<u>23,567,350</u>	<u>8,862,724</u>	<u>5,258,794</u>
Total assets	<u>27,499,119</u>	<u>11,562,220</u>	<u>5,858,879</u>
LIABILITIES			
Current liabilities:			
Accounts payable	508,439	149,685	18,268
Accrued salaries payable	41,914	-	18,063
Unearned revenue	-	-	48,783
Other current liabilities	-	-	7,608
Accrued interest payable	20,332	11,978	-
Payable from restricted assets:			
Current portion of revenue bonds	387,500	485,000	-
Customer deposits	469,342	-	56,870
Total current liabilities	<u>1,427,527</u>	<u>646,663</u>	<u>149,592</u>
Noncurrent liabilities:			
Revenue bonds, net of current portion	2,225,000	5,110,000	-
Accrued separation pay	240,163	-	159,679
Total noncurrent liabilities	<u>2,465,163</u>	<u>5,110,000</u>	<u>159,679</u>
Total liabilities	<u>3,892,690</u>	<u>5,756,663</u>	<u>309,271</u>
NET ASSETS			
Invested in capital assets, net of related debt	20,954,850	3,267,724	5,258,794
Restricted for debt service	1,438,172	746,553	-
Unrestricted (deficit)	1,213,407	1,791,280	290,814
Total net assets	<u>\$ 23,606,429</u>	<u>\$ 5,805,557</u>	<u>\$ 5,549,608</u>

See accompanying notes to basic financial statements.

<u>Totals</u>	<u>Governmental Activities – Internal Service Funds</u>
\$ 3,122,546	\$ 4,702,191
1,591,913	2,397,751
931,647	-
32,893	37,597
-	4,669
4,540	41,406
149,580	-
514,700	-
883,531	-
<u>7,231,350</u>	<u>7,183,614</u>
2,308,777	-
1,166,840	-
69,928,070	-
525,652	11,766,816
3,141,809	-
(39,382,280)	(7,765,278)
<u>37,688,868</u>	<u>4,001,538</u>
<u>44,920,218</u>	<u>11,185,152</u>
676,392	646,323
59,977	17,983
48,783	1,694
7,608	-
32,310	-
872,500	-
526,212	-
<u>2,223,782</u>	<u>666,000</u>
7,335,000	-
399,842	136,097
<u>7,734,842</u>	<u>136,097</u>
<u>9,958,624</u>	<u>802,097</u>
29,481,368	4,001,538
2,184,725	-
3,295,501	6,381,517
<u>\$ 34,961,594</u>	<u>\$ 10,383,055</u>

CITY OF LA PORTE, TEXAS
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended September 30, 2007

	Business-type Activities – Enterprise Funds		
	Utility	La Porte Area Water Authority	Other Funds
Operating revenues:			
User fees	\$ 6,518,507	\$ 1,035,062	\$ 1,143,020
Operating expenses:			
Personal services	2,333,780	-	949,768
Supplies	193,536	215	175,777
Other services and charges	3,154,232	721,721	257,128
Depreciation	1,531,473	441,913	267,864
Total operating expenses	<u>7,213,021</u>	<u>1,163,849</u>	<u>1,650,537</u>
Operating income (loss)	<u>(694,514)</u>	<u>(128,787)</u>	<u>(507,517)</u>
Nonoperating revenues (expenses):			
Interest income	204,267	110,364	27,935
Interest expense and fiscal charges	(161,364)	(299,598)	-
Gain (loss) on sale of equipment	202,799	-	(2,009)
Total nonoperating revenue (expenses)	<u>245,702</u>	<u>(189,234)</u>	<u>25,926</u>
Income (loss) before contributions and transfers	(448,812)	(318,021)	(481,591)
Capital contributions	-	847,006	213,942
Transfers in	54,524	-	538,816
Transfers out	<u>(576,065)</u>	<u>(59,454)</u>	<u>(33,433)</u>
Change in net assets	(970,353)	469,531	237,734
Total net assets—beginning	<u>24,576,782</u>	<u>5,336,026</u>	<u>5,311,874</u>
Total net assets—ending	<u>\$ 23,606,429</u>	<u>\$ 5,805,557</u>	<u>\$ 5,549,608</u>

See accompanying notes to basic financial statements.

Totals	Governmental Activities – Internal Service Funds
\$ 8,696,589	\$ 6,325,889
3,283,548	1,361,654
369,528	382,849
4,133,081	3,887,438
2,241,250	821,049
10,027,407	6,452,990
(1,330,818)	(127,101)
342,566	269,605
(460,962)	-
200,790	86,418
82,394	356,023
(1,248,424)	228,922
1,060,948	-
593,340	1,049,222
(668,952)	(22,331)
(263,088)	1,255,813
35,224,682	9,127,242
\$ 34,961,594	\$ 10,383,055

CITY OF LA PORTE, TEXAS
Statement of Cash Flows
Proprietary Funds
For The Year Ended September 30, 2007

	Business-type Activities – Enterprise Funds		
	Utility	La Porte Area Water Authority	Other Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from user fees	\$ 6,694,492	\$ 1,045,452	\$ 1,142,140
Cash payments to suppliers	(4,634,097)	(870,354)	(567,191)
Cash payments for personal services	(2,325,873)	-	(939,440)
Net cash provided (used) by operating activities	<u>(265,478)</u>	<u>175,098</u>	<u>(364,491)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due to/from other funds	-	-	-
Rebate to Member Cities	-	-	-
Transfers from other funds	54,524	-	538,816
Transfers to other funds	(576,065)	(59,454)	(33,433)
Net cash provided (used) by noncapital financing activities	<u>(521,541)</u>	<u>(59,454)</u>	<u>505,383</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments received from participants for debt service	-	760,701	-
Payments received from participants for capital recovery	-	86,305	-
Payments for capital acquisitions	(1,010,422)	-	(382,910)
Capital contributions	-	-	213,942
Proceeds from sale of assets	246,500	-	-
Issuance of debt	-	-	-
Proceeds from insurance	-	-	-
Principal payments on revenue bonds	(387,500)	(460,000)	-
Interest paid on debt	(204,282)	(300,700)	-
Net cash provided (used) by capital and related financing activities	<u>(1,355,704)</u>	<u>86,306</u>	<u>(168,968)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	211,001	110,132	28,297
Net Investments purchased	(853,952)	(1,131,273)	(164,677)
Net Investments sold	3,797,042	1,058,160	225,037
Net cash provided by investing activities	<u>3,154,091</u>	<u>37,019</u>	<u>88,657</u>
Net increase in cash and cash equivalents	1,011,368	238,969	60,581
Balances—beginning of the year	1,145,226	833,696	347,506
Balances—end of the year	<u>\$ 2,156,594</u>	<u>\$ 1,072,665</u>	<u>\$ 408,087</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (694,514)	\$ (128,787)	\$ (507,517)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,531,473	441,913	267,864
(Increase) decrease in accounts receivable	166,169	10,390	(1,727)
(Increase) decrease in inventories	-	-	-
(Increase) decrease in prepaid expenses	-	(149,580)	-
Increase (decrease) in accrued salaries payable	5,203	-	2,676
Increase (decrease) in accounts payable	76,029	1,162	(7,862)
Increase (decrease) in other current liabilities	-	-	13,784
Increase (decrease) in due to other funds	(1,362,358)	-	(128,102)
Increase (decrease) in customer utility deposits	9,816	-	(11,259)
Increase (decrease) in accrued employee separation	2,704	-	7,652
Total adjustments	<u>429,036</u>	<u>303,885</u>	<u>143,026</u>
Net cash provided (used) by operating activities	<u>\$ (265,478)</u>	<u>\$ 175,098</u>	<u>\$ (364,491)</u>
Reconciliation of total cash and cash investments:			
Current Assets - cash and cash equivalents	\$ 1,687,755	\$ 1,072,565	\$ 362,226
Restricted Assets - cash and cash equivalents:			
Customer deposits	468,839	-	45,861
Current debt service	-	-	-
Total cash and cash equivalents	<u>\$ 2,156,594</u>	<u>\$ 1,072,565</u>	<u>\$ 408,087</u>
Noncash investing, capital and financing activities:			
Increase in fair value of assets	\$ 2,617	\$ 3,467	\$ 490
See accompanying notes to basic financial statements.			

<u>Totals</u>	<u>Governmental Activities – Internal Service Funds</u>
\$ 8,882,084	\$ 6,402,600
(6,071,642)	(4,179,413)
<u>(3,265,313)</u>	<u>(1,344,842)</u>
<u>(454,871)</u>	<u>878,345</u>
-	-
-	-
593,340	1,049,222
<u>(668,952)</u>	<u>(22,331)</u>
<u>(75,612)</u>	<u>1,026,891</u>
760,701	-
86,305	-
(1,393,332)	(517,070)
213,942	-
246,500	209,746
-	-
-	-
(847,500)	-
(504,982)	-
<u>(1,438,366)</u>	<u>(307,324)</u>
349,430	262,737
(2,149,902)	(2,077,671)
<u>5,080,239</u>	<u>1,840,548</u>
<u>3,279,767</u>	<u>25,614</u>
1,310,918	1,623,526
2,326,428	3,078,665
<u>\$ 3,637,346</u>	<u>\$ 4,702,191</u>
<u>\$ (1,330,818)</u>	<u>\$ (127,101)</u>
2,241,250	821,049
174,832	77,123
-	4,774
(149,580)	-
7,879	2,080
69,329	86,100
13,784	(412)
(1,490,460)	-
(1,443)	-
<u>10,356</u>	<u>14,732</u>
<u>875,947</u>	<u>1,005,446</u>
<u>\$ (454,871)</u>	<u>\$ 878,345</u>
\$ 3,122,546	\$ 4,702,191
514,700	-
-	-
<u>\$ 3,637,246</u>	<u>\$ 4,702,191</u>
<u>\$ 6,574</u>	<u>\$ 6,367</u>



CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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. As a general rule the effect of interfund activity has been removed from these statements. Exceptions to this general rule are payments reasonably equivalent in value to the interfund services provided and other charges between the City's various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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, 2007

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 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) *2007 Certificate of Obligation Fund* – This fund is used to fund is used to account for the proceeds and expenditures related to wastewater treatment plan, ball fields and golf course cart path repair.
- (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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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 capital 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, 2007

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 Expenses

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

H. Receivables

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

Fund	Taxes	Inter- governmental	Interest	Other	Accounts	Total
General	\$ 2,226,287	\$ -	\$ 81,843	\$ -	\$ 5,986,063	\$ 8,294,193
2007 C.O.	-	-	296	-	-	296
2005 G.O. Bonds	-	-	918	-	-	918
Nonmajor governmental	721,158	1,023,599	79,220	4,309	-	1,828,286
Utility	-	-	17,192	-	802,566	819,758
La Porte Area						
Water Authority	-	-	12,583	-	159,215	171,798
Nonmajor enterprise	-	-	3,118	-	4,498	7,616
Internal service funds	-	-	37,597	4,669	-	42,266
Gross Receivables	<u>2,947,445</u>	<u>1,023,599</u>	<u>232,767</u>	<u>8,978</u>	<u>6,952,342</u>	<u>11,165,131</u>
Less: allowance for uncollectibles	<u>(793,707)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,084,664)</u>	<u>(4,878,371)</u>
Net total receivables	<u><u>\$ 2,153,738</u></u>	<u><u>\$ 1,023,599</u></u>	<u><u>\$ 232,767</u></u>	<u><u>\$ 8,978</u></u>	<u><u>\$ 2,867,678</u></u>	<u><u>\$ 6,286,760</u></u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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		Total
	General	Debt Service	Nonmajor Governmental	Nonmajor Enterprise	
Delinquent property taxes receivable	\$ 722,030	\$ 114,314	\$ -	\$ -	\$ 836,344
Court fines	147,970	-	-	-	147,970
Emergency medical services	1,234,623	-	-	-	1,234,623
Mowing and demolition services	241,486	-	-	-	241,486
Miscellaneous	61,439	-	-	48,783	110,222
Grant revenues	-	-	364	-	364
Total deferred / unearned revenue	<u>\$ 2,407,548</u>	<u>\$ 114,314</u>	<u>\$ 364</u>	<u>\$ 48,783</u>	<u>\$ 2,571,009</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 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, 2007

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, 2007, 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, 2007 is comprised of the following:

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Vacation	\$ 819,979	\$ 157,980	\$ 977,959
Sick Leave	2,078,497	241,862	2,320,359
Total All Funds	<u>\$ 2,898,476</u>	<u>\$ 399,842</u>	<u>\$ 3,298,318</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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 \$57,400,888.

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

	Cash Bank Deposits	Pooled Funds	Investments	Total
General	\$ 752,030	\$ 8,974,054	\$ 5,000,437	\$ 14,726,521
Debt Service	98,962	1,184,409	654,535	1,937,906
Capital Projects	324,189	18,043,401	2,144,189	20,511,779
Special Revenue Funds	358,080	4,323,592	2,330,377	7,012,049
Total Governmental Funds	<u>1,533,261</u>	<u>32,525,456</u>	<u>10,129,538</u>	<u>44,188,255</u>
Internal Service Funds	362,568	4,339,625	2,397,749	7,099,942
Total Governmental Activities	<u>1,895,829</u>	<u>36,865,081</u>	<u>12,527,287</u>	<u>51,288,197</u>
Enterprise	312,153	3,325,095	2,475,443	6,112,691
Total	<u>\$ 2,207,981</u>	<u>\$ 40,190,177</u>	<u>\$ 15,002,730</u>	<u>\$ 57,400,888</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	\$ 2,635,500
Net increase (decrease) in fair value of investments	23,074
Total investment income	<u>\$ 2,658,574</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	\$ 40,190,177
US Agency securities	15,002,730
Total	<u>\$ 55,192,907</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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 investment type:

	Fair Value	Weighted Average Maturity (Months)
Federal Home Loan Bank (FHLB)	\$11,008,450	6.08
Federal Home Loan Mortgage Corporation (FHLMC)	1,998,020	0.79
Federal National Mortgage Association (FNMA)	1,996,260	0.56
Total fair value	\$15,002,730	
Portfolio weighted average maturity		7.42

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.

Investment Type	Fair Value	Percentage of Total Portfolio
Agency Notes	\$ 15,002,730	27%
Investment Pools	40,190,177	73%
	\$ 55,192,907	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.

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 2006-07 tax year were \$0.612 and \$0.098, respectively, per \$100 of assessed valuation. The 2006 assessed value and total tax levy as adjusted through September 30, 2007 were \$1,792,232,683 and \$12,724,857 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, 2007

4. Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	Beginning Balance 10/01/06	Additions	Retirements & Adjustments	Ending Balance 09/30/07
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,685,517	\$ 47,259	\$ 193,193	\$ 7,925,969
Construction in progress	9,983,974	8,792,822	(218,384)	18,558,412
Total capital assets, not being depreciated	<u>17,669,491</u>	<u>8,840,081</u>	<u>(25,191)</u>	<u>26,484,381</u>
Capital assets, being depreciated:				
Buildings and improvements	17,732,228	459,611	(3,845)	18,187,994
Improvements other than buildings	7,687,858	-	(38,165)	7,649,693
Infrastructure	26,873,816	83,493	-	26,957,309
Machinery and equipment	13,319,881	823,287	(470,752)	13,672,416
Total capital assets being depreciated	<u>65,613,783</u>	<u>1,366,391</u>	<u>(512,762)</u>	<u>66,467,412</u>
Less accumulated depreciation for:				
Buildings	9,955,507	731,296	(8,881)	10,677,922
Improvements other than buildings	4,772,854	305,808	-	5,078,662
Machinery and equipment	8,102,362	1,006,499	(410,919)	8,697,942
Infrastructure	14,596,546	1,173,303	-	15,769,849
Total accumulated depreciation	<u>37,427,269</u>	<u>3,216,906</u>	<u>(419,800)</u>	<u>40,224,375</u>
Total capital assets, being depreciated, net	<u>28,186,514</u>	<u>(1,850,515)</u>	<u>(92,962)</u>	<u>26,243,037</u>
Governmental activities capital assets, net	<u>\$ 45,856,005</u>	<u>\$ 6,989,566</u>	<u>\$ (118,153)</u>	<u>\$ 52,727,418</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

4. Capital Assets – Continued

	Beginning Balance 10/01/06	Additions	Retirements & Adjustments	Ending Balance 09/30/07
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,350,478	\$ -	\$ (41,701)	\$ 2,308,777
Construction in progress	2,638,961	512,348	(9,500)	3,141,809
Total capital assets, not being depreciated	<u>4,989,439</u>	<u>512,348</u>	<u>(51,201)</u>	<u>5,450,586</u>
Capital assets, being depreciated				
Buildings and improvements	1,166,840	-	-	1,166,840
Improvements other than buildings	69,181,355	737,215	9,500	69,928,070
Machinery and equipment	429,184	136,300	(39,832)	525,652
Total capital assets, being depreciated	<u>70,777,379</u>	<u>873,515</u>	<u>(30,332)</u>	<u>71,620,562</u>
Less accumulated depreciation for:				
Buildings and improvements	756,982	48,951	-	805,933
Improvements other than buildings	36,061,363	2,169,558	-	38,230,921
Machinery and equipment	352,538	22,649	(29,761)	345,426
Total accumulated depreciation	<u>37,170,883</u>	<u>2,241,158</u>	<u>(29,761)</u>	<u>39,382,280</u>
Total capital assets, being depreciated net	<u>33,606,496</u>	<u>(1,367,641)</u>	<u>(571)</u>	<u>32,238,286</u>
Business-type activities capital assets, net	<u>\$ 38,595,935</u>	<u>\$ (855,294)</u>	<u>\$ (51,773)</u>	<u>\$ 37,688,868</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

4. Capital Assets – Continued

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

Governmental activities:	
General government	\$ 322,829
Public safety	320,920
Public works	1,248,027
Culture and Recreation	504,080
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	821,050
Total depreciation expense - governmental activities	<u>\$ 3,216,906</u>
Business-type activities:	
Water & Sewer Services	\$ 1,973,293
Airport	108,772
Golf Course	144,221
Sylvan Beach Pavillion	14,871
Total depreciation expense - business-type activities	<u>\$ 2,241,157</u>

The City has active construction projects as of September 30, 2007. Total accumulated commitments for ongoing capital projects are composed of the following:

	Construction In Progress	Remaining Contract Balance
Utility Capital Projects Fund	\$ 2,638,994	\$ 419,195
Sylvan Beach Fund	34,905	-
Airport Fund	467,911	-
Hotel/Motel Occupancy Tax Fund	77,097	-
TIRZ Fund	201,170	-
General CIP	803,593	132,704
S1998 General Obligation Bonds	558,210	-
S2000 General Obligation Bonds	1,346,698	13,170
S2002 General Obligation Bonds	2,483,711	100,184
S2004 Cert. of Obligation Bonds	3,459,290	487,649
S2005 General Obligation Bonds	8,479,352	168,250
S2005 Cert. of Obligation Bonds	120,272	364,045
S2006 Cert. of Obligation Bonds	1,002,431	17,917
S2006 GO Bonds	26,590	108,435
Total	<u>\$ 21,700,224</u>	<u>\$ 1,811,549</u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

5. Long Term Liabilities

At September 30, 2007 bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
<ul style="list-style-type: none"> • 1998 General Obligation Serial Bonds due in annual installments of \$125,000 through March 15, 2019; interest at 4.25% to 6.25% \$2,500,000 issued for street and drainage improvements. 	\$ 1,500,000	\$ -
<ul style="list-style-type: none"> • 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% \$1,250,000 issued for water and sewer improvements. 	-	250,000
<ul style="list-style-type: none"> • 1999 La Porte Area Water Authority Contract Revenue Refunding Bonds due in annual payments through March 15, 2017; interest at 7% to 7.5% \$8,080,000 issued to refund previous debt. 	-	5,595,000
<ul style="list-style-type: none"> • 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% \$3,250,000 issued for city hall, fire station and pool improvements. 	2,200,000	-
<ul style="list-style-type: none"> • 2000 Certificates of Obligation due in annual installments of \$150,000 through March 15, 2020; interest at 5% to 7% \$3,000,000 issued to construct a public library 	1,950,000	-
<ul style="list-style-type: none"> • 2002 Limited Tax Bonds due in annual installments of \$270,000 through March 15, 2025; interest at 4.25% to 5%; \$5,400,000 issued for wastewater treatment plant and fire station improvements. 	4,860,000	-
<ul style="list-style-type: none"> • 2004 Certificates of Obligation due in annual payments through March 15, 2025; interest at 3.6% to 4.45% \$7,000,000 issued for paving and drainage improvements, street extension and land acquisition. 	6,590,000	-
<ul style="list-style-type: none"> • 2005 General Obligation Serial Bonds due in annual payments through March 15, 2025; interest at 3.75% to 4.25% \$7,675,000 issued to construct a police facility. 	7,170,000	-
<ul style="list-style-type: none"> • 2005 Certificates of Obligation due in annual payments through March 15, 2015; interest at 2.8% to 3.8% \$7,000,000 issued for water and sewer improvements and fire truck. 	1,675,000	-
<ul style="list-style-type: none"> • 2006 Public Property Finance Contractual Obligation due in annual payments through January 25, 2016; interest at 3.74% \$2,625,000 issued for automated meter replacement program. 	-	2,362,500
<ul style="list-style-type: none"> • 2006 General Obligation Serial Bonds due in annual payments through March 15, 2005; interest at 3.625% to 4.25% \$1,200,000 issued for park improvements. 	1,200,000	-
<ul style="list-style-type: none"> • 2006 Certificates of Obligation due in annual payments through March 15, 2025; interest at 3.75% to 4.3% \$5,765,000 issued for police facility, sports and water and sewer improvements 	5,765,000	-
<ul style="list-style-type: none"> • 2007 Certificates of Obligation due in annual payments through March 15, 2029; interest at 4.00% to 4.25% \$8,075,000 issued for wastewater treatment plant improvements, sports complex and golf cart path improvements. 	8,075,000	-
Total Bonds Payable	\$ 40,985,000	\$ 8,207,500

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

5. Long Term Liabilities – Continued

Changes in Outstanding Debt –

Transactions for the year ended September 30, 2007 are summarized as follows:

	Balance October 1, 2006	Issues or Additions	Payments or Expenditures	Balance September 30, 2007	Due within one year
Governmental Type Activities					
General Obligation Bonds	\$ 17,740,000	\$ -	\$ 810,000	\$ 16,930,000	\$ 865,000
Certificates of Obligation	16,405,000	8,075,000	425,000	24,055,000	790,000
Premium on debt issues	293,388	37,572	4,938	326,022	-
Compensated Absences	2,517,201	319,220	37,945	2,798,476	149,000
Total governmental fund types	<u>36,955,589</u>	<u>8,431,792</u>	<u>1,277,883</u>	<u>44,109,498</u>	<u>1,804,000</u>
Business Type Activities					
Revenue Bonds Payable	6,430,000	-	585,000	5,845,000	610,000
Public Property Finance					
Contractual Obligation	2,625,000	-	262,500	2,362,500	262,500
Compensated absences	389,486	47,907	37,551	399,842	30,000
Total business fund types	<u>9,444,486</u>	<u>47,907</u>	<u>885,051</u>	<u>8,607,342</u>	<u>902,500</u>
Total of all fund types	<u>\$ 46,400,075</u>	<u>\$ 8,479,699</u>	<u>\$ 2,162,934</u>	<u>\$ 52,716,840</u>	<u>\$ 2,706,500</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 year's bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

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

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

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

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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, 2007.

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

Current Maturities of Revenue Bonds	\$ 883,531
Customer Deposits Payable	<u>514,700</u>
Total Restricted Cash and Cash Investments as of September 30, 2007	<u><u>\$ 1,398,231</u></u>

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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, 2007, are as follows:

General Obligation Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
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	945,000	564,444	-	-	1,509,444
2013-2017	4,985,000	2,182,312	-	-	7,167,312
2018-2022	4,765,000	1,076,948	-	-	5,841,948
2023-2025	2,670,000	179,514	-	-	2,849,514
Total	\$ 16,930,000	\$ 6,662,196	\$ -	\$ -	\$ 23,592,196

Certificate of Obligations

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2008	\$ 790,000	\$ 1,097,552	\$ 262,500	\$ 83,449	\$ 2,233,501
2009	820,000	966,628	262,500	73,631	2,122,759
2010	860,000	931,618	262,500	63,814	2,117,932
2011	895,000	896,048	262,500	53,996	2,107,544
2012	950,000	858,518	262,500	44,179	2,115,197
2013-2017	5,860,000	3,588,968	1,050,000	78,540	10,577,508
2018-2022	6,970,000	2,233,904	-	-	9,203,904
2023-2027	5,765,000	725,271	-	-	6,490,271
2028-2029	1,145,000	48,615	-	-	1,193,615
Total	\$ 24,055,000	\$ 11,347,123	\$ 2,362,500	\$ 397,609	\$ 38,162,232

Revenue Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
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	-	-	580,000	170,667	750,667
2013-2017	-	-	2,950,000	482,306	3,432,306
Total	\$ -	\$ -	\$ 5,845,000	\$ 1,583,418	\$ 7,428,418

5. Long Term Liabilities – Continued

Bonds Authorized and Unissued –

As of September 30, 2007, 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, 2007, \$2,025,000 of the refunded bonds has been paid and \$5,595,000 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 2006 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, 2007

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, 2006
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>
2004	\$ 2,037,218	100%	-
2005	1,984,770	100%	-
2006	1,952,908	100%	-

Additional supplementary three-year trend information may be found on page 75.

CITY OF LA PORTE, TEXAS
Notes to the Financial Statements
September 30, 2007

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, 2007

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
2005	13,104	100%
2006	10,360	100%
2007	13,440	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, 2007 were as follows:

Transfer out:	Transfer In:					Totals
	General Fund	Other Governmental Funds	Utility Fund	Other Enterprise Funds	Internal Service Funds	
General fund	\$ -	\$ 1,695,956	\$ 54,524	\$ 473,816	\$ 913,324	\$ 3,137,620
2005 G.O. fund	-	171,053	-	-	-	171,053
Other governmental funds	-	1,774,180	-	65,000	-	1,839,180
Utility fund	362,396	135,668	-	-	78,001	576,065
La Porte Area water authority fund	57,321	-	-	-	2,133	59,454
Other enterprise funds	-	-	-	-	33,433	33,433
Internal service funds	-	-	-	-	22,331	22,331
Total	\$ 419,717	\$ 3,776,857	\$ 54,524	\$ 538,816	\$ 1,049,222	\$ 5,839,136

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 fro 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, 2007

7. Interfund Receivables, Payables and Transfers - Continued

In the year September 30, 2007, the government made the following one-time transfers:

A transfer of \$203,621 from the General Fund to the Insurance Fund for additional funding for health insurance for health insurance shortfall. A transfer of \$171,053 was made from the General Fund to the Capital Projects Fund for additional funding for the police building. A transfer of \$400,000 was made from the General Fund to the Golf Course Fund to establish a positive fund balance. A transfer of \$250,000 from the Section 4B Fund for loan for street projects until sales tax funds are collected. A transfer was made from the General Fund to the Community Investment Fund for purchase of a building on Main Street. A transfer of \$662,000 to Tax Increment reinvestment Zone Fund from 2006 Certificates of Obligation to reimburse for trunk sewer project. A transfer of \$130,000 was made from the 2005 Certificates of Obligation Fund to the 2006 Certificates of Obligation Fund. A transfer of \$54,524 was made from the General Fund to the Utility Fund for 3.25% salary adjustments. A transfer of \$3,537 was made from the General Fund to the Sylvan Beach Fund for 3.25% salary adjustments. A transfer of \$3,000 was made from the General Fund to the Insurance Fund for 3.25% salary adjustments. A transfer of \$7,751 was made from the General Fund to the Technology Fund for 3.25% salary adjustments. A transfer of \$17,403 was made from the General Fund to the Vehicle Maintenance Fund for 3.25% salary adjustments. A transfer of \$20,279 was made from the General Fund to the Golf Course Fund for 3.25% salary adjustments. A transfer of \$2,209 was made from the General Fund to the Hotel Motel Fund for 3.25% salary adjustments.

The composition of interfund balances as of September 30, 2007 is as follows:

Due to/from other funds:		
<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	2006 General Obligation	\$ 591,539
		\$ 591,539

The outstanding balances result from overdraws of 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, 2007

8. Risk Management - Continued

Activity during the year included:

Revenues:	
Charges to divisions	\$ 2,976,165
Charges to employees	475,173
Charges to retirees	<u>88,027</u>
Total revenues	3,539,365
Expenses:	
Personnel expenses	410,896
Other expenses	253,897
Claims administration	117,021
Claims incurred	2,441,585
Re-insurance premiums	<u>256,615</u>
Total health services expenses	\$ 3,480,014

Included in the claims paid amount is \$509,552 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, 2007 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 2005, 2006 and 2007 are as follows:

	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Payment for Claims</u>	<u>End of Year Accrual</u>
Fiscal Year 2005	\$ 226,387	\$ 2,992,671	\$ 2,914,671	\$ 304,387
Fiscal Year 2006	304,387	2,750,136	2,647,873	406,650
Fiscal Year 2007	406,650	2,441,585	2,338,683	509,552

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, 2007

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, 2007

10. Post-Employment Benefits - Continued

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

<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>
\$522,727	\$434,700	\$88,027	63

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]
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
2006	47,065,757	58,587,551	11,521,794	80.3	14,879,306	77.4

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, 2007**

	<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	\$ 10,784,211	\$ 11,055,787	\$ 11,137,787	\$ 82,000
Franchise taxes	1,990,809	1,910,745	2,003,691	92,946
Sales taxes	2,434,772	2,701,493	2,986,733	285,240
Industrial payments	6,836,257	8,064,619	7,987,846	(76,773)
Other taxes	57,280	61,497	66,937	5,440
Licenses and permits	447,880	783,880	919,923	136,043
Fines and forfeits	753,164	841,203	965,216	124,013
Charges for services	3,759,198	3,877,598	3,928,027	50,429
Intergovernmental	-	5,934	5,483	(451)
Interest	650,000	879,700	868,955	(10,745)
Miscellaneous	25,000	29,613	62,318	32,705
Total revenues	<u>27,738,571</u>	<u>30,212,069</u>	<u>30,932,916</u>	<u>720,847</u>
EXPENDITURES				
General Government:				
Administration	2,426,193	2,444,689	2,353,089	91,600
Finance	3,749,892	2,976,891	2,244,033	732,858
Planning & Engineering	1,710,980	1,750,278	1,644,481	105,797
Public Safety:				
Fire	3,583,768	3,646,519	3,609,570	36,949
Police	8,151,177	8,230,444	8,159,433	71,011
Public Works:				
Public Works Administration	302,682	306,196	302,604	3,592
Streets	2,203,457	2,169,686	2,104,824	64,862
Health and Sanitation:				
Solidwaste	1,867,025	1,974,119	1,972,823	1,296
Culture and Recreation	3,225,175	3,141,433	3,103,466	37,967
Total expenditures	<u>27,220,349</u>	<u>26,640,255</u>	<u>25,494,323</u>	<u>1,145,932</u>
Excess (deficiency) of revenues over expenditures	<u>518,222</u>	<u>3,571,814</u>	<u>5,438,593</u>	<u>1,866,779</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	5,000	21,253	16,253
Transfers in	397,635	419,717	419,717	-
Transfers out	(677,438)	(3,126,873)	(3,137,620)	(10,747)
Total other financing sources (uses)	<u>(279,803)</u>	<u>(2,702,156)</u>	<u>(2,696,650)</u>	<u>5,506</u>
Net change in fund balances	238,419	869,658	2,741,943	1,872,285
Fund balances—beginning	11,115,660	11,115,660	11,115,660	-
Fund balances—ending	<u>\$ 11,354,079</u>	<u>\$ 11,985,318</u>	<u>\$ 13,857,603</u>	<u>\$ 1,872,285</u>



CITY OF LA PORTE, TEXAS
Notes to the Required Supplementary Information
September 30, 2007

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

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.

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

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.

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.

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.

Debt Service Fund

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



CITY OF LA PORTE, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2007

	Special Revenue Funds			
	Grant	Street Maintenance Sales Tax	Community Investment	Hotel/Motel Occupancy Tax
ASSETS				
Cash and cash equivalents	\$ 355,809	\$ 560,372	\$ 581,656	\$ 392,695
Investments	151,916	285,797	269,131	200,279
Taxes receivable	-	132,834	-	-
Intergovernmental receivable	356,883	-	-	-
Other receivables	-	-	-	-
Accrued interest receivable	2,393	4,500	4,216	3,135
Total assets	<u>867,001</u>	<u>983,503</u>	<u>855,003</u>	<u>596,109</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	108,454	4,636	1,213	26,093
Accrued salaries payable	-	-	-	1,358
Retainage payable	10,753	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	364	-	-	-
Total liabilities	<u>119,571</u>	<u>4,636</u>	<u>1,213</u>	<u>27,451</u>
Fund Balances:				
Reserved for:				
Encumbrances	-	-	9,150	-
Municipal Court Building Security	123,475	-	-	-
Municipal Court Technology Fee	96,529	-	-	-
Park Zone	169,683	-	-	-
Confiscated funds	346,265	-	-	-
Debt Service	-	-	-	-
Unreserved	11,478	978,867	844,640	568,658
Total fund balances	<u>747,430</u>	<u>978,867</u>	<u>853,790</u>	<u>568,658</u>
Total liabilities and fund balances	<u>\$ 867,001</u>	<u>\$ 983,503</u>	<u>\$ 855,003</u>	<u>\$ 596,109</u>

Special Revenue Funds		Special Revenue Funds	Capital Projects Funds		
Tax Increment Reinvestment Zone One (TIRZ)	Section 4B Sales Tax	Totals	Capital Projects	Transportation & Other Infrastructure	1998 General Obligation Bonds
\$ 42,853	\$ 2,748,287	\$ 4,681,672	\$ 1,705,444	\$ 771,100	\$ 760,201
21,593	1,401,661	2,330,377	869,797	393,270	387,732
-	265,668	398,502	-	-	-
662,000	-	1,018,883	4,716	-	-
-	-	-	-	-	-
-	21,959	36,203	13,650	6,159	6,071
<u>726,446</u>	<u>4,437,575</u>	<u>8,465,637</u>	<u>2,593,607</u>	<u>1,170,529</u>	<u>1,154,004</u>
-	563	140,959	648,688	-	-
-	1,343	2,701	-	-	-
-	-	10,753	7,277	-	-
64,445	-	64,445	-	-	-
-	-	364	-	-	-
<u>64,445</u>	<u>1,906</u>	<u>219,222</u>	<u>655,965</u>	<u>-</u>	<u>-</u>
-	-	9,150	-	-	-
-	-	123,475	-	-	-
-	-	96,529	-	-	-
-	-	169,683	-	-	-
-	-	346,265	-	-	-
-	-	-	-	-	-
662,001	4,435,669	7,501,313	1,937,642	1,170,529	1,154,004
662,001	4,435,669	8,246,415	1,937,642	1,170,529	1,154,004
<u>\$ 726,446</u>	<u>\$ 4,437,575</u>	<u>\$ 8,465,637</u>	<u>\$ 2,593,607</u>	<u>\$ 1,170,529</u>	<u>\$ 1,154,004</u>

CITY OF LA PORTE, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2007
(Continued)

	Capital Projects Funds			
	2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	2002 General Obligation Bonds	2004 Certificate of Obligation Bonds
ASSETS				
Cash and cash equivalents	\$ 18,517	\$ 227,719	\$ 10,094	\$ 371,480
Investments	9,444	71,674	74,353	797,024
Taxes receivable	-	-	-	-
Intergovernmental receivable	-	-	-	-
Other receivables	-	-	-	2,157
Accrued interest receivable	148	1,094	67	2,967
Total assets	<u>28,109</u>	<u>300,487</u>	<u>84,514</u>	<u>1,173,628</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	25,720	24,464	6,672	10,391
Accrued salaries payable	-	-	-	-
Retainage payable	-	-	48,404	-
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>25,720</u>	<u>24,464</u>	<u>55,076</u>	<u>10,391</u>
Fund Balances:				
Reserved for:				
Encumbrances	-	-	-	-
Municipal Court Building Security	-	-	-	-
Municipal Court Technology Fee	-	-	-	-
Park Zone	-	-	-	-
Confiscated funds	-	-	-	-
Debt Service	-	-	-	-
Unreserved	2,389	276,023	29,438	1,163,237
Total fund balances	<u>2,389</u>	<u>276,023</u>	<u>29,438</u>	<u>1,163,237</u>
Total liabilities and fund balances	<u>\$ 28,109</u>	<u>\$ 300,487</u>	<u>\$ 84,514</u>	<u>\$ 1,173,628</u>

Capital Projects Funds

2005 Certificate of Obligation Bonds	2006 Certificate of Obligation Bonds	2006 General Obligation Bonds	Totals	Debt Service	Total Nonmajor Governmental Funds
\$ 20,979	\$ 212,970	\$ 344,231	\$ 4,442,735	\$ 1,283,371	\$ 10,407,778
748,782	2,307,833	934,328	6,594,237	654,535	9,579,149
-	-	-	-	109,088	507,590
-	-	-	4,716	-	1,023,599
2,152	-	-	4,309	-	4,309
168.00	1,132	1,830	33,286	9,731	79,220
<u>772,081</u>	<u>2,521,935</u>	<u>1,280,389</u>	<u>11,079,283</u>	<u>2,056,725</u>	<u>21,601,645</u>
38,965	82,724	58,548	896,172	16,655	1,053,786
-	-	-	-	-	2,701
5,456	-	-	61,137	-	71,890
-	-	-	-	-	64,445
-	-	-	-	114,314	114,678
<u>44,421</u>	<u>82,724</u>	<u>58,548</u>	<u>957,309</u>	<u>130,969</u>	<u>1,307,500</u>
-	-	-	-	-	9,150
-	-	-	-	-	123,475
-	-	-	-	-	96,529
-	-	-	-	-	169,683
-	-	-	-	-	346,265
-	-	-	-	1,925,756	1,925,756
727,660	2,439,211	1,221,841	10,121,974	-	17,623,287
727,660	2,439,211	1,221,841	10,121,974	1,925,756	20,294,145
<u>\$ 772,081</u>	<u>\$ 2,521,935</u>	<u>\$ 1,280,389</u>	<u>\$ 11,079,283</u>	<u>\$ 2,056,725</u>	<u>\$ 21,601,645</u>

CITY OF LA PORTE, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended September 30, 2007

	Special Revenue Funds			
	Grant	Street Maintenance Sales Tax	Community Investment	Hotel/Motel Occupancy Tax
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Donations	-	-	-	-
Intergovernmental	710,620	-	-	-
Sales taxes	-	746,789	-	-
Industrial payments	-	-	201,045	-
Other taxes	-	-	-	441,688
Interest	13,991	18,275	30,324	24,830
Fines and forfeitures	278,478	-	-	-
Charges for services	36,360	-	-	-
Miscellaneous	-	-	2,000	12,738
Total revenues	1,039,449	765,064	233,369	479,256
EXPENDITURES				
Current:				
Administration	748,293	-	94,573	251,901
Capital Outlay	-	36,197	447,270	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	748,293	36,197	541,843	251,901
Excess (deficiency) of revenues over expenditures	291,156	728,867	(308,474)	227,355
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Premium on bonds	-	-	-	-
Transfers in	-	250,000	500,000	2,209
Transfers out	-	-	-	(65,000)
Total other financing sources (uses)	-	250,000	500,000	(62,791)
Net change in fund balances	291,156	978,867	191,526	164,564
Fund balances—beginning	456,274	-	662,264	404,094
Fund balances—ending	\$ 747,430	\$ 978,867	\$ 853,790	\$ 568,658

Special Revenue Funds		Special Revenue Funds	Capital Projects Funds		
Tax Increment Reinvestment Zone One (TIRZ)	Section 4B Sales Tax	Totals	Capital Projects	Transportation & Other Infrastructure	1998 General Obligation Bonds
\$ 34,213	\$ -	\$ 34,213	\$ -	\$ -	\$ -
-	-	-	30,000	-	-
-	-	710,620	-	-	-
-	1,493,578	2,240,367	-	-	-
-	-	201,045	-	-	-
-	-	441,688	-	-	-
7,181	190,318	284,919	77,584	55,469	55,496
-	-	278,478	-	-	-
-	-	36,360	2,414	-	-
-	-	14,738	-	-	-
<u>41,394</u>	<u>1,683,896</u>	<u>4,242,428</u>	<u>109,998</u>	<u>55,469</u>	<u>55,496</u>
218,660	119,662	1,433,089	-	-	-
-	-	483,467	708,429	-	28,568
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>218,660</u>	<u>119,662</u>	<u>1,916,556</u>	<u>708,429</u>	<u>-</u>	<u>28,568</u>
<u>(177,266)</u>	<u>1,564,234</u>	<u>2,325,872</u>	<u>(598,431)</u>	<u>55,469</u>	<u>26,928</u>
-	-	-	-	-	-
-	-	-	-	-	-
662,000	-	1,414,209	1,364,800	-	-
-	(982,180)	(1,047,180)	-	-	-
<u>662,000</u>	<u>(982,180)</u>	<u>367,029</u>	<u>1,364,800</u>	<u>-</u>	<u>-</u>
484,734	582,054	2,692,901	766,369	55,469	26,928
177,267	3,853,615	5,553,514	1,171,273	1,115,060	1,127,076
<u>\$ 662,001</u>	<u>\$ 4,435,669</u>	<u>\$ 8,246,415</u>	<u>\$ 1,937,642</u>	<u>\$ 1,170,529</u>	<u>\$ 1,154,004</u>

CITY OF LA PORTE, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended September 30, 2007
(Continued)

	Capital Projects Funds			
	2000 Certificate of Obligation Bonds	2000 General Obligation Bonds	2002 General Obligation Bonds	2004 General Obligation Bonds
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Donations	-	-	-	-
Intergovernmental	-	-	-	-
Sales taxes	-	-	-	-
Industrial payments	-	-	-	-
Other taxes	-	-	-	-
Interest	1,332	24,699	27,576	50,183
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,332</u>	<u>24,699</u>	<u>27,576</u>	<u>50,183</u>
EXPENDITURES				
Current:				
Administration	-	-	-	-
Capital Outlay	-	720,625	1,053,623	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>720,625</u>	<u>1,053,623</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,332</u>	<u>(695,926)</u>	<u>(1,026,047)</u>	<u>50,183</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Premium on bonds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,332	(695,926)	(1,026,047)	50,183
Fund balances—beginning	1,057	971,949	1,055,485	1,113,054
Fund balances—ending	<u>\$ 2,389</u>	<u>\$ 276,023</u>	<u>\$ 29,438</u>	<u>\$ 1,163,237</u>

Capital Projects Funds

2005 Certificate of Obligation Bonds	2006 Certificate of Obligation Bonds	2006 General Obligation Bonds	Totals	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,818,852	\$ 1,853,065
-	-	-	30,000	-	30,000
-	-	-	-	-	710,620
-	-	-	-	-	2,240,367
-	-	-	-	-	201,045
-	-	-	-	-	441,688
48,145	234,718	49,953	625,155	112,980	1,023,054
-	-	-	-	-	278,478
-	-	-	2,414	-	38,774
-	-	-	-	-	14,738
<u>48,145</u>	<u>234,718</u>	<u>49,953</u>	<u>657,569</u>	<u>1,931,832</u>	<u>6,831,829</u>
-	-	-	-	-	1,433,089
125,729	343,504	26,590	3,007,068	-	3,490,535
-	-	-	-	1,235,000	1,235,000
-	-	-	-	1,452,811	1,452,811
-	-	-	-	-	-
<u>125,729</u>	<u>343,504</u>	<u>26,590</u>	<u>3,007,068</u>	<u>2,687,811</u>	<u>7,611,435</u>
<u>(77,584)</u>	<u>(108,786)</u>	<u>23,363</u>	<u>(2,349,499)</u>	<u>(755,979)</u>	<u>(779,606)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	130,000	-	1,494,800	867,848	3,776,857
<u>(130,000)</u>	<u>(662,000)</u>	<u>-</u>	<u>(792,000)</u>	<u>-</u>	<u>(1,839,180)</u>
<u>(130,000)</u>	<u>(532,000)</u>	<u>-</u>	<u>702,800</u>	<u>867,848</u>	<u>1,937,677</u>
(207,584)	(640,786)	23,363	(1,646,699)	111,869	1,158,071
935,244	3,079,997	1,198,478	11,768,673	1,813,887	19,136,074
<u>\$ 727,660</u>	<u>\$ 2,439,211</u>	<u>\$ 1,221,841</u>	<u>\$ 10,121,974</u>	<u>\$ 1,925,756</u>	<u>\$ 20,294,145</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 57,341	\$ 57,341	\$ 278,478	\$ 221,137
Charges for services	-	-	36,360	36,360
Intergovernmental	290,150	753,832	710,620	(43,212)
Interest	-	-	13,991	13,991
Total revenues	<u>347,491</u>	<u>811,173</u>	<u>1,039,449</u>	<u>228,276</u>
EXPENDITURES				
Current:				
Administration	347,491	937,819	748,293	189,526
Total expenditures	<u>347,491</u>	<u>937,819</u>	<u>748,293</u>	<u>189,526</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(126,646)</u>	<u>291,156</u>	<u>417,802</u>
Net change in fund balances	-	(126,646)	291,156	417,802
Fund balances—beginning	456,274	456,274	456,274	-
Fund balances—ending	<u>\$ 456,274</u>	<u>\$ 329,628</u>	<u>\$ 747,430</u>	<u>\$ 417,802</u>

CITY OF LA PORTE, TEXAS
Street Maintenance Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended September 30, 2007

	<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	\$ -	\$ 600,000	\$ 746,789	\$ 146,789
Interest	-	-	18,275	18,275
Total revenues	-	600,000	765,064	165,064
EXPENDITURES				
Capital Outlay	-	600,000	36,197	563,803
Total expenditures	-	600,000	36,197	563,803
Excess of revenues over expenditures	-	-	728,867	728,867
OTHER FINANCING SOURCES (USES)				
Transfers in	-	250,000	250,000	-
Total other financing sources (uses)	-	250,000	250,000	-
Net change in fund balances	-	250,000	978,867	728,867
Fund balances—beginning	-	-	-	-
Fund balances—ending	\$ -	\$ 250,000	\$ 978,867	\$ 728,867

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Industrial payments	\$ 174,809	\$ 174,809	\$ 201,045	\$ 26,236
Interest	6,000	6,000	30,324	24,324
Miscellaneous	-	-	2,000	2,000
Total revenues	<u>180,809</u>	<u>180,809</u>	<u>233,369</u>	<u>52,560</u>
EXPENDITURES				
Current:				
Administration	138,000	156,500	94,573	61,927
Capital outlay	-	500,000	447,270	52,730
Total expenditures	<u>138,000</u>	<u>656,500</u>	<u>541,843</u>	<u>114,657</u>
Excess (deficiency) of revenues over expenditures	<u>42,809</u>	<u>(475,691)</u>	<u>(308,474)</u>	<u>167,217</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	500,000	500,000	-
Total other financing sources (uses)	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balances	42,809	24,309	191,526	167,217
Fund balances—beginning	662,264	662,264	662,264	-
Fund balances—ending	<u>\$ 705,073</u>	<u>\$ 686,573</u>	<u>\$ 853,790</u>	<u>\$ 167,217</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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ 297,500	\$ 297,500	\$ 441,688	\$ 144,188
Interest	37,000	37,000	24,830	(12,170)
Miscellaneous	-	-	12,738	12,738
Total revenues	<u>334,500</u>	<u>334,500</u>	<u>479,256</u>	<u>144,756</u>
EXPENDITURES				
Current:				
Administration	389,346	405,915	251,901	154,014
Total expenditures	<u>389,346</u>	<u>405,915</u>	<u>251,901</u>	<u>154,014</u>
Excess (deficiency) of revenues over expenditures	<u>(54,846)</u>	<u>(71,415)</u>	<u>227,355</u>	<u>298,770</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,209	2,209	-
Transfers out	(65,000)	(65,000)	(65,000)	-
Total other financing sources (uses)	<u>(65,000)</u>	<u>(62,791)</u>	<u>(62,791)</u>	<u>-</u>
Net change in fund balances	(119,846)	(134,206)	164,564	298,770
Fund balances—beginning	404,094	404,094	404,094	-
Fund balances—ending	<u>\$ 284,248</u>	<u>\$ 269,888</u>	<u>\$ 568,658</u>	<u>\$ 298,770</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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 42,380	\$ 42,380	\$ 34,213	\$ (8,167)
Interest	3,900	3,900	7,181	3,281
Total revenues	<u>46,280</u>	<u>46,280</u>	<u>41,394</u>	<u>(4,886)</u>
EXPENDITURES				
Current:				
Administration	36,720	698,720	218,660	480,060
Total expenditures	<u>36,720</u>	<u>698,720</u>	<u>218,660</u>	<u>480,060</u>
Excess (deficiency) of revenues over expenditures	<u>9,560</u>	<u>(652,440)</u>	<u>(177,266)</u>	<u>475,174</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	662,000	662,000	-
Total other financing sources (uses)	<u>-</u>	<u>662,000</u>	<u>662,000</u>	<u>-</u>
Net change in fund balances	9,560	9,560	484,734	475,174
Fund Balances—beginning	177,267	177,267	177,267	-
Fund Balances—ending	<u>\$ 186,827</u>	<u>\$ 186,827</u>	<u>\$ 662,001</u>	<u>\$ 475,174</u>

CITY OF LA PORTE, TEXAS
Section 4B Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2007

	<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	\$ 1,217,386	\$ 1,217,386	\$ 1,493,578	\$ 276,192
Interest	123,500	123,500	190,318	66,818
Total revenues	<u>1,340,886</u>	<u>1,340,886</u>	<u>1,683,896</u>	<u>343,010</u>
EXPENDITURES				
Current:				
Administration	100,000	175,000	119,662	55,338
Total expenditures	<u>100,000</u>	<u>175,000</u>	<u>119,662</u>	<u>55,338</u>
Excess of revenues over expenditures	<u>1,240,886</u>	<u>1,165,886</u>	<u>1,564,234</u>	<u>398,348</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(732,180)</u>	<u>(982,180)</u>	<u>(982,180)</u>	<u>-</u>
Total other financing sources (uses)	<u>(732,180)</u>	<u>(982,180)</u>	<u>(982,180)</u>	<u>-</u>
Net change in fund balances	508,706	183,706	582,054	398,348
Fund balances—beginning	3,853,615	3,853,615	3,853,615	-
Fund balances—ending	<u>\$ 4,362,321</u>	<u>\$ 4,037,321</u>	<u>\$ 4,435,669</u>	<u>\$ 398,348</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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ -	\$ -	\$ 2,414	\$ 2,414
Donations	-	37,500	30,000	(7,500)
Interest	35,000	35,001	77,584	42,583
Total revenues	<u>35,000</u>	<u>72,501</u>	<u>109,998</u>	<u>37,497</u>
EXPENDITURES				
Capital Outlay	402,950	652,750	708,429	(55,679)
Total expenditures	<u>402,950</u>	<u>652,750</u>	<u>708,429</u>	<u>(55,679)</u>
Excess (deficiency) of revenues over expenditures	<u>(367,950)</u>	<u>(580,249)</u>	<u>(598,431)</u>	<u>(18,182)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	210,000	1,364,800	1,364,800	-
Net change in fund balances	(157,950)	784,551	766,369	(18,182)
Fund balances—beginning	1,171,273	1,171,273	1,171,273	-
Fund balances—ending	<u>\$ 1,013,323</u>	<u>\$ 1,955,824</u>	<u>\$ 1,937,642</u>	<u>\$ (18,182)</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 41,500	\$ 41,500	\$ 55,469	\$ 13,969
EXPENDITURES				
Capital Outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	41,500	41,500	55,469	13,969
Net change in fund balances	41,500	41,500	55,469	13,969
Fund balances—beginning	1,115,060	1,115,060	1,115,060	-
Fund balances—ending	<u>\$ 1,156,560</u>	<u>\$ 1,156,560</u>	<u>\$ 1,170,529</u>	<u>\$ 13,969</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 6,000	\$ 6,000	\$ 55,496	\$ 49,496
EXPENDITURES				
Capital Outlay	6,000	6,000	28,568	(22,568)
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>28,568</u>	<u>(22,568)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>26,928</u>	<u>26,928</u>
Net change in fund balances	-	-	26,928	26,928
Fund balances—beginning	1,127,076	1,127,076	1,127,076	-
Fund balances—ending	<u>\$ 1,127,076</u>	<u>\$ 1,127,076</u>	<u>\$ 1,154,004</u>	<u>\$ 26,928</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 1,332	\$ 1,332
EXPENDITURES				
Capital Outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	1,332	1,332
Net change in fund balances	-	-	1,332	1,332
Fund balances—beginning	1,057	1,057	1,057	-
Fund balances—ending	<u>\$ 1,057</u>	<u>\$ 1,057</u>	<u>\$ 2,389</u>	<u>\$ 1,332</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 24,699	\$ 24,699
EXPENDITURES				
Capital Outlay	170,000	170,000	720,625	(550,625)
Total expenditures	<u>170,000</u>	<u>170,000</u>	<u>720,625</u>	<u>(550,625)</u>
Excess (deficiency) of revenues over expenditures	<u>(170,000)</u>	<u>(170,000)</u>	<u>(695,926)</u>	<u>(525,926)</u>
Net change in fund balances	(170,000)	(170,000)	(695,926)	(525,926)
Fund balances—beginning	971,949	971,949	971,949	-
Fund balances—ending	<u>\$ 801,949</u>	<u>\$ 801,949</u>	<u>\$ 276,023</u>	<u>\$ (525,926)</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 24,000	\$ 24,000	\$ 27,576	\$ 3,576
EXPENDITURES				
Capital Outlay	-	-	1,053,623	(1,053,623)
Total expenditures	-	-	1,053,623	(1,053,623)
Excess (deficiency) of revenues over expenditures	24,000	24,000	(1,026,047)	(1,050,047)
Net change in fund balances	24,000	24,000	(1,026,047)	(1,050,047)
Fund balances—beginning	1,055,485	1,055,485	1,055,485	-
Fund balances—ending	<u>\$ 1,079,485</u>	<u>\$ 1,079,485</u>	<u>\$ 29,438</u>	<u>\$ (1,050,047)</u>

CITY OF LA PORTE, TEXAS
2004 Certificate of Obligation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 50,000	\$ 50,000	\$ 50,183	\$ 183
EXPENDITURES				
Capital Outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	50,000	50,000	50,183	183
Net change in fund balances	50,000	50,000	50,183	183
Fund balances—beginning	1,113,054	1,113,054	1,113,054	-
Fund balances—ending	<u>\$ 1,163,054</u>	<u>\$ 1,163,054</u>	<u>\$ 1,163,237</u>	<u>\$ 183</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 50,000	\$ 50,000	\$ 131,325	\$ 81,325
EXPENDITURES				
Capital Outlay	459,400	6,358,694	6,515,799	(157,105)
Total expenditures	459,400	6,358,694	6,515,799	(157,105)
Excess (deficiency) of revenues over expenditures	(409,400)	(6,308,694)	(6,384,474)	(75,780)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(171,053)	(171,053)	-
Total other financing sources (uses)	-	(171,053)	(171,053)	-
Net change in fund balances	(409,400)	(6,479,747)	(6,555,527)	(75,780)
Fund balances—beginning	7,045,200	7,045,200	7,045,200	-
Fund balances—ending	<u>\$ 6,635,800</u>	<u>\$ 565,453</u>	<u>\$ 489,673</u>	<u>\$ (75,780)</u>

CITY OF LA PORTE, TEXAS
2005 Certificate of Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2007

	<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	\$ 48,145	\$ 28,145
EXPENDITURES				
Capital Outlay	675,000	545,000	125,729	419,271
Total expenditures	<u>675,000</u>	<u>545,000</u>	<u>125,729</u>	<u>419,271</u>
Excess (deficiency) of revenues over expenditures	<u>(655,000)</u>	<u>(525,000)</u>	<u>(77,584)</u>	<u>447,416</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(130,000)	(130,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
Net change in fund balances	(655,000)	(655,000)	(207,584)	447,416
Fund balances—beginning	935,244	935,244	935,244	-
Fund balances—ending	<u>\$ 280,244</u>	<u>\$ 280,244</u>	<u>\$ 727,660</u>	<u>\$ 447,416</u>

CITY OF LA PORTE, TEXAS
2006 Certificate of Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 100,000	\$ 100,000	\$ 234,718	\$ 134,718
EXPENDITURES				
Capital Outlay	260,000	260,000	343,504	(83,504)
Total expenditures	<u>260,000</u>	<u>260,000</u>	<u>343,504</u>	<u>(83,504)</u>
Excess (deficiency) of revenues over expenditures	<u>(160,000)</u>	<u>(160,000)</u>	<u>(108,786)</u>	<u>51,214</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	130,000	130,000	-
Transfers out	-	(662,000)	(662,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(532,000)</u>	<u>(532,000)</u>	<u>-</u>
Net change in fund balances	(160,000)	(692,000)	(640,786)	51,214
Fund balances—beginning	3,079,997	3,079,997	3,079,997	-
Fund balances—ending	<u>\$ 2,919,997</u>	<u>\$ 2,387,997</u>	<u>\$ 2,439,211</u>	<u>\$ 51,214</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 12,000	\$ 12,000	\$ 49,953	\$ 37,953
EXPENDITURES				
Capital Outlay	-	-	26,590	(26,590)
Total expenditures	-	-	26,590	(26,590)
Excess of revenues over expenditures	12,000	12,000	23,363	11,363
Net change in fund balances	12,000	12,000	23,363	11,363
Fund balances—beginning	1,198,478	1,198,478	1,198,478	-
Fund balances—ending	<u>\$ 1,210,478</u>	<u>\$ 1,210,478</u>	<u>\$ 1,221,841</u>	<u>\$ 11,363</u>

CITY OF LA PORTE, TEXAS
2007 Certificate of Obligation Bonds Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For The Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 94,041	\$ 94,041
EXPENDITURES				
Capital Outlay	-	7,900,000	28,357	7,871,643
Debt Service:				
Interest and fiscal charges	-	129,476	129,476	-
Total expenditures	-	8,029,476	157,833	7,871,643
Excess (deficiency) of revenues over expenditures	-	(8,029,476)	(63,792)	7,965,684
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	7,862,428	8,075,000	212,572
Premium on bonds	-	37,572	37,572	-
Total other financing sources (uses)	-	7,900,000	8,112,572	212,572
Net change in fund balances	-	(129,476)	8,048,780	8,178,256
Fund balances—beginning	-	-	-	-
Fund balances—ending	\$ -	\$ (129,476)	\$ 8,048,780	\$ 8,178,256

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, 2007

	<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	\$ 1,740,232	\$ 1,740,232	\$ 1,818,852	\$ 78,620
Interest	89,500	89,500	112,980	23,480
Total revenues	<u>1,829,732</u>	<u>1,829,732</u>	<u>1,931,832</u>	<u>102,100</u>
EXPENDITURES				
Debt Service:				
Principal	1,235,000	1,235,000	1,235,000	-
Interest	1,563,294	1,563,294	1,452,811	110,483
Total expenditures	<u>2,798,294</u>	<u>2,798,294</u>	<u>2,687,811</u>	<u>110,483</u>
Excess (deficiency) of revenues over expenditures	<u>(968,562)</u>	<u>(968,562)</u>	<u>(755,979)</u>	<u>212,583</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>867,848</u>	<u>867,848</u>	<u>867,848</u>	<u>-</u>
Net change in fund balances	(100,714)	(100,714)	111,869	212,583
Fund balances—beginning	1,813,887	1,813,887	1,813,887	-
Fund balances—ending	<u>\$ 1,713,173</u>	<u>\$ 1,713,173</u>	<u>\$ 1,925,756</u>	<u>\$ 212,583</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, 2007

	<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	\$ 10,524,211	\$ 10,636,287	\$ 10,656,570	\$ 20,283
Delinquent	140,000	284,000	322,826	38,826
Industrial Payments	6,836,257	8,064,619	7,987,846	(76,773)
Total ad valorem	<u>17,500,468</u>	<u>18,984,906</u>	<u>18,967,242</u>	<u>(17,664)</u>
Penalty and interest	120,000	135,500	158,391	22,891
Sales Taxes	2,434,772	2,701,493	2,986,733	285,240
Other Taxes	57,280	61,497	66,937	5,440
Franchise Fees:				
Electrical	1,242,462	1,255,749	1,249,747	(6,002)
Gas	174,675	172,016	131,542	(40,474)
Telephone	261,375	213,995	298,348	84,353
Cable	239,850	200,113	250,746	50,633
Commercial Solidwaste	72,447	68,872	73,308	4,436
Total Franchise Fees	<u>1,990,809</u>	<u>1,910,745</u>	<u>2,003,691</u>	<u>92,946</u>
Charges for Services:				
Public safety service fees	1,146,745	1,248,721	1,297,561	48,840
Health and sanitation service fees	1,815,500	1,819,898	1,856,013	36,115
Culture and recreation fees	484,827	472,376	415,190	(57,186)
Other service fees	312,126	336,603	359,263	22,660
Total Charges for Services	<u>3,759,198</u>	<u>3,877,598</u>	<u>3,928,027</u>	<u>50,429</u>
Intergovernmental	-	5,934	5,483	(451)
Licenses and permits:				
Building permits	123,380	229,585	274,401	44,816
Licenses	324,500	554,295	645,522	91,227
Total Licenses and permits	<u>447,880</u>	<u>783,880</u>	<u>919,923</u>	<u>136,043</u>
Investment income	650,000	879,700	868,955	(10,745)
Fines and forfeitures	753,164	841,203	965,216	124,013
Miscellaneous	25,000	29,613	62,318	32,705
Total revenues	<u><u>\$ 27,738,571</u></u>	<u><u>\$ 30,212,069</u></u>	<u><u>\$ 30,932,916</u></u>	<u><u>\$ 720,847</u></u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2007

	<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	\$ 132,289	\$ 137,545	\$ 137,488	\$ 57
Supplies	11,802	19,590	19,466	124
Other services and charges	56,476	61,747	53,295	8,452
Capital outlay	10,200	11,500	8,538	2,962
Total Emergency Management	<u>210,767</u>	<u>230,382</u>	<u>218,787</u>	<u>11,595</u>
General Administration:				
Personal services	449,599	380,400	379,105	1,295
Supplies	7,750	8,800	8,755	45
Other services and charges	61,161	105,036	74,875	30,161
Total General Administration	<u>518,510</u>	<u>494,236</u>	<u>462,735</u>	<u>31,501</u>
Human Resources:				
Personal services	190,859	187,429	182,570	4,859
Supplies	10,000	15,199	15,110	89
Other services and charges	126,389	130,021	128,366	1,655
Total Human Resources	<u>327,248</u>	<u>332,649</u>	<u>326,046</u>	<u>6,603</u>
Municipal Court:				
Personal services	277,772	309,612	309,119	493
Supplies and materials	14,600	15,328	14,778	550
Other services and charges	178,884	180,320	175,228	5,092
Total Municipal Court	<u>471,256</u>	<u>505,260</u>	<u>499,125</u>	<u>6,135</u>
Purchasing:				
Personal services	201,936	214,662	214,598	64
Supplies	3,057	3,034	3,002	32
Other services and charges	31,628	31,818	31,716	102
Total Purchasing	<u>236,621</u>	<u>249,514</u>	<u>249,316</u>	<u>198</u>
City Secretary:				
Personal services	263,212	265,261	257,690	7,571
Supplies and materials	4,650	4,700	2,797	1,903
Other services and charges	106,038	109,738	99,710	10,028
Total City Secretary	<u>373,900</u>	<u>379,699</u>	<u>360,197</u>	<u>19,502</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2007

	<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	6,900	6,900	-
Other services and charges	188,603	173,939	171,495	2,444
Total Legal	<u>194,603</u>	<u>180,839</u>	<u>178,395</u>	<u>2,444</u>
City Council:				
Personal services	21,881	22,773	21,912	861
Supplies and materials	16,450	16,050	11,555	4,495
Other services and charges	54,957	33,287	25,021	8,266
Total City Council	<u>93,288</u>	<u>72,110</u>	<u>58,488</u>	<u>13,622</u>
Total Administration	<u>2,426,193</u>	<u>2,444,689</u>	<u>2,353,089</u>	<u>91,600</u>
Finance:				
Accounting:				
Personal services	551,330	605,099	605,089	10
Supplies	21,050	22,162	22,041	121
Other services and charges	183,872	212,638	205,631	7,007
Total Accounting	<u>756,252</u>	<u>839,899</u>	<u>832,761</u>	<u>7,138</u>
Nondepartmental:				
Personal services	438,770	534,936	476,592	58,344
Supplies	6,000	14,096	10,035	4,061
Other services and charges	2,175,492	1,212,796	550,560	662,236
Total Nondepartmental	<u>2,620,262</u>	<u>1,761,828</u>	<u>1,037,187</u>	<u>724,641</u>
Tax Office:				
Personal services	185,819	191,368	191,294	74
Supplies and materials	11,675	11,094	10,108	986
Other services and charges	175,884	172,702	172,683	19
Total Tax Office	<u>373,378</u>	<u>375,164</u>	<u>374,085</u>	<u>1,079</u>
Total Finance	<u>3,749,892</u>	<u>2,976,891</u>	<u>2,244,033</u>	<u>732,858</u>
Planning and Engineering:				
Planning and Engineering:				
Personal services	724,016	752,151	749,337	2,814
Supplies	18,995	15,670	11,677	3,993
Other services and charges	135,816	125,334	111,460	13,874
Total Planning and Engineering	<u>878,827</u>	<u>893,155</u>	<u>872,474</u>	<u>20,681</u>
Inspection:				
Personal services	551,825	577,629	576,785	844
Supplies	30,819	27,964	24,636	3,328
Other services and charges	249,509	251,530	170,586	80,944
Total Inspection	<u>832,153</u>	<u>857,123</u>	<u>772,007</u>	<u>85,116</u>
Total Planning and Engineering	<u>1,710,980</u>	<u>1,750,278</u>	<u>1,644,481</u>	<u>105,797</u>
TOTAL GENERAL GOVERNMENT	<u>7,887,065</u>	<u>7,171,858</u>	<u>6,241,603</u>	<u>930,255</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2007

	<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	156,639	150,013	145,920	4,093
Supplies	18,795	34,945	34,863	82
Other services and charges	46,953	45,254	38,296	6,958
Total Fire Prevention	<u>222,387</u>	<u>230,212</u>	<u>219,079</u>	<u>11,133</u>
Fire suppression:				
Personal services	1,150,343	1,186,381	1,186,135	246
Supplies	109,397	133,093	132,677	416
Other services and charges	473,484	427,503	423,843	3,660
Capital Outlay	35,000	18,000	7,449	10,551
Total Fire Suppression	<u>1,768,224</u>	<u>1,764,977</u>	<u>1,750,104</u>	<u>14,873</u>
Emergency medical services:				
Personal services	1,336,413	1,379,931	1,373,917	6,014
Supplies	112,161	131,610	131,418	192
Other services and charges	144,583	139,789	135,052	4,737
Total Emergency Services	<u>1,593,157</u>	<u>1,651,330</u>	<u>1,640,387</u>	<u>10,943</u>
Total Fire	<u>3,583,768</u>	<u>3,646,519</u>	<u>3,609,570</u>	<u>36,949</u>
Police				
Police Administration:				
Personal services	474,607	511,999	511,708	291
Supplies	21,045	20,343	19,496	847
Other services and charges	279,304	249,008	248,481	527
Total Police Administration	<u>774,956</u>	<u>781,350</u>	<u>779,685</u>	<u>1,665</u>
Police Patrol:				
Personal services	4,366,049	4,371,157	4,323,954	47,203
Supplies	184,922	186,146	183,627	2,519
Other services and charges	443,655	443,803	439,335	4,468
Total Police Patrol	<u>4,994,626</u>	<u>5,001,106</u>	<u>4,946,916</u>	<u>54,190</u>
Criminal Investigation:				
Personal services	1,314,583	1,425,017	1,424,088	929
Supplies	49,788	36,264	36,191	73
Other services and charges	217,912	185,819	173,303	12,516
Total Criminal Investigation	<u>1,582,283</u>	<u>1,647,100</u>	<u>1,633,582</u>	<u>13,518</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services:				
Personal services	659,245	668,871	668,725	146
Supplies	52,165	48,524	48,151	373
Other services and charges	87,902	83,493	82,374	1,119
Total Support Services	<u>799,312</u>	<u>800,888</u>	<u>799,250</u>	<u>1,638</u>
Total Police	<u>8,151,177</u>	<u>8,230,444</u>	<u>8,159,433</u>	<u>71,011</u>
TOTAL PUBLIC SAFETY	<u>11,734,945</u>	<u>11,876,963</u>	<u>11,769,003</u>	<u>107,960</u>
PUBLIC WORKS:				
Public Works Administration:				
Personal services	219,002	227,230	225,041	2,189
Supplies and materials	3,700	3,907	3,768	139
Other services and charges	79,980	75,059	73,795	1,264
Total Public Works Administration	<u>302,682</u>	<u>306,196</u>	<u>302,604</u>	<u>3,592</u>
Streets:				
Personal services	1,346,154	1,376,867	1,375,630	1,237
Supplies	136,211	131,182	110,959	20,223
Other services and charges	668,092	608,637	570,939	37,698
Capital outlay	53,000	53,000	47,296	5,704
Total Streets	<u>2,203,457</u>	<u>2,169,686</u>	<u>2,104,824</u>	<u>64,862</u>
TOTAL PUBLIC WORKS	<u>2,506,139</u>	<u>2,475,882</u>	<u>2,407,428</u>	<u>68,454</u>
HEALTH AND SANITATION:				
Residential Solidwaste:				
Personal services	924,154	958,872	958,710	162
Supplies	233,093	249,985	249,975	10
Other services and charges	680,678	737,771	736,973	798
Total Residential Solidwaste	<u>1,846,025</u>	<u>1,953,119</u>	<u>1,952,149</u>	<u>970</u>
Commercial solidwaste:				
Other services and charges	21,000	21,000	20,674	326
TOTAL HEALTH AND SANITATION	<u>1,867,025</u>	<u>1,974,119</u>	<u>1,972,823</u>	<u>1,296</u>
CULTURE & RECREATION:				
Park Maintenance:				
Personal services	932,068	851,787	851,335	452
Supplies and materials	92,872	123,120	107,731	15,389
Other services and charges	658,101	618,428	617,076	1,352
Capital outlay	42,140	26,070	25,870	200
Total Park Maintenance	<u>1,725,181</u>	<u>1,619,405</u>	<u>1,602,012</u>	<u>17,393</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended September 30, 2007

	<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	496,324	455,185	454,747	438
Supplies	48,503	43,842	43,842	-
Other services and charges	82,782	156,073	152,500	3,573
Total Recreation	<u>627,609</u>	<u>655,100</u>	<u>651,089</u>	<u>4,011</u>
Special Services:				
Personal services	346,817	363,404	353,149	10,255
Supplies	21,398	20,196	19,597	599
Other services and charges	70,518	53,969	53,048	921
Total Special Services	<u>438,733</u>	<u>437,569</u>	<u>425,794</u>	<u>11,775</u>
Parks Administration:				
Personal Services	376,047	375,430	371,655	3,775
Supplies	10,460	9,513	9,423	90
Other services and charges	47,145	44,416	43,493	923
Total Parks Administration	<u>433,652</u>	<u>429,359</u>	<u>424,571</u>	<u>4,788</u>
TOTAL CULTURE AND RECREATION	<u>3,225,175</u>	<u>3,141,433</u>	<u>3,103,466</u>	<u>37,967</u>
TOTAL GENERAL FUND	<u>\$ 27,220,349</u>	<u>\$ 26,640,255</u>	<u>\$ 25,494,323</u>	<u>\$ 1,145,932</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, 2007

	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	\$ 138,003	\$ 151,416	\$ 72,807	\$ 362,226
Investments	70,384	77,224	36,774	184,382
Receivables, net of allowance for uncollectibles	3,248	1,250	-	4,498
Accrued interest receivable	1,098	1,440	580	3,118
Restricted cash and cash equivalents:				
Customer service deposits	-	45,861	-	45,861
Total current assets	<u>212,733</u>	<u>277,191</u>	<u>110,161</u>	<u>600,085</u>
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	-	-	91,130	91,130
Construction in progress	467,910	34,905	-	502,815
Less accumulated depreciation	<u>(2,484,322)</u>	<u>(322,178)</u>	<u>(2,312,326)</u>	<u>(5,118,826)</u>
Total noncurrent assets	<u>2,223,266</u>	<u>96,313</u>	<u>2,939,215</u>	<u>5,258,794</u>
Total assets	<u>2,435,999</u>	<u>373,504</u>	<u>3,049,376</u>	<u>5,858,879</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,022	5,305	11,941	18,268
Accrued salaries payable	-	2,422	15,641	18,063
Unearned revenue	-	48,783	-	48,783
Other current liabilities	1,500	-	6,108	7,608
Payable from restricted assets:				
Customer deposits	-	56,870	-	56,870
Total current liabilities	<u>2,522</u>	<u>113,380</u>	<u>33,690</u>	<u>149,592</u>
Noncurrent liabilities:				
Accrued separation pay	-	5,667	154,012	159,679
Total noncurrent liabilities	<u>-</u>	<u>5,667</u>	<u>154,012</u>	<u>159,679</u>
Total liabilities	<u>2,522</u>	<u>119,047</u>	<u>187,702</u>	<u>309,271</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,223,266	96,313	2,939,215	5,258,794
Unrestricted (deficit)	210,211	158,144	(77,541)	290,814
Total net assets	<u>\$ 2,433,477</u>	<u>\$ 254,457</u>	<u>\$ 2,861,674</u>	<u>\$ 5,549,608</u>

CITY OF LA PORTE, TEXAS
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For The Year Ended September 30, 2007

	Business-type Activities - Enterprise Funds			Total Nonmajor Proprietary Funds
	Airport	Sylvan Beach Convention Center	Bay Forest Golf Course	
Operating revenues:				
User fees	\$ 42,359	\$ 189,290	\$ 911,371	\$ 1,143,020
Operating expenses:				
Personal services	-	149,363	800,405	949,768
Supplies	-	5,036	170,741	175,777
Other services and charges	15,132	48,783	193,213	257,128
Depreciation	108,772	14,871	144,221	267,864
Total operating expenses	<u>123,904</u>	<u>218,053</u>	<u>1,308,580</u>	<u>1,650,537</u>
Operating loss	<u>(81,545)</u>	<u>(28,763)</u>	<u>(397,209)</u>	<u>(507,517)</u>
Nonoperating revenues (expenses):				
Interest income	14,220	12,779	936	27,935
Loss on sale of equipment	-	-	(2,009)	(2,009)
Total nonoperating revenue (expenses)	<u>14,220</u>	<u>12,779</u>	<u>(1,073)</u>	<u>25,926</u>
Loss before contributions and transfers	(67,325)	(15,984)	(398,282)	(481,591)
Capital contributions	213,942	-	-	213,942
Transfers in	-	28,537	510,279	538,816
Transfers out	<u>(848)</u>	<u>(3,638)</u>	<u>(28,947)</u>	<u>(33,433)</u>
Change in net assets	145,769	8,915	83,050	237,734
Total net assets—beginning	<u>2,287,708</u>	<u>245,542</u>	<u>2,778,624</u>	<u>5,311,874</u>
Total net assets—ending	<u><u>\$ 2,433,477</u></u>	<u><u>\$ 254,457</u></u>	<u><u>\$ 2,861,674</u></u>	<u><u>\$ 5,549,608</u></u>

CITY OF LA PORTE, TEXAS
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For The Year Ended September 30, 2007

	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	\$ 41,882	\$ 188,887	\$ 911,371	\$ 1,142,140
Cash payments to suppliers	(14,743)	(58,948)	(493,500)	(567,191)
Cash payments for personal services	-	(149,462)	(789,978)	(939,440)
Net cash provided (used) by operating activities	<u>27,139</u>	<u>(19,523)</u>	<u>(372,107)</u>	<u>(364,491)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	28,537	510,279	538,816
Transfers to other funds	(848)	(3,638)	(28,947)	(33,433)
Net cash provided (used) by noncapital financing activities	<u>(848)</u>	<u>24,899</u>	<u>481,332</u>	<u>505,383</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(382,910)	-	-	(382,910)
Capital contributions	213,942	-	-	213,942
Net cash provided by capital and related financing activities	<u>(168,968)</u>	<u>-</u>	<u>-</u>	<u>(168,968)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	15,094	12,847	356	28,297
Net Investments purchased	(60,988)	(66,915)	(36,774)	(164,677)
Net Investments sold	129,441	95,596	-	225,037
Net cash provided (used) by investing activities	<u>83,547</u>	<u>41,528</u>	<u>(36,418)</u>	<u>88,657</u>
Net increase (decrease) in cash and cash equivalents	(59,130)	46,904	72,807	60,581
Balances—beginning of the year	197,133	150,373	-	347,506
Balances—end of the year	<u>\$ 138,003</u>	<u>\$ 197,277</u>	<u>\$ 72,807</u>	<u>\$ 408,087</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (81,545)	\$ (28,763)	\$ (397,209)	\$ (507,517)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	108,772	14,871	144,221	267,864
(Increase) decrease in accounts receivable	(477)	(1,250)	-	(1,727)
Increase (decrease) in accrued salaries payable	-	236	2,440	2,676
Increase (decrease) in accounts payable	389	(5,129)	(3,122)	(7,862)
Increase (decrease) in other current liabilities	-	12,106	1,678	13,784
Increase (decrease) in customer utility deposits	-	(11,259)	-	(11,259)
Increase (decrease) due to other funds	-	-	(128,102)	(128,102)
Increase (decrease) in accrued employee separation	-	(335)	7,987	7,652
Total adjustments	<u>108,684</u>	<u>9,240</u>	<u>25,102</u>	<u>143,026</u>
Net cash provided by operating activities	<u>\$ 27,139</u>	<u>\$ (19,523)</u>	<u>\$ (372,107)</u>	<u>\$ (364,491)</u>
Reconciliation of total cash and cash investments:				
Current Assets - cash and cash equivalents	\$ 138,003	\$ 151,416	\$ 72,807	\$ 362,226
Restricted Assets - cash and cash equivalents	-	45,861	-	45,861
Total cash and cash equivalents	<u>\$ 138,003</u>	<u>\$ 197,277</u>	<u>\$ 72,807</u>	<u>\$ 408,087</u>
Noncash investing, capital and financing activities:				
Increase in fair value of assets	\$ 187	\$ 205	\$ 98	\$ 490

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, 2007

	<u>Motor Pool</u>	<u>Technology</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,007,391	\$ 646,890	\$ 2,047,910	\$ 4,702,191
Investments	1,023,795	329,922	1,044,034	2,397,751
Accrued interest receivable	16,046	5,170	16,381	37,597
Miscellaneous Receivable	-	-	4,669	4,669
Material and supplies inventories, at cost	41,406	-	-	41,406
Total current assets	<u>3,088,638</u>	<u>981,982</u>	<u>3,112,994</u>	<u>7,183,614</u>
Noncurrent assets:				
Capital assets				
Vehicles and equipment	10,592,548	1,174,268	-	11,766,816
Less accumulated depreciation	<u>(6,743,359)</u>	<u>(1,021,919)</u>	<u>-</u>	<u>(7,765,278)</u>
Total noncurrent assets	<u>3,849,189</u>	<u>152,349</u>	<u>-</u>	<u>4,001,538</u>
Total assets	<u>6,937,827</u>	<u>1,134,331</u>	<u>3,112,994</u>	<u>11,185,152</u>
LIABILITIES				
Current liabilities:				
Accounts payable	74,027	39,942	532,354	646,323
Accrued salaries payable	11,108	6,875	-	17,983
Deferred revenue	-	-	1,694	1,694
Total current liabilities	<u>85,135</u>	<u>46,817</u>	<u>534,048</u>	<u>666,000</u>
Noncurrent liabilities:				
Accrued employee separation pay	<u>136,097</u>	<u>-</u>	<u>-</u>	<u>136,097</u>
Total noncurrent liabilities	<u>136,097</u>	<u>-</u>	<u>-</u>	<u>136,097</u>
Total liabilities	<u>221,232</u>	<u>46,817</u>	<u>534,048</u>	<u>802,097</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,849,189	152,349	-	4,001,538
Unrestricted	2,867,406	935,165	2,578,946	6,381,517
Total net assets	<u>\$ 6,716,595</u>	<u>\$ 1,087,514</u>	<u>\$ 2,578,946</u>	<u>\$ 10,383,055</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, 2007

	<u>Motor Pool</u>	<u>Technology</u>	<u>Insurance</u>	<u>Totals</u>
Operating revenues:				
User Fees	\$ 1,766,576	\$ 965,624	\$ 3,539,365	\$ 6,271,565
Cable Fees	-	54,324	-	54,324
Total operating revenues	<u>1,766,576</u>	<u>1,019,948</u>	<u>3,539,365</u>	<u>6,325,889</u>
Operating expenses:				
Personal services	656,034	294,724	410,896	1,361,654
Supplies	269,360	113,489	-	382,849
Other services and charges	201,466	616,853	3,069,119	3,887,438
Depreciation	791,667	29,382	-	821,049
Total operating expenses	<u>1,918,527</u>	<u>1,054,448</u>	<u>3,480,015</u>	<u>6,452,990</u>
Operating income (loss)	<u>(151,951)</u>	<u>(34,500)</u>	<u>59,350</u>	<u>(127,101)</u>
Nonoperating revenues:				
Interest income	132,169	40,383	97,053	269,605
Gain on sale of equipment	86,418	-	-	86,418
Total nonoperating revenues	<u>218,587</u>	<u>40,383</u>	<u>97,053</u>	<u>356,023</u>
Income before transfers	66,636	5,883	156,403	228,922
Transfers in	17,403	7,751	1,024,068	1,049,222
Transfers out	<u>(21,638)</u>	<u>(693)</u>	<u>-</u>	<u>(22,331)</u>
Change in net assets	62,401	12,941	1,180,471	1,255,813
Net assets—beginning	6,654,194	1,074,573	1,398,475	9,127,242
Net assets—ending	<u>\$ 6,716,595</u>	<u>\$ 1,087,514</u>	<u>\$ 2,578,946</u>	<u>\$ 10,383,055</u>

CITY OF LA PORTE, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended September 30, 2007

	Motor Pool	Technology	Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user fees	\$ 1,846,287	\$ 1,019,948	\$ 3,536,365	\$ 6,402,600
Cash payments to suppliers	(421,717)	(711,610)	(3,046,086)	(4,179,413)
Cash payments for personal services	(641,517)	(292,429)	(410,896)	(1,344,842)
Net cash provided by operating activities	<u>783,053</u>	<u>15,909</u>	<u>79,383</u>	<u>878,345</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	17,403	7,751	1,024,068	1,049,222
Transfers out to other funds	(21,638)	(693)	-	(22,331)
Net cash provided (used) by noncapital financing activities	<u>(4,235)</u>	<u>7,058</u>	<u>1,024,068</u>	<u>1,026,891</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(467,934)	(49,136)	-	(517,070)
Proceeds from sale of assets	209,746	-	-	209,746
Net cash (used) by capital and related financing activities	<u>(258,188)</u>	<u>(49,136)</u>	<u>-</u>	<u>(307,324)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	130,103	40,855	91,779	262,737
Investments purchased	(887,127)	(285,880)	(904,664)	(2,077,671)
Investments sold	847,038	353,550	639,960	1,840,548
Net cash provided (used) by investing activities	<u>90,014</u>	<u>108,525</u>	<u>(172,925)</u>	<u>25,614</u>
Net increase in cash and cash equivalents	610,644	82,356	930,526	1,623,526
Balances—beginning of the year	1,396,747	564,534	1,117,384	3,078,665
Balances—end of the year	<u>\$ 2,007,391</u>	<u>\$ 646,890</u>	<u>\$ 2,047,910</u>	<u>\$ 4,702,191</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (151,951)	\$ (34,500)	\$ 59,350	\$ (127,101)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	791,667	29,382	-	821,049
(Increase) decrease in accounts receivable	79,711	-	(2,588)	77,123
(Increase) decrease in inventories	4,774	-	-	4,774
Increase (decrease) in accrued salaries payable	(215)	2,295	-	2,080
Increase (decrease) in accounts payable	44,335	18,732	23,033	86,100
Increase (decrease) in deferred revenue	-	-	(412)	(412)
Increase (decrease) in accrued employee separation	14,732	-	-	14,732
Total adjustments	<u>935,004</u>	<u>50,409</u>	<u>20,033</u>	<u>1,005,446</u>
Net cash provided by operating activities	<u>\$ 783,053</u>	<u>\$ 15,909</u>	<u>\$ 79,383</u>	<u>\$ 878,345</u>
Noncash investing, capital and financing activities:				
Increase in fair value of assets	\$ 2,719	\$ 876	\$ 2,772	\$ 6,367

**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, 2007

Governmental funds capital assets	
Land	\$ 7,925,969
Buildings	18,187,992
Equipment	1,905,600
Improvements	7,649,693
Infrastructure	26,957,309
Construction in progress	<u>18,558,413</u>
Total governmental funds capital assets	<u>\$ 81,184,976</u>
Investment in governmental funds capital assets by source	
Current Operations	\$ 16,391,463
Capital Projects	63,468,407
Section 4B Sales Tax	<u>1,325,106</u>
Total governmental funds capital assets	<u>\$ 81,184,976</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, 2007

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Improvements</u>
General Government				
Administration	\$ 880,239	\$ 6,513,677	\$ 309,678	\$ 407,287
Finance	-	-	-	-
Planning	217,002	-	19,922	-
Total general government	<u>1,097,241</u>	<u>6,513,677</u>	<u>329,600</u>	<u>407,287</u>
Public Safety				
Fire	756,606	3,772,597	638,758	28,422
Police	45,089	1,064,031	636,471	25,732
Total Public Safety	<u>801,695</u>	<u>4,836,628</u>	<u>1,275,229</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>3,266,628</u>	<u>4,724,913</u>	<u>194,682</u>	<u>7,050,107</u>
Total governmental funds capital assets	<u>\$ 7,925,969</u>	<u>\$ 18,187,992</u>	<u>\$ 1,905,600</u>	<u>\$ 7,649,693</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>
\$ -	\$ 52,315	\$ 8,163,196
-	-	-
<u>190,488</u>	<u>892,754</u>	<u>1,320,166</u>
<u>190,488</u>	<u>945,069</u>	<u>9,483,362</u>
-	3,830,409	9,026,792
-	<u>8,686,902</u>	<u>10,458,225</u>
<u>-</u>	<u>12,517,311</u>	<u>19,485,017</u>
10,153,388	4,862,792	20,133,593
<u>16,515,354</u>	-	<u>16,515,354</u>
<u>26,668,742</u>	<u>4,862,792</u>	<u>36,648,947</u>
<u>98,079</u>	<u>233,241</u>	<u>15,567,650</u>
<u>\$ 26,957,309</u>	<u>\$ 18,558,413</u>	<u>\$ 81,184,976</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, 2007

<u>Function and Activity</u>	<u>Governmental Fund Capital Assets October 1, 2006</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Governmental Fund Capital Assets September 30, 2007</u>
General government				
Administration	\$ 7,789,326	\$ 473,872	\$ -	\$ 8,263,198
Planning	1,131,730	188,436	-	1,320,166
Total general government	<u>8,921,056</u>	<u>662,308</u>	<u>-</u>	<u>9,583,364</u>
Public safety				
Fire	7,320,136	1,718,907	(12,250)	9,026,793
Police	4,798,429	5,740,783	(80,987)	10,458,225
Total public safety	<u>12,118,565</u>	<u>7,459,690</u>	<u>(93,237)</u>	<u>19,485,018</u>
Public works				
Administration	20,826,319	1,510,142	2,186,082	24,522,543
Streets	14,329,269	-	(2,202,867)	12,126,402
Total public works	<u>35,155,588</u>	<u>1,510,142</u>	<u>(16,785)</u>	<u>36,648,945</u>
Cultural and Recreational				
Parks and recreation	<u>15,348,044</u>	<u>157,770</u>	<u>(38,165)</u>	<u>15,467,649</u>
Total governmental funds capital assets	<u>\$ 71,543,253</u>	<u>\$ 9,789,910</u>	<u>\$ (148,187)</u>	<u>\$ 81,184,976</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>	135
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	142
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>	150
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>	157
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>	160

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 Five Fiscal Years
(accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 23,400,108	\$ 32,752,971	\$ 28,933,050	\$ 28,424,345	\$ 27,529,009
Restricted	5,804,419	5,770,840	6,642,077	7,363,187	13,316,591
Unrestricted	23,953,457	12,997,982	19,369,700	18,983,653	19,985,983
Total governmental activities net assets	\$ 53,157,984	\$ 51,521,793	\$ 54,944,827	\$ 54,771,185	\$ 60,831,583
Business-type activities					
Invested in capital assets, net of related debt	\$ 26,109,776	\$ 25,996,416	\$ 26,589,684	\$ 29,642,136	\$ 29,481,368
Restricted	3,042,730	3,662,800	3,407,445	2,185,791	2,184,725
Unrestricted	4,709,368	2,647,090	1,264,814	3,396,751	3,295,501
Total business-type activities net assets	\$ 33,861,874	\$ 32,306,306	\$ 31,261,943	\$ 35,224,678	\$ 34,961,594
Primary government					
Invested in capital assets, net of related debt	\$ 49,509,884	\$ 58,749,387	\$ 55,522,734	\$ 58,066,481	\$ 57,010,377
Restricted	8,847,149	9,433,640	10,049,522	9,548,978	15,501,316
Unrestricted	28,662,825	15,645,072	20,634,514	22,380,404	23,281,484
Total primary government net assets	\$ 87,019,858	\$ 83,828,099	\$ 86,206,770	\$ 89,995,863	\$ 95,793,177

Note: The City of La Porte first applied GASB Statement 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General Government	\$ 8,625,554	\$ 10,487,889	\$ 7,411,122	\$ 7,348,812	\$ 8,410,865
Public Safety	10,771,423	11,947,286	10,367,759	11,602,951	12,153,324
Public Works	3,638,063	1,267,829	5,164,855	5,209,686	3,668,425
Health and Sanitation	1,823,462	1,906,519	1,887,204	1,862,368	2,487,531
Culture and Recreation	4,048,974	4,106,491	3,717,791	3,579,917	3,120,183
Interest on Long-term debt	747,351	689,644	863,818	1,226,231	1,352,747
Total governmental activities expenses	29,654,827	30,405,658	29,412,549	30,829,965	31,193,075
Business-type activities:					
Water Services	6,339,238	6,256,424	6,477,962	6,844,635	6,548,382
Sewer Services	1,913,284	1,895,709	1,819,756	1,894,415	2,086,651
Airport	149,472	142,765	157,186	122,548	123,904
Bay Forest Golf Course	1,284,729	1,222,819	1,242,613	1,285,121	1,310,589
Sylvan Beach Convention Center	212,947	194,314	211,682	214,552	218,053
Total business-type expenses	9,899,670	9,712,031	9,909,199	10,361,271	10,287,579
Total primary government expenses	\$ 39,554,497	\$ 40,117,689	\$ 39,321,748	\$ 41,191,236	\$ 41,480,654
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 660,955	\$ 528,296	\$ 670,332	\$ 1,002,267	\$ 2,006,607
Public safety	1,689,780	1,441,662	1,498,310	1,333,005	435,128
Public works	1,481,061	106,026	24,242	-	-
Health and sanitation	830,991	463,629	1,429,617	1,770,611	1,856,013
Culture and recreation	657,784	1,157,449	460,796	429,971	418,143
Operating grants and contributions	480,037	576,262	2,639,934	1,031,408	991,679
Total governmental activities program revenues	5,800,608	4,273,324	6,723,231	5,567,262	5,707,570
Business-type activities:					
Charges for services					
Water services	4,157,556	4,155,589	4,500,140	5,438,932	4,789,854
Sewer services	2,493,284	2,493,134	2,591,406	2,842,495	2,763,715
Airport	30,001	32,728	32,728	35,624	42,359
Golf course	943,493	1,022,103	965,983	955,867	911,371
Sylvan beach convention center	161,355	180,642	163,859	162,508	189,290
Capital grants and contributions	-	-	-	-	1,060,948
Total business-type program revenues	7,785,689	7,884,196	8,254,116	9,435,426	9,757,537
Total primary government program revenues	\$ 13,586,297	\$ 12,157,520	\$ 14,977,347	\$ 15,002,688	\$ 15,465,107

	Fiscal Year				
	2003	2004	2005	2006	2007
Net (expense)/revenue					
Governmental activities:	\$ (23,854,219)	\$ (26,132,334)	\$ (22,689,318)	\$ (25,262,703)	\$ (25,485,505)
Business-type activities:	(2,113,981)	(1,827,835)	(1,655,083)	(925,845)	(530,042)
Total primary government net expense	\$ (25,968,200)	\$ (27,960,169)	\$ (24,344,401)	\$ (26,188,548)	\$ (26,015,547)
General Revenues and Other Changes in					
Net Assets					
Governmental activities:					
Taxes					
Property taxes, levied for general purpose:	\$ 8,797,886	\$ 9,139,422	\$ 10,192,599	\$ 10,535,316	\$ 11,246,050
Property taxes, levied for debt service	2,070,120	1,922,117	1,623,095	1,661,801	1,819,554
Industrial payments	7,276,821	6,896,112	6,991,926	7,659,591	8,188,891
Franchise taxes	1,682,849	1,718,875	1,885,801	1,986,698	2,003,691
Sales tax	3,037,574	3,263,459	3,459,979	4,067,767	5,735,725
Unrestricted investment earnings	542,254	376,359	720,137	1,874,828	2,386,980
Grants not specified for specific program	-	-	-	75,189	-
Miscellaneous	704,886	495,102	753,595	1,137,928	89,400
Gain/(loss) on sale/retirement of capital assets	(260,545)	-	103,594	-	-
Transfers	(253,629)	684,697	381,625	(3,910,056)	75,612
Total governmental activities	23,598,216	24,496,143	26,112,351	25,089,062	31,545,903
Business-type activities					
Unrestricted investment earnings	121,174	88,602	165,162	300,099	342,566
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	(75,612)
Total business-type activities	1,264,101	272,267	610,720	4,888,579	266,954
Total primary government	\$ 24,862,317	\$ 24,768,410	\$ 26,723,071	\$ 29,977,640	\$ 31,812,856
Change in Net Assets					
Governmental activities	\$ (256,003)	\$ (1,636,191)	\$ 3,423,033	\$ (173,642)	\$ 6,060,398
Business-type activities	(849,880)	(1,555,568)	(1,044,363)	3,962,734	(263,088)
Total primary government	\$ (1,105,883)	\$ (3,191,759)	\$ 2,378,670	\$ 3,789,091	\$ 5,797,308

Note: The City of La Porte first applied GASB Statement 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

City of La Porte, Texas
 Governmental Activities Tax Revenues By Source
 Last Five 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
2007	12,990,852	2,003,691	5,227,100	8,188,891	508,625	28,919,159

Note: The City of La Porte first applied GASB Statement 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.



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

	Fiscal Year				
	1998	1999	2000	2001	2002
General fund					
Reserved	\$ 65,028	\$ 66,158	\$ 72,088	\$ 58,827	\$ 74,843
Unreserved	5,947,020	5,428,233	5,924,197	7,608,591	7,053,076
Total general fund	<u>\$ 6,012,048</u>	<u>\$ 5,494,391</u>	<u>\$ 5,996,285</u>	<u>\$ 7,667,418</u>	<u>\$ 7,127,919</u>
All other governmental funds					
Reserved	\$ 959,678	\$ 1,119,041	\$ 1,263,483	\$ 1,303,068	\$ 1,589,610
Unreserved/Undesignated					
Unreserved, reported in:					
Special revenue funds	1,515,126	2,171,471	2,837,718	3,307,882	3,850,787
Capital projects funds	7,613,980	7,178,328	13,038,143	11,765,217	13,778,877
Total all other governmental funds	<u>\$ 10,088,784</u>	<u>\$ 10,468,840</u>	<u>\$ 17,139,344</u>	<u>\$ 16,376,167</u>	<u>\$ 19,219,274</u>

Fiscal Year				
2003	2004	2005	2006	2007
\$ 209,191	\$ 440,926	\$ 209,191	\$ 144,775	\$ 169,708
6,632,833	7,009,028	8,972,133	10,970,885	13,687,895
<u>\$ 6,842,024</u>	<u>\$ 7,449,954</u>	<u>\$ 9,181,324</u>	<u>\$ 11,115,660</u>	<u>\$ 13,857,603</u>
\$ 7,462,916	\$ 1,584,497	\$ 2,061,426	\$ 2,266,406	\$ 2,670,858
3,770,935	1,005,159	4,255,634	5,100,995	7,501,313
5,067,980	9,287,535	16,488,090	18,813,872	18,660,427
<u>\$ 16,301,831</u>	<u>\$ 11,877,191</u>	<u>\$ 22,805,150</u>	<u>\$ 26,181,273</u>	<u>\$ 28,832,598</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			
	1998	1999	2000	2001
Revenues				
Taxes	\$ 19,614,559	\$ 20,164,016	\$ 20,860,043	\$ 22,406,291
Donations	-	-	-	-
Harris County Joint Ventures	-	-	-	-
Licenses and permits	303,890	357,694	337,259	262,010
Fines and forfeits	617,432	479,363	407,459	561,547
Charges and services	2,552,849	2,996,774	3,147,031	2,923,504
Intergovernmental	192,821	170,044	313,261	673,105
Interest	994,455	976,007	1,395,339	1,626,693
Miscellaneous	244,819	213,794	193,585	119,228
Total revenues	<u>\$ 24,520,825</u>	<u>\$ 25,357,692</u>	<u>\$ 26,653,977</u>	<u>\$ 28,572,378</u>
Expenditures				
General Government	4,537,921	5,056,127	5,152,844	5,232,112
Public Safety	7,472,289	7,842,420	8,644,309	9,364,320
Public Works	2,144,846	2,204,287	2,304,829	2,487,825
Health and Sanitation	2,225,835	2,413,218	2,411,767	2,278,761
Culture and Recreation	2,560,069	2,697,886	2,944,296	3,058,199
Debt Service				
Principal	1,555,000	1,495,000	1,555,000	1,775,000
Interest	506,420	559,379	590,841	729,932
Capital Outlay	949,895	2,514,438	2,685,085	3,032,461
Total expenditures	<u>21,952,275</u>	<u>24,782,755</u>	<u>26,288,971</u>	<u>27,958,610</u>
Excess of revenues over (under) expenditures	2,568,550	574,937	365,006	613,768
Other financing sources (uses)				
Issuance of debt	2,500,000	-	6,250,000	-
Premium on bond	-	-	-	-
Transfers in	1,090,000	1,346,030	1,099,032	1,974,671
Transfers out	(991,087)	(2,058,568)	(1,377,318)	(1,849,671)
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	<u>2,598,913</u>	<u>(712,538)</u>	<u>5,971,714</u>	<u>125,000</u>
Net change in fund balances	<u>\$ 5,167,463</u>	<u>\$ (137,601)</u>	<u>\$ 6,336,720</u>	<u>\$ 738,768</u>
Debt service as a percentage of noncapital expenditures	9.8%	9.2%	9.1%	10.0%

Fiscal Year						
2002	2003	2004	2005	2006	2007	
\$ 23,300,851	\$ 22,922,669	\$ 22,948,635	\$ 24,045,940	\$ 25,687,864	\$ 28,919,159	
-	-	-	30,000	-	30,000	
-	-	-	1,751,555	-	-	
238,535	199,970	320,405	531,091	683,284	919,923	
614,534	847,250	554,559	678,205	848,232	1,243,694	
2,129,487	2,275,333	2,947,340	3,233,453	3,887,570	3,966,801	
385,722	480,037	576,262	1,112,687	1,174,381	716,103	
748,798	481,822	325,418	630,683	1,709,163	2,117,375	
143,668	125,020	32,605	183,658	163,380	77,056	
<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>	<u>\$ 37,990,111</u>	
5,294,977	5,542,520	7,971,284	6,848,838	7,236,765	7,696,436	
10,165,683	10,477,080	10,414,544	10,532,857	11,071,829	11,769,003	
2,422,522	2,556,011	2,361,192	2,430,322	2,360,073	2,407,428	
1,764,906	1,823,462	1,758,964	1,808,313	1,813,812	1,972,823	
3,297,865	3,475,888	3,245,144	3,067,815	3,010,725	3,103,466	
1,685,000	1,590,000	1,490,000	1,330,000	1,195,000	1,235,000	
634,535	795,199	699,834	1,030,430	1,374,314	1,582,287	
4,077,477	2,771,651	3,259,141	8,566,314	6,550,309	10,012,947	
<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>	<u>39,779,390</u>	
(1,781,370)	(1,699,710)	(3,494,879)	(3,417,617)	(458,953)	(1,789,279)	
5,400,000	-	-	16,586,900	6,965,000	8,075,000	
-	-	-	-	191,055	37,572	
1,870,191	1,919,871	3,469,026	3,222,196	6,055,874	4,196,574	
(3,185,214)	(3,423,500)	(3,790,857)	(3,774,399)	(7,532,602)	(5,147,853)	
-	-	-	42,250	90,083	21,253	
<u>4,084,977</u>	<u>(1,503,629)</u>	<u>(321,831)</u>	<u>16,076,947</u>	<u>5,769,410</u>	<u>7,182,546</u>	
<u>\$ 2,303,607</u>	<u>\$ (3,203,339)</u>	<u>\$ (3,816,710)</u>	<u>\$ 12,659,330</u>	<u>\$ 5,310,457</u>	<u>\$ 5,393,267</u>	
9.2%	9.1%	7.8%	8.7%	9.2%	9.5%	

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		
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
2007	1,861,821,075	350,191,031	419,779,423	1,792,232,683

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

<u>Total Direct Tax Rate</u>	<u>Total Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 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%
0.71	1,792,232,683	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			Overlapping Rates			
	Basic Rate	General Obligation Debt Service	Total Direct	Harris County Flood Control District ²	Harris County ²	Port of Houston Authority ²	Harris County Board of Education ²
1998	\$0.57	\$0.14	\$0.71	\$0.0800	\$0.4166	\$0.0213	\$0.0061
1999	0.57	0.14	0.71	0.0800	0.3948	0.0204	0.0063
2000	0.57	0.14	0.71	0.0617	0.3590	0.0183	0.0063
2001	0.57	0.14	0.71	0.0476	0.3839	0.0183	0.0063
2002	0.57	0.14	0.71	0.0476	0.3839	0.0183	0.0063
2003	0.575	0.135	0.71	0.041740	0.3881	0.0199	0.0063
2004	0.575	0.135	0.71	0.033180	0.3999	0.0167	0.0063
2005	0.612	0.098	0.71	0.033220	0.39986	0.01474	0.00629
2006	0.612	0.098	0.71	0.032410	0.40239	0.01302	0.00629
2007	0.612	0.098	0.71	0.031060	0.39239	0.01437	0.00585

Source: ¹ City of La Porte records
² Office of Harris County
³ Office of La Porte Independence School District

Overlapping Rates			
Hospital District ²	La Porte I.S.D. ³	San Jacinto Jr. College District ⁴	Total
\$0.1238	\$1.610	\$0.1100	\$3.0778
0.1465	1.610	0.1100	3.0780
0.2027	1.650	0.1260	3.1340
0.1902	1.630	0.1307	3.1170
0.1902	1.630	0.1307	3.1170
0.1902	1.680	0.1307	3.16694
0.1902	1.734	0.1391	3.22938
0.19216	1.734	0.145365	3.23564
0.19216	1.635	0.145365	3.13664
0.19216	1.305	0.145365	2.79620

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

Taxpayer	2007		Taxpayer	1998	
	Taxable Assesed Value	Percentage of Total City Taxable Assessed Value		Taxable Assesed Value	Percentage of Total City Taxable Assessed Value
Conoco Phillips Inc	\$ 59,463,141	3.32%	Conoco Inc	\$ 54,111,440	4.43%
Oxy Vinyls LP	50,504,679	2.82%	Equistar Chemicals LP	44,664,690	3.66%
Equistar Chemicals LP	49,862,115	2.78%	H L & P	42,425,040	3.48%
Dow Chemicals	46,021,233	2.57%	Solvay Polymer Corp	37,068,510	3.04%
PPG Industries	42,972,161	2.40%	Occidental Electrochem	36,236,280	2.97%
BP Solvay	38,054,910	2.12%	PPG Industries	30,016,160	2.46%
Centerpoint Energy	26,486,387	1.48%	Fina Oil & Chem. Co.	24,606,050	2.02%
Attofin Petrochemicals	20,438,783	1.14%	Dow Chemicals	21,053,500	1.73%
Noltex	19,568,831	1.09%	Geon Company	20,408,900	1.67%
Sulzer Hickham	19,042,493	1.06%	Noltex	14,662,470	1.20%
	<u>\$ 372,414,733</u>	<u>20.78%</u>		<u>\$ 325,253,040</u>	<u>26.65%</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
1998	\$ 8,599,050	\$ 8,437,322	98.12%	\$ 110,638	\$ 8,547,960	99.41%
1999	8,951,320	8,795,498	98.26%	131,816	8,927,314	99.73%
2000	9,197,711	9,006,072	97.92%	162,788	9,168,860	99.69%
2001	10,026,632	9,780,571	97.55%	215,240	9,995,811	99.69%
2002	10,784,561	10,463,515	97.02%	282,551	10,746,066	99.64%
2003	10,823,210	10,491,257	96.93%	265,414	10,756,671	99.39%
2004	11,160,176	10,829,202	97.03%	260,446	11,089,648	99.37%
2005	11,652,289	11,334,572	97.27%	228,549	11,563,121	99.23%
2006	12,086,633	11,755,121	97.26%	195,414	11,950,535	98.87%
2007	12,724,857	12,418,873	97.60%	-	12,418,873	97.60%

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
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
2007	12,070,000	24,055,000	4,860,000

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 income provided from the 2000 US Census.

Business-Type Activities

<u>Water and Sewer Revenue Bonds</u>	<u>General Obligation Refunding Bonds</u>	<u>Other Obligations</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 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
250,000	-	7,957,500	49,192,500	N/A	1,391

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			
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
2007	16,930,000	24,055,000	1,925,756	39,059,244	2.18%	1,105

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, 2007
 (unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Harris County	\$ 2,074,258,644	0.82%	\$ 17,008,921
Harris County Department of Education	-	0.82%	-
Harris County Flood Control District	115,924,985	0.82%	950,585
Harris County Toll Road - Toll Road Bonds (a)	-	0.82%	-
La Porte ISD	107,985,000	37.82%	40,839,927
Port of Houston Authority	357,105,000	0.82%	2,928,261
San Jacinto Jr. Collect District	64,750,000	6.32%	4,092,200
Subtotal, overlapping debt	\$ 2,720,023,629		\$ 65,819,894
City of La Porte direct debt	43,347,500	100%	\$ 43,347,500
Total direct and overlapping debt			\$ 109,167,394

(a) Harris County Toll Road debt is considered self-supporting.
 Source: Texas Municipal Reports

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

	1998	1999	2000	2001	2002
Debt limit	\$ 30,787,158	\$ 31,930,272	\$ 38,129,152	\$ 35,568,480	\$ 37,615,775
Total net debt applicable to limit	10,210,322	8,555,959	13,106,517	11,291,932	14,720,390
Legal debt margin	\$ 20,576,836	\$ 23,374,313	\$ 25,022,635	\$ 24,276,548	\$ 22,895,385
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				
2003	2004	2005	2006	2007
\$ 37,816,613	\$ 39,010,173	\$ 40,872,224	\$ 42,379,165	\$ 44,805,817
10,372,787	9,245,503	15,620,369	15,926,113	18,855,756
<u>\$ 27,443,826</u>	<u>\$ 29,764,670</u>	<u>\$ 25,251,855</u>	<u>\$ 26,453,052</u>	<u>\$ 25,950,061</u>

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 1,792,232,683
Add back: exempt property	<u>\$ 419,779,423</u>
Total assessed value	\$ 2,212,012,106
Debt limit (2.5% of total assessed value)	44,805,817
Debt applicable to limit:	
General obligation bonds	\$ 16,930,000
Less: Amount set aside for repayment of general obligation debt	<u>1,925,756</u>
Total net debt applicable to limit	18,855,756
Legal debt margin	<u>\$ 25,950,061</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	
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
2007	6,722,774	5,681,548	1,041,226	262,500	92,966	2.93

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>
1998	32,658	N/A	N/A	N/A	7,415	5.0%
1999	34,191	N/A	N/A	N/A	7,477	4.7%
2000	31,880	675,155	21,178	33	7,645	4.2%
2001	32,356	N/A	N/A	N/A	7,772	5.3%
2002	32,910	N/A	N/A	N/A	7,732	6.2%
2003	33,789	N/A	N/A	N/A	7,648	6.6%
2004	33,712	N/A	N/A	N/A	7,629	5.7%
2005	34,538	N/A	N/A	N/A	7,808	5.3%
2006	34,825	N/A	N/A	N/A	7,786	4.7%
2007	35,362	N/A	N/A	N/A	7,889	4.4%

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 from the State of Texas Labor Statistics.

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

2007 *				1998 **			
Employer	Employees	Rank	Percentage of Total City Employment	Employer	Employees	Rank	Percentage of Total City Employment
Furmanite Worldwide	1,494	1	7.90%	Solvay Polymer	1,100	1	N/A
E.I. Dupont De Nemours & Co.	1,001	2	5.29%	San Jacinto College	1,003	2	N/A
Rockwood Service Corp.	700	3	3.70%	La Porte ISD	987	3	N/A
Longview Inspection	664	4	3.51%	E.I. Dupont	870	4	N/A
Quest Tru Tec LP	636	5	3.36%	Millenium (formerly Quantum)	736	5	N/A
E.I. Dupont De Nemours & Co.	580	6	3.07%	Akzo Nobel	500	6	N/A
WalMart	500	7	2.64%	Hickham Industries	270	7	N/A
Aker Kvaerner	400	8	2.11%	Dow Chemical	250	8	N/A
Oxy Vinyls	400	9	2.11%	Fina Oil & Chemical	225	9	N/A
City of La Porte	368	10	1.95%	Geon Company	180	10	N/A
Total	6,743		35.64%		6,121		

Source:

* Bay Area Economic Partnership

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

Total employment figures for 1998 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 Three Fiscal Years
 (unaudited)

Function/Program	Fiscal Year		
	2005	2006	2007
General Government	76	76	80
Public Safety	135	138	147
Public Works	32	32	32
Health & Sanitation	22	21	21
Culture and recreation	47	45	44
Water Services	26	27	25
Sewer Services	20	20	20
Golf Course	13	13	12
Sylvan Beach Convention Ctr.	3	3	4

Source:
 City Budget Office

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

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

Function/Program	Fiscal Year			
	1999	2000	2001	2002
Police				
Physical arrests	N/A	1,541	2,114	2,193
Tickets processed	6,065	6,657	9,489	9,298
Fire				
Number of calls answered	N/A	N/A	N/A	N/A
Inspections	N/A	N/A	N/A	N/A
Highways and streets				
Street resurfacing (linear feet)	40,400	39,200	42,000	26,200
Potholes repaired	251	302	232	271
Sanitation				
Cu. Yds. Garbage collected	25,757	27,300	28,025	28,655
Cu. Yds. Trash collected	31,061	38,603	48,049	52,796
Culture and recreation				
Fitness center admissions	66,028	67,347	68,668	73,764
Water				
Number of water meters	9,500	9,679	10,699	10,957
Average daily water consumption (million gallons)	3.1	4.6	4.1	3.1
Water mains breaks	806	601	505	491
Wastewater				
Average daily sewer treatment (thousands of gallons)	3.4	3.0	3.9	3.4
Golf Course				
Number of Paid Rounds Played	41,117	48,950	43,063	42,540

Source: City Departments

Notes: N/A - Data not available

Fiscal Year

2003	2004	2005	2006	2007
2,271	2,000	2,330	2,465	2,489
9,605	6,593	6,877	8,212	9,652
N/A	494	644	689	1,598
N/A	500	500	N/A	600
27,800	33,800	66,158	27,835	22,100
413	524	531	321	1,260
28,243	29,675	30,022	30,795	29,279
50,111	54,875	49,140	49,140	52,250
76,311	84,353	81,868	70,558	62,828
10,987	11,189	11,391	11,592	12,064
4.0	3.8	4.1	3.9	3.8
440	299	437	483	467
3.9	4.0	3.5	2.8	3.9
38,594	38,901	34,961	32,731	32,433

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

Function/Program	Fiscal Year							
	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety								
Police Station	1	1	1	1	1	1	1	1
Police Officers	56	71	71	72	72	72	73	74
Reserve Officers	9	3	5	5	5	5	5	6
Fire Stations	4	4	4	4	4	4	4	4
Sanitation								
Collection trucks	13	13	13	14	14	14	14	14
Highways and streets								
Streets (miles)	160	160	164	164	164	211	217	211
Streetlights	1,823	2,072	2,109	1,533	1,665	2,192	1,803	1,804
Traffic signals	3	3	3	3	3	3	3	3
Culture and recreation								
Parks acreage	145	462	463	463	463	337	339	347
Parks	17	18	18	19	19	21	21	22
Swimming pools	6	6	6	6	6	6	6	6
Recreation Centers	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1
Water and Sewer								
Water Mains (miles)	226	229	231	231	231	165	168	176
Fire Hydrants	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,076
Sanitary Sewers (miles)	184	185	186	187	187	187	187	189
Storm Sewers (miles)	87	88	88	89	89	89	92	92

Source: City Departments

Note: Data not available for fiscal years prior to 2000.