

CITY OF LA PORTE, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended September 30, 2012

**Prepared By
Department of Finance**

CITY OF LA PORTE, TEXAS
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INTRODUCTORY SECTION





CITY OF LA PORTE

Established 1892

March 11, 2013

To the Honorable Mayor,
Members of City 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, 2012. 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. The cost of internal controls should not outweigh their benefits; therefore 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 Whitley Penn, 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, 2012, 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, 2012, are fairly presented in conformity with GAAP. The independent auditors' 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 35,280.

The City is a home rule city operating under the Council-Manager form of government. Policymaking 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 the City Manager, City Secretary 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 has established a Taxing Increment Reinvestment Zone one (the Zone). The zone is presented as a blended component unit and is being reported as a governmental fund type (see Note 1 B). The City has also established a section 4 B Sales Tax Corporation (see Note 1 B). The City's accounting records for general governmental operations are maintained on 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 September 30th. 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 56 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 72. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds. Formal budget integration is not employed for the Debt Service and Capital Projects Funds because effective budgetary control is alternatively achieved through bond indenture provisions and legally binding construction contracts, respectively.

Economic 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. Higher education facilities includes: University of Houston, Rice University, Texas Southern University, St. Thomas University and Houston Baptist University, 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.

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 which will maintain property values and thus maintain a sound neighborhood environment along with 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.

Relevant Financial Policy

City Council voted to adopt GASB 54 which resulted in the passage of a resolution that measures net financial resources available to finance expenditures of future periods.

Major Initiatives

Following the completion of a comprehensive city-wide drainage plan, City Council directed staff to alleviate affected neighborhoods from surface water flooding. Consequently, in 2010, the City issued \$6.28 million in certificates of obligation to be spent on engineering and construction projects. In 2011 the City was also a recipient of the second round of disaster recovery funds of \$4.1 million which will also alleviate flooding on surface roads.

Long Term Planning

Given the current economy and the uncertainty of the next few years, the City's existing financial position remains strong. The City has incorporated several strategies to decrease the expenses to the City over the next several years. Rising costs of personnel and the related benefits have been a challenge to the City; however, over the last few years, a healthy fund balance in the General Fund has allowed the City to weather these rising costs. In an effort to limit affects of rising personnel costs on future years, compounding merit increases for employees was not funded this year; however, council approved a one time stipend and health incentive programs were established to control costs. In another effort to reduce costs, in fiscal year 2010 the City transferred excess fund balance from the General Fund to the Motor Pool Fund to reduce lease fees by prefunding vehicle replacements. Other operational costs remain steady.

Overall, revenues for the City have remained fairly stable. The City is projecting a slight increase in property tax revenues. Sales tax revenues, which represent about 9% of revenues, are beginning to increase again. Despite the unfavorable economy, the City has some new retail growth, which has aided in sales tax revenue increases. The residential solid waste fee was increased in 2012.

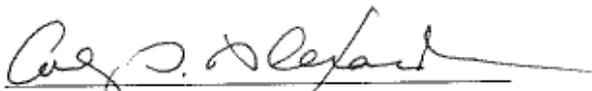
Conservative revenue estimates and efforts to reduce expenditures have contributed to the City's strong financial position and have allowed the City to weather the economic slump. We are especially pleased that there have been no property taxes rate increases for a number of years. Additional capital projects are being funded by utilizing excess fund balances and previously issued debt that had been stranded. With the associated fund draw downs, the remaining fund balances continue to meet operational objectives and current fiscal policies.

Awards and Acknowledgements

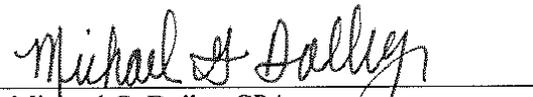
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2011. This was the thirty-first consecutive year that the City has received this 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,



Corby Alexander
City Manager



Michael G. Dolby, CPA
Director of Finance

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, 2011

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.



Christopher P. Moivell

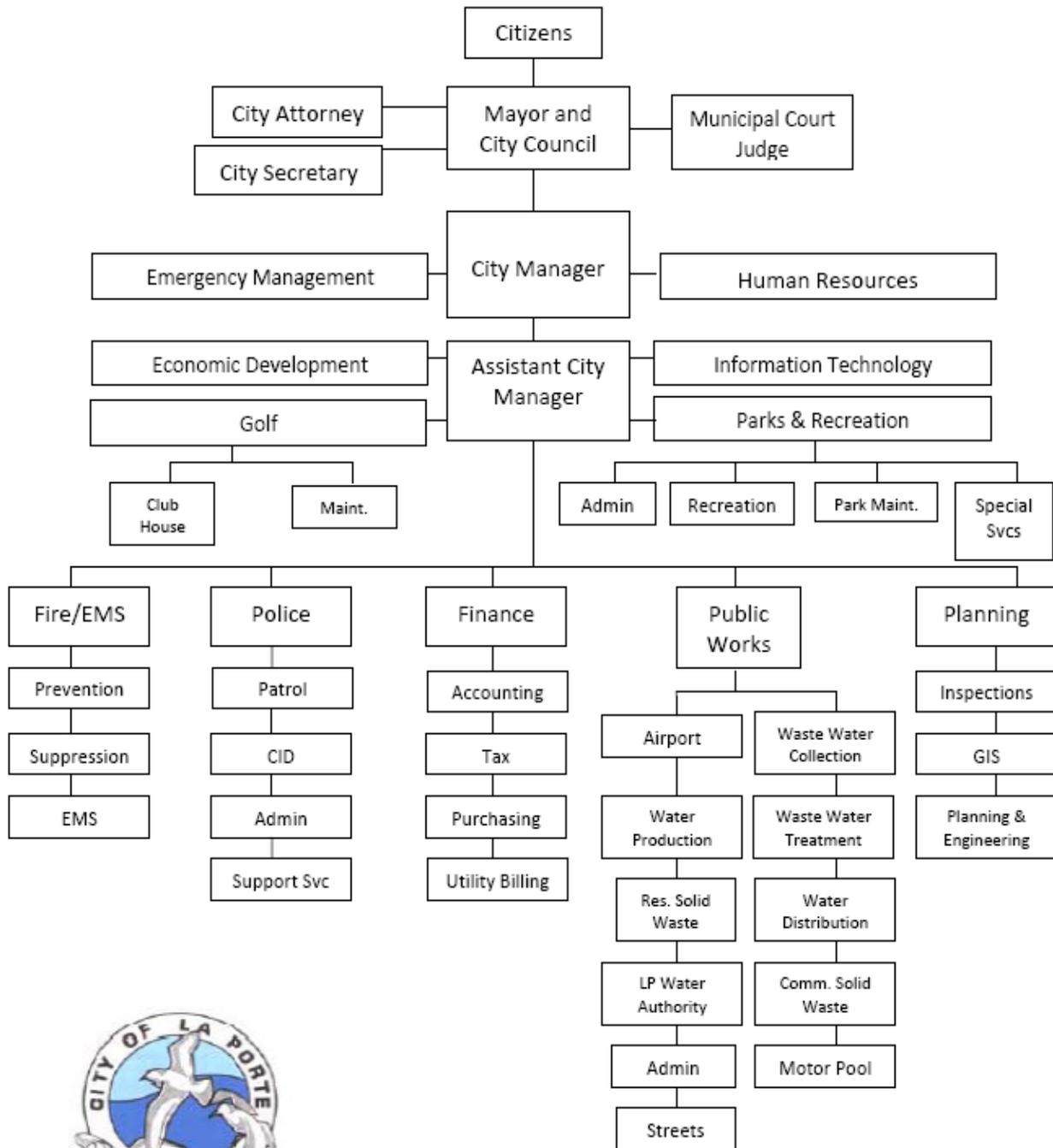
President

Jeffrey R. Emer

Executive Director

CITY OF LA PORTE
Organizational Chart

ORGANIZATION CHART



CITY OF LA PORTE, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
For the year ended September 30, 2012

Elected Officials

Louis Rigby
Michael Mosteit
Chuck Engelken
Daryl Leonard
Tommy Moser
Jay Martin
Mike Clausen
John Zemanek
Dottie Kaminski

Position

Mayor
Council Member - District One
Council Member - District Two
Council Member – District Three
Council Member - District Four
Council Member - District Five
Council Member - District Six
Mayor Protem – At Large A
Council Member – At Large B

City Management

Corby Alexander
Traci Leach
Ken Adcox
David Mick
Patrice Fogarty
Denise Mitrano
Michael G. Dolby

Position

City Manager
Assistant City Manager
Police Chief
Director of Public Services
City Secretary
Municipal Judge
Director of Finance



FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members
of the City Council & Citizens
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 the City of La Porte, Texas (the “City”) as of and for the year ended September 30, 2012, 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 of La Porte, Texas’ management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of La Porte Redevelopment Authority which represents 5 percent of the aggregate remaining fund balances and 21% of the revenues of the aggregate remaining funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for La Porte Redevelopment Authority.

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 the 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 based on our audit and the report of other auditors, 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, as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of 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 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.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information and pension information system on pages 3 through 11 and 54 through 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Whitley Penn LLP

Houston, Texas
March 11, 2013

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of La Porte (the "City"), we offer the 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, 2012. It should be read in conjunction with the accompanying letter of transmittal and the accompanying basic financial statements.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to 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, 3) notes to the financial statements and required supplementary information. 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 most recent fiscal year. All changes in net assets are reported as soon as 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, health and sanitation and culture and recreation. The business-type activities of the City consist of the water and sewer utilities, airport, and the La Porte Area Water Authority.

The government-wide financial statements can be found on pages 15 through 17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental and proprietary - and utilize different accounting approaches.

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 near-term inflows and outflows 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, debt service and capital improvements funds, which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 through 21 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 statements. The City uses proprietary funds to account for its utilities, airport and water authority. 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 motor pool services, technology services and insurance. Because these services predominantly benefit the governmental rather than business type functions, they have been included in the governmental activities in the government-wide financial statements.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its Utility operations, La Porte Area Water Authority and the Airport. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 22 through 24 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 25 through 51 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 53 through 55 of the City's Comprehensive Annual Financial Report.

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and supporting schedules can be found beginning on page 60 of the City's Comprehensive Annual Financial Report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$119.1 million as of September 30, 2012, in the primary government as follows:

Condensed Schedule of Net Assets

September 30, 2012 and 2011

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 57,745	\$ 57,132	\$ 7,222	\$ 7,003	\$ 64,967	\$ 64,135
Capital assets	75,888	71,706	41,549	42,524	117,437	114,230
Total Assets	133,633	128,838	48,771	49,527	182,404	178,365
Other liabilities	5,902	5,411	1,512	1,018	7,413	6,429
Long-term liabilities outstanding	50,568	51,184	5,342	6,024	55,911	57,208
Total Liabilities	56,470	56,595	6,854	7,042	63,324	63,637
Net assets:						
Invested in capital assets, nets of related debt	46,814	37,324	37,567	37,606	84,381	74,930
Restricted	8,728	8,060	559	680	9,287	8,740
Unrestricted	21,621	26,859	3,791	4,199	25,412	31,058
Total Net Assets	\$ 77,163	\$ 72,243	\$ 41,917	\$ 42,485	\$ 119,080	\$ 114,728

Net Assets Invested in Capital Assets Net of Related Debt

The largest portion of the City's net assets (71%) reflects its investments in capital assets (e.g., land, buildings, machinery, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is 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 assets themselves cannot be used to liquidate these liabilities.

Restricted Net Assets

A portion of the City's net assets, \$9.3 million or 8% represents resources that are subject to external restriction on how they may be used.

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Unrestricted Net Assets

The remaining balance is unrestricted net assets, \$25.4 million or 21%, and may be used to meet the City's ongoing obligations to residents and creditors. Both of these categories remained relatively stable compared to the prior year.

The following table provides a summary of the City's operations for the year ended September 30, 2012, with comparative totals for the year ended September 30, 2011, Governmental activities increased the City's net assets by \$4.9 million. Business-type activities decreased net assets by \$0.6 million.

Condensed Schedule of Changes in Net Assets

For the Years Ended September 30, 2012 and 2011

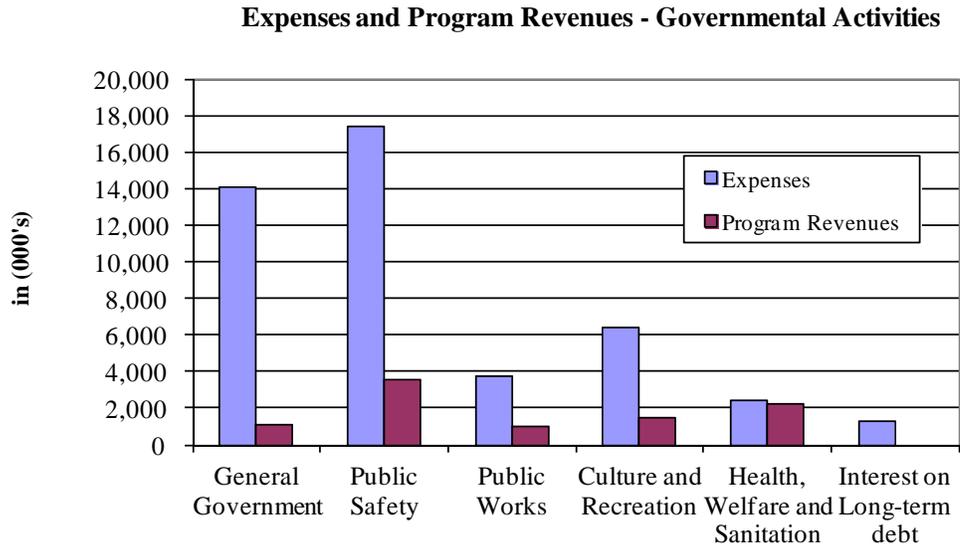
Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 7,821	\$ 8,068	\$ 9,684	\$ 9,858	\$ 17,505	\$ 17,926
Operating grants and contributions	1,515	1,154	-	-	1,515	1,154
Capital grants and contributions	1	1	859	1,442	860	1,443
General revenue:						
Property taxes	17,251	17,164	-	-	17,251	17,164
Other taxes	10,580	8,432	-	-	10,580	8,432
Industrial payments	10,471	10,193	-	-	10,471	10,193
Investment earnings	143	216	12	33	155	249
Miscellaneous	168	375	16	7	184	382
Special item- gain on sale of asset	1,940	4,244	-	-	1,940	4,244
Total Revenues	49,890	49,847	10,571	11,340	60,462	61,187
Expenses						
General Government	14,091	14,575	-	-	14,091	14,575
Public Safety	17,375	16,306	-	-	17,375	16,306
Public Works	3,784	6,280	-	-	3,784	6,280
Culture and Recreation	6,361	6,033	-	-	6,361	6,033
Health, Welfare and Sanitation	2,424	2,454	-	-	2,424	2,454
Interest on Long-term debt	1,268	1,871	-	-	1,268	1,871
Water Services	-	-	7,691	6,942	7,691	6,942
Sewer services	-	-	2,932	3,094	2,932	3,094
Airport	-	-	182	194	182	194
Total Expenses	45,303	47,519	10,805	10,230	56,109	57,749
Increase (decrease) in net assets						
before transfers	4,586	2,328	(234)	1,110	4,353	3,438
Transfers	334	2,707	(334)	(2,707)	-	-
Increase (decrease) in net assets	4,920	5,035	(568)	(1,597)	4,353	3,438
Net assets - beginning	72,243	67,208	42,486	44,082	114,729	111,290
Net assets - ending	\$ 77,163	\$ 72,243	\$ 41,917	\$ 42,486	\$ 119,081	\$ 114,729

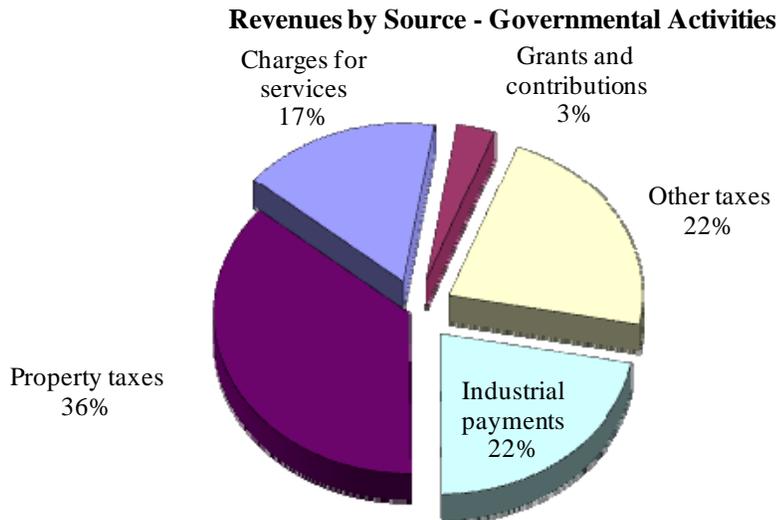
CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

At the end of the current fiscal year, 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 governmental and business-type activities.

Governmental Activities. A comparison of program expenses to program revenues and revenues by source for governmental activities follows:



Revenue sources for governmental activities were distributed as follows:

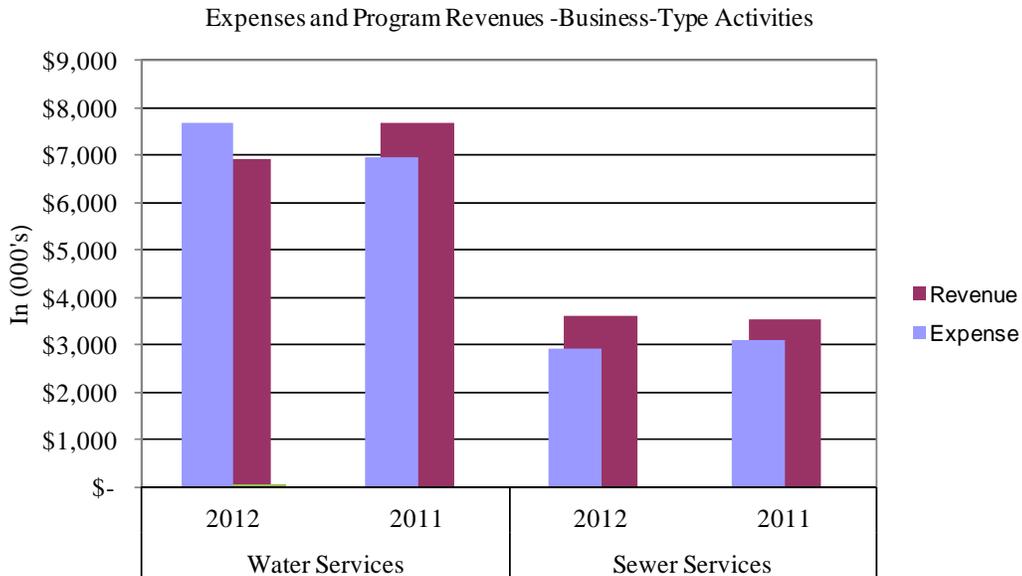


For the year ended September 30, 2012, revenues without transfers in the governmental activities totaled \$49.9 million. This represents an increase of approximately \$0.0 million or 0.1%. In the prior year, the City realized a gain of \$4.2 million on the sale of property. During the current year, they received only \$1.9 million from the sale of property but had an increase in sales tax revenues of \$2.1 million due to increased economic activity and an additional ¼ cent emergency service sales tax.

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Total expenses decreased for fiscal year 2012 in comparison to fiscal year 2011. Public Works expenses decreased due to fewer project costs in 2012 compared to 2011.

Business-type Activities. Revenues without transfers in the business-type activities totaled \$10,572 million, a \$0.8 million decrease from the prior year. This decrease is mainly due to a decrease in capital grants and contributions. A comparison between expenses and program revenues (charges for services) relating to Utility operations follows.



Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43.1 million, an increase of \$0.5 million from the prior year. This increase is due to an increase in sales and use taxes and intergovernmental revenues.

Governmental Funds. The focus of the City'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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$23.8 million, an increase of \$4.6 million compared to last year. The increase in General Fund fund balance is due in part to a reduction of transfers to other funds; transfers to the Capital Projects fund decreased by \$1.5 million since capital construction was decreased. The General Fund also saw an increase in property and other tax revenues from 2011. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 69% of total general fund expenditures and total fund balance represents 70% of the same.

The Debt Service fund had a total fund balance of approximately \$3.1 million, all of which is reserved for the payment of debt service. The net decrease in fund balance from the prior year of \$22,346 was due to more debt service payments made than revenues collected.

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Capital Projects Fund experienced a decrease in fund balance in the amount of \$2,525,307. This was a planned decrease as the City utilized bond funds to construct and acquire various capital assets.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net assets of the respective proprietary funds are Utility - \$909 thousand, La Porte Area Water Authority - \$2.6 million and Airport - \$358 thousand. The changes in net assets of the proprietary funds for 2012 was as follows: Utility - decrease of \$550 thousand, La Porte Area Water Authority - increase of \$135 thousand and Airport - decrease of \$154 thousand.

General Fund Budgetary Highlights

Actual revenues exceeded original and amended General Fund budgeted revenues by \$2,232,055. Property taxes and industrial payments exceeded the projected budget by \$755,516 and \$571,444 respectively. Sales and use taxes, franchise fees and licenses and permits also exceeded budget by \$640,216, \$166,944 and \$128,121 respectively.

Total appropriations exceeded expenditures by \$1,383,726, the majority of which can be attributed to five departments. Administration had a positive variance in the amount of \$324,145 due to a reduction in special programs. Planning and Engineering had a positive variance of \$176,104 due to open positions. The variance in Fire and Police for \$209,840 and \$216,815 was due to open positions in the department. Culture and recreation had a positive variance of \$175,742 due to open positions.

The city made budget adjustments of approximately \$400 thousand because of additional proceeds from the sale of land.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2012 amounted to \$117.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, water and wastewater plants and service lines, machinery and equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was approximately \$3.2 million. The following table shows capital asset activity for the 2012 fiscal year (in 000's):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 9,510	\$ 9,199	\$ 428	\$ 428	\$ 9,938	\$ 9,627
Construction in progress	10,269	6,820	3,751	5,316	14,020	12,136
Infrastructure	16,051	15,222	-	-	16,051	15,222
Buildings and improvements	32,877	33,517	37,101	36,484	69,978	70,001
Machinery and equipment	7,181	6,947	269	296	7,450	7,243
Total Capital Assets	<u>\$ 75,888</u>	<u>\$ 71,705</u>	<u>\$ 41,549</u>	<u>\$ 42,524</u>	<u>\$ 117,437</u>	<u>\$ 114,229</u>

Major capital asset events during the current year include the reporting of a drainage master plan study.

CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Construction in progress at year-end represents ongoing projects; to include various water and sewer projects. Additional information on capital asset activity can be found in note 5 to the financial statements.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$42.8 million. Of this amount, \$38.8 million is backed by the full faith and credit of the City, and the remainder represents revenue bonds secured solely by specified revenue sources.

The City's total debt decreased by approximately \$2.4 million during the fiscal year. The key factor in this decrease was payment of debt.

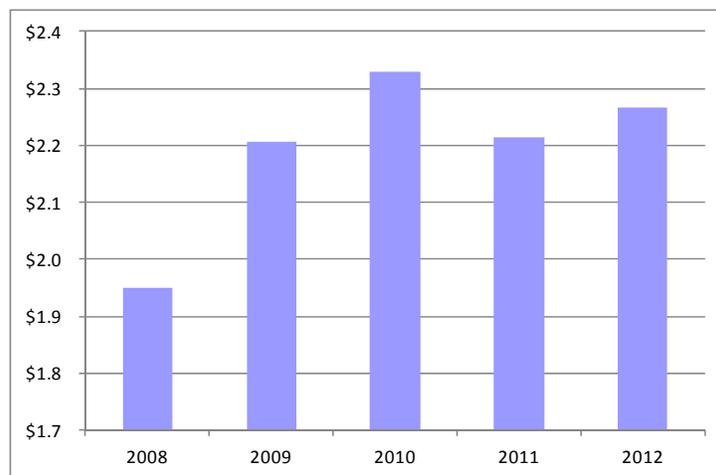
The City of La Porte maintains an "Aa2", "AA", and "AA-" by Moody's, Standard and Poor's and Fitch respectively for general obligation debt. The revenue bonds have been rated "A2", "A", "NR" by Moody's, Standard and Poor's and Fitch respectively.

Additional information on long-term debt activity can be found in note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of La Porte is currently 6.3 percent which is a decrease from the rate of 9.0 percent a year ago. This is less than the state's average unemployment rate of 6.8 percent which is less than the national average of 7.8 percent. 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 future economic changes. Total assessed value for all residential and commercial property in the City of La Porte exceeded \$2.3 billion for fiscal year 2012. The trend for total assessed values has been steadily increasing each year with an average annual increase of 5 percent over the past five years.

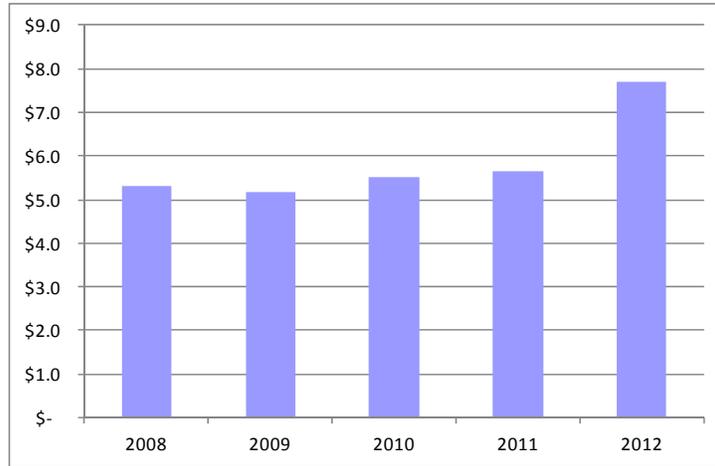
Assessed property values trends (in billions):



CITY OF LA PORTE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Sales tax receipts have increased 37 percent this fiscal year.

Sales tax revenues trends (in millions):



Contacting the City's Financial Management

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF LA PORTE, TEXAS
STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 38,144,903	\$ 2,428,134	\$ 40,573,037
Investments	13,927,669	2,356,082	16,283,751
Receivables, net of allowance for uncollectibles	4,755,737	1,179,847	5,935,584
Due from Other Governmental Agencies	115,910	-	115,910
Inventories	127,763	4,800	132,563
Restricted cash and equivalents	-	1,203,776	1,203,776
Deferred charges	673,100	49,057	722,157
Capital assets:			
Capital assets not subject to depreciation	19,779,196	4,178,911	23,958,107
Capital assets, net of accumulated depreciation	56,109,161	37,370,036	93,479,197
Total Capital Assets	75,888,357	41,548,947	117,437,304
Total Assets	133,633,439	48,770,643	182,404,082
Liabilities			
Accounts payable and accrued liabilities	5,726,325	982,116	6,708,441
Accrued interest	59,395	10,667	70,062
Unearned revenues	981	-	981
Customer deposits	-	517,252	517,252
Other liabilities	115,075	1,500	116,575
Long-term liabilities:			
Due within one year	2,537,072	906,675	3,443,747
Due in more than one year	48,030,967	4,435,792	52,466,759
Total Liabilities	56,469,815	6,854,002	63,323,817
Net Assets			
Invested in capital assets, net of related debt	46,813,655	37,566,663	84,380,318
Restricted for:			
Debt service	3,473,774	559,309	4,033,083
Economic development	3,052,164	-	3,052,164
Grants	441,232	-	441,232
Public safety	974,523	-	974,523
Public works	787,036	-	787,036
Unrestricted	21,621,240	3,790,669	25,411,909
Total Net Assets	\$ 77,163,624	\$ 41,916,641	\$ 119,080,265

CITY OF LA PORTE, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General Government	\$ 14,091,176	\$ 843,898	\$ 239,654	\$ -
Public Safety	17,374,566	3,127,595	431,076	-
Public Works	3,784,047	267,534	766,127	-
Culture and Recreation	6,361,313	1,384,810	78,348	644
Health, Welfare and Sanitation	2,423,898	2,197,491	-	-
Interest on Long-term debt	1,268,112	-	-	-
Total governmental activities	45,303,112	7,821,328	1,515,205	644
Business-type activities:				
Water Services	7,691,088	6,054,683	-	858,431
Sewer services	2,932,057	3,600,979	-	-
Airport	182,700	28,340	-	-
Total business-type activities	10,805,845	9,684,002	-	858,431
Total primary government	\$ 56,108,957	\$ 17,505,330	\$ 1,515,205	\$ 859,075

General revenues:

Taxes:

Property taxes

Sales and use taxes

Industrial payments

Franchise taxes

Unrestricted investment earnings

Miscellaneous

Special item - gain on sale of asset

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (13,007,624)	\$ -	\$ (13,007,624)
(13,815,895)	-	(13,815,895)
(2,750,386)	-	(2,750,386)
(4,897,511)	-	(4,897,511)
(226,407)	-	(226,407)
(1,268,112)	-	(1,268,112)
<u>(35,965,935)</u>	<u>-</u>	<u>(35,965,935)</u>
-	(777,974)	(777,974)
-	668,922	668,922
-	(154,360)	(154,360)
	<u>(263,412)</u>	<u>(263,412)</u>
<u>(35,965,935)</u>	<u>(263,412)</u>	<u>(36,229,347)</u>
17,251,121	-	17,251,121
8,267,162	-	8,267,162
10,471,444	-	10,471,444
2,311,944	-	2,311,944
142,951	12,309	155,260
167,922	16,387	184,309
1,939,699	-	1,939,699
334,029	(334,029)	-
<u>40,886,272</u>	<u>(305,333)</u>	<u>40,580,939</u>
4,920,337	(568,745)	4,351,592
<u>72,243,287</u>	<u>42,485,386</u>	<u>114,728,673</u>
<u>\$ 77,163,624</u>	<u>\$ 41,916,641</u>	<u>\$ 119,080,265</u>

CITY OF LA PORTE
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 19,817,710	\$ 2,340,097	\$ 5,884,995	\$ 7,715,995	\$ 35,758,797
Investments	6,240,632	742,040	1,857,661	1,408,878	10,249,211
Receivables, net of allowance for uncollectibles	3,787,296	40,971	2,697	833,292	4,664,256
Due from other governments	-	-	-	84,653	84,653
Due from other funds	51,837	-	-	662,000	713,837
Inventories	94,401	-	-	-	94,401
Total Assets	<u>29,991,876</u>	<u>3,123,108</u>	<u>7,745,353</u>	<u>10,704,818</u>	<u>51,565,155</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	2,803,768	-	1,079,544	449,899	4,333,211
Accrued salaries payable	796,001	-	-	5,355	801,356
Due to others	-	-	112,392	-	112,392
Due to other funds	-	-	-	713,837	713,837
Deferred revenue	2,427,550	32,572	-	33,810	2,493,932
Other payables	-	-	-	50,343	50,343
Total Liabilities	<u>6,027,319</u>	<u>32,572</u>	<u>1,191,936</u>	<u>1,253,244</u>	<u>8,505,071</u>
Fund balances:					
Nonspendable:					
Inventories	94,401	-	-	-	94,401
Restricted					
Debt service	-	3,090,536	-	410,061	3,500,597
Grants	-	-	-	441,232	441,232
Economic development	-	-	-	3,052,164	3,052,164
Public safety	-	-	-	974,523	974,523
Capital projects	-	-	-	3,817,390	3,817,390
Public works	-	-	-	787,036	787,036
Committed:					
Construction	-	-	6,553,417	-	6,553,417
Assigned:					
Assigned for encumbrances	30,003	-	-	-	30,003
Unassigned	<u>23,840,153</u>	<u>-</u>	<u>-</u>	<u>(30,832)</u>	<u>23,809,321</u>
Total Fund balances	<u>23,964,557</u>	<u>3,090,536</u>	<u>6,553,417</u>	<u>9,451,574</u>	<u>43,060,084</u>
Total Liabilities and Fund Balances	<u>\$ 29,991,876</u>	<u>\$ 3,123,108</u>	<u>\$ 7,745,353</u>	<u>\$ 10,704,818</u>	<u>\$ 51,565,155</u>

See Notes to Financial Statements.

CITY OF LA PORTE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
September 30, 2012

Total fund balance, governmental funds \$ 43,060,084

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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. 69,893,080

Certain other long-term assets (property taxes receivable and adjudicated court fines receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 2,493,580

Some liabilities, 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	(18,670,000)
Certificates of Obligation Payable	(20,150,000)
Premium or discount on bonds payable	(740,469)
Deferred loss on refunding	859,743
Accrued interest governmental activity debt	(59,395)
Deferred charges	673,100
Compensated absences	(3,360,510)
Net pension and OPEB Obligation	(8,425,871)

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. 11,590,282

Net Assets of Governmental Activities in the Statement of Net Assets \$ 77,163,624

CITY OF LA PORTE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 13,286,450	\$ 2,382,173	\$ -	\$ 1,633,547	\$ 17,302,170
Sales and use taxes	3,896,974	-	-	3,810,575	7,707,549
Franchise taxes	2,311,944	-	-	-	2,311,944
Industrial payments	10,471,444	-	-	-	10,471,444
Other taxes	60,182	-	-	499,431	559,613
Licenses and permits	465,052	-	-	-	465,052
Fines and forfeits	1,513,786	-	-	244,315	1,758,101
Charges for services	5,498,848	-	165,468	293,073	5,957,389
Intergovernmental	14,585	-	-	1,224,849	1,239,434
Interest	66,078	27,489	18,582	16,790	128,939
Miscellaneous	30,384	-	-	5,970	36,354
Total Revenues	<u>37,615,727</u>	<u>2,409,662</u>	<u>184,050</u>	<u>7,728,550</u>	<u>47,937,989</u>
Expenditures					
Current:					
General government	9,405,665	-	26,169	1,030,043	10,461,877
Public safety	14,855,618	-	-	896,113	15,751,731
Public works	2,675,391	-	14,926	748,312	3,438,629
Health and sanitation	2,225,768	-	-	-	2,225,768
Culture and recreation	5,150,750	-	-	109,841	5,260,591
Debt Service:					
Principal	-	2,170,000	-	-	2,170,000
Interest and other charges	-	1,519,769	-	-	1,519,769
Bond issuance costs	-	150,897	-	-	150,897
Capital outlay	-	-	3,914,809	4,668,440	8,583,249
Total Expenditures	<u>34,313,192</u>	<u>3,840,666</u>	<u>3,955,904</u>	<u>7,452,749</u>	<u>49,562,511</u>
Excess (deficiency) of revenues over expenditures	<u>3,302,535</u>	<u>(1,431,004)</u>	<u>(3,771,854)</u>	<u>275,801</u>	<u>(1,624,522)</u>
Other Financing Sources (Uses)					
Refunding bonds issued	-	9,435,000	-	-	9,435,000
Premium on general obligation debt	-	364,013	-	-	364,013
Payments to escrow agent	-	(9,638,626)	-	-	(9,638,626)
Transfers in	60,945	1,248,271	1,246,547	154,914	2,710,677
Transfers out	(693,423)	-	-	(1,950,471)	(2,643,894)
Total other financing sources and uses	<u>(632,478)</u>	<u>1,408,658</u>	<u>1,246,547</u>	<u>(1,795,557)</u>	<u>227,170</u>
Special Item					
Proceeds from sale of land	1,941,346	-	-	-	1,941,346
Net change in fund balances	4,611,403	(22,346)	(2,525,307)	(1,519,756)	543,994
Fund balances - beginning	<u>19,353,154</u>	<u>3,112,882</u>	<u>9,078,724</u>	<u>10,971,330</u>	<u>42,516,090</u>
Fund balances - ending	<u>\$ 23,964,557</u>	<u>\$ 3,090,536</u>	<u>\$ 6,553,417</u>	<u>\$ 9,451,574</u>	<u>\$ 43,060,084</u>

See Notes to Financial Statements.

CITY OF LA PORTE
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, 2012

Net change in fund balances - total governmental funds:	\$ 543,994
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
This is the amount by which capital outlays \$8,039,496 exceeded depreciation \$4,022,881 in the current period.	4,016,615
Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of assets. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold and disposed	(118,162)
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.	(2,280)
Repayment of bond principal is an expenditure in the governmental fund, but the repayment of principal reduces long-term liabilities in the statement of net assets.	2,170,000
Proceeds from the issuance of long-term debt and premium on long-term debt are reported as other financing sources in the governmental funds. In the government-wide statements, proceeds are treated as an increase in long-term liabilities.	(9,799,013)
Amounts paid to refunding agent are reported as other financing uses in the governmental funds. In the government-wide financial statements, amounts paid to refunding agent are treated as a decrease in long-term liabilities.	9,638,626
Bond issuance costs paid during the current year will be amortized over the life of the bonds.	150,897
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:	
Change in accrued interest payable	288,793
Amortization of refunding loss	(36,288)
Amortization of deferred charges including bond issuance costs as well as premiums and discounts on issuance of bonds and reduction of arbitrage payable	(304,299)
Change in NPO and OPEB Obligation	(1,698,282)
Change in Compensated Absences	(62,723)
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 certain internal service funds is reported with governmental activities.	<u>(172,015)</u>
Change in net assets of governmental activities	<u>\$ 4,920,337</u>

See Notes to Financial Statements.

CITY OF LA PORTE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

	Business-type Activities			Governmental Activities	
	Utility Fund	LPAWA	Airport	Totals	Internal Service Fund
Assets					
Current Assets:					
Cash and cash equivalents	\$ 1,218,572	\$ 937,091	\$ 272,471	\$ 2,428,134	\$ 4,599,784
Investments	1,056,913	1,212,769	86,400	2,356,082	1,464,780
Accounts receivable, net of allowance for doubtful accounts	991,301	184,111	2,342	1,177,754	120,556
Accrued interest receivable	975	993	125	2,093	2,182
Inventories	4,800	-	-	4,800	33,362
Deferred charges	-	49,057	-	49,057	-
Restricted cash and cash equivalents	508,577	695,199	-	1,203,776	-
Total Current Assets	3,781,138	3,079,220	361,338	7,221,696	6,220,664
Non-current Assets:					
Capital Assets:					
Land and improvements	224,308	-	203,504	427,812	-
Construction in progress	3,751,099	-	-	3,751,099	-
Buildings and improvements	57,620	-	-	57,620	-
Improvements other than buildings	64,209,708	15,429,680	5,778,399	85,417,787	-
Vehicles and equipment	652,564	6,130	-	658,694	13,838,476
Less Accumulated depreciation	(37,317,557)	(8,160,985)	(3,285,523)	(48,764,065)	(7,843,199)
Total Non-current Assets	31,577,742	7,274,825	2,696,380	41,548,947	5,995,277
Total Assets	35,358,880	10,354,045	3,057,718	48,770,643	12,215,941
Liabilities					
Current Liabilities:					
Accounts payable	669,272	213,097	1,316	883,685	22,420
Accrued salaries payable	92,424	-	-	92,424	22,232
Due to other funds	-	-	777	777	-
Other current liabilities	5,230	-	1,689	6,919	-
Interest payable	7,309	3,358	-	10,667	-
Customer deposits	517,252	-	-	517,252	-
Claims and judgments	-	-	-	-	500,075
Long-term debt, current portion					
Compensated absences	19,175	-	-	19,175	-
Bonds payable, current portion	262,500	625,000	-	887,500	-
Total Current Liabilities	1,573,162	841,455	3,782	2,418,399	544,727
Non-current Liabilities:					
Compensated absences	220,514	-	-	220,514	80,932
Net pension obligation	271,460	-	-	271,460	-
OPEB obligation	799,788	-	-	799,788	-
Bonds payable, current portion	787,500	2,356,341	-	3,143,841	-
Total Non-current Liabilities	2,079,262	2,356,341	-	4,435,603	80,932
Total Liabilities	3,652,424	3,197,796	3,782	6,854,002	625,659
Net Assets					
Invested in capital assets, net of related debt	30,527,742	4,293,484	2,696,380	37,517,606	5,995,277
Restricted for debt service	269,809	289,500	-	559,309	-
Unrestricted	908,905	2,573,265	357,556	3,839,726	5,595,005
Total Net Assets	\$ 31,706,456	\$ 7,156,249	\$ 3,053,936	\$ 41,916,641	\$ 11,590,282

See Notes to Financial Statements.

CITY OF LA PORTE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012

	Business-type Activities			Governmental Activities	
	Utility Fund	LPAWA	Airport	Total Enterprise Funds	Internal Service Fund
Revenues					
Charges for services	\$ 8,377,570	\$ 1,294,479	\$ 58,963	\$ 9,731,012	\$ 6,536,344
Total Operating Revenues	8,377,570	1,294,479	58,963	9,731,012	6,536,344
Operating Expenses					
Personnel services	3,226,183	-	17,102	3,243,285	853,157
Supplies and materials	285,466	4,207	-	289,673	299,041
Purchased water	-	1,264,050	-	1,264,050	-
Repairs and maintenance	-	-	13,521	13,521	-
Other services and charges	3,129,833	107,012	14,966	3,251,811	5,252,259
Depreciation	2,022,463	462,938	167,734	2,653,135	878,534
Total Operating Expenses	8,663,945	1,838,207	213,323	10,715,475	7,282,991
Operating income	(286,375)	(543,728)	(154,360)	(984,463)	(746,647)
Non-operating Revenues (Expenses)					
Earnings on investments	5,592	5,945	772	12,309	14,012
Gain (loss) on disposal of capital assets	-	-	-	-	116,515
Interest expense	(41,833)	(79,160)	-	(120,993)	-
Total Non-operating Revenue (Expenses)	(36,241)	(73,215)	772	(108,684)	130,527
Income before contributions and transfers	(322,616)	(616,943)	(153,588)	(1,093,147)	(616,120)
Capital contributions	106,189	752,242	-	858,431	-
Transfers in	21,000	-	-	21,000	478,341
Transfers out	(354,511)	-	(518)	(355,029)	(34,236)
Change in net assets	(549,938)	135,299	(154,106)	(568,745)	(172,015)
Total net assets - beginning	32,256,394	7,020,950	3,208,042	42,485,386	11,762,297
Total net assets - ending	\$ 31,706,456	\$ 7,156,249	\$ 3,053,936	\$ 41,916,641	\$ 11,590,282

See Notes to Financial Statements.

CITY OF LA PORTE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012

	Business-type Activities				Governmental Activities
	Utility Fund	LPAWA	Airport	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 8,439,215	\$ 1,327,476	\$ 56,621	\$ 9,823,312	\$ 6,536,344
Disbursed for personnel services	(3,029,325)	-	(17,102)	(3,046,427)	(861,842)
Disbursed for goods and services	(3,079,417)	(1,200,595)	(30,415)	(4,310,427)	(5,653,270)
Net cash provided (used) by operating activities	<u>2,330,473</u>	<u>126,881</u>	<u>9,104</u>	<u>2,466,458</u>	<u>21,232</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	21,000	-	777	21,777	478,341
Transfers to other funds	(354,511)	-	(518)	(355,029)	(34,236)
Net cash provided by (used by) noncapital financing activities	<u>(333,511)</u>	<u>-</u>	<u>259</u>	<u>(333,252)</u>	<u>444,105</u>
Cash Flows from Capital and Related Financing Activities					
Capital grants and contributions	106,189	-	-	106,189	-
Principal payments on debt	(262,500)	(624,361)	-	(886,861)	-
Interest paid on debt	(43,660)	(79,790)	-	(123,450)	-
Acquisition and construction of capital assets, net of dispositions	(1,677,642)	-	-	(1,677,642)	(1,231,690)
Payments received from participants for debt service	-	693,142	-	693,142	-
Payments received from participants for capital recovery	-	59,100	-	59,100	-
Net cash used by capital and related financing activities	<u>(1,877,613)</u>	<u>48,091</u>	<u>-</u>	<u>(1,829,522)</u>	<u>(1,068,337)</u>
Cash Flows from Investing Activities					
Sale of investments	168,403	139,700	30,326	338,429	762,148
Interest received	5,326	5,508	740	11,574	13,653
Net cash provided by (used by) investing activities	<u>173,729</u>	<u>145,208</u>	<u>31,066</u>	<u>350,003</u>	<u>775,801</u>
Net increase in cash and equivalents	293,078	320,180	40,429	653,687	172,801
Cash and equivalents, beginning of year	<u>1,434,071</u>	<u>1,312,110</u>	<u>232,042</u>	<u>2,978,223</u>	<u>4,426,983</u>
Cash and equivalents, at end of year	<u>\$ 1,727,149</u>	<u>\$ 1,632,290</u>	<u>\$ 272,471</u>	<u>\$ 3,631,910</u>	<u>\$ 4,599,784</u>
Unrestricted cash and equivalents	\$ 1,218,572	\$ 937,091	\$ 272,471	\$ 2,428,134	\$ 4,599,784
Restricted cash and equivalents	508,577	695,199	-	1,203,776	-
	<u>\$ 1,727,149</u>	<u>\$ 1,632,290</u>	<u>\$ 272,471</u>	<u>\$ 3,631,910</u>	<u>\$ 4,599,784</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ (286,375)	\$ (543,728)	\$ (154,360)	\$ (984,463)	\$ (746,647)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,022,463	462,938	167,734	2,653,135	878,534
(Increase) decrease in accounts receivable	55,460	32,997	(2,342)	86,115	(629)
(Increase) decrease in inventory	-	-	-	-	1,266
(Increase) decrease in prepaid expenses	-	11,001	-	11,001	(74,448)
Increase (decrease) in accounts payable	336,257	163,673	(2,117)	497,813	(28,730)
Increase (decrease) in salaries payable	(7,917)	-	-	(7,917)	(3,345)
Increase (decrease) in other current liabilities	(375)	-	189	(186)	(5,398)
Increase (decrease) in deferred revenue	-	-	-	-	629
Increase (decrease) in customer utility deposits	6,185	-	-	6,185	-
Increase (decrease) in compensated absences	(14,711)	-	-	(14,711)	-
Increase (decrease) in net pension and OPEB obligation	219,486	-	-	219,486	-
Net cash provided by operating activities	<u>\$ 2,330,473</u>	<u>\$ 126,881</u>	<u>\$ 9,104</u>	<u>\$ 2,466,458</u>	<u>\$ 21,232</u>

See Notes to Financial Statements.

CITY OF LA PORTE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The City of La Porte, Texas (the "City"), was incorporated under the laws of the State of Texas on August 10, 1892. The City 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 the 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 prescribed below.

A. 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 GAAP, 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.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Private-sector standards for accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The City has elected not to follow private sector guidance issued subsequent to that date.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter 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 end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivables have been recorded as deferred revenues at year-end. Property taxes collected within 60 days subsequent to September 30, 2012, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2012, have been recorded as receivables and revenue. Licenses and permits, and fines and forfeitures are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and other community services.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general long-term debt of the City except for capital leases which are accounted for in the General Fund. The primary source of revenue for the Debt Service Fund is general property taxes.

The *Capital Improvements Fund* is used to account for projects that are generally small in nature and affect the general operation of the City.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

The City reports the following major proprietary funds:

- The *Utility Enterprise Fund* is used to account for operations of the water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, 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.
- *La Porte Area Water Authority* is used to account for revenues and expenses related to obtaining raw surface water and converting it to potable water
- *Airport Fund* is used to account for financial activities of the airport which includes rentals, grants and other revenues.

Additionally, the government 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.

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operational expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets or Fund Balance

1. Cash and Cash Equivalents

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 Pool (TexPool), the Local Government Investment Cooperative (LOGIC) all of which have the general characteristics of a demand deposit account. For the 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. Investments positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool and LOGIC are reported using the pools' share price.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Assets and are recorded as “due from other funds” or “due to other funds” in the fund financial statements.

4. Inventory and Prepaid Items

Inventories are valued at costs using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. A portion of the fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the District’s continuing operations. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of one year. All purchased Capital assets are valued at cost where historical records exist. Donated Capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain and equipment are capitalized and Proprietary Fund Capital assets are depreciated over the remaining useful lives of the related Capital assets using the straight line method, as applicable.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	20 years
Building improvements	20 years
Infrastructure	20-30 years
Vehicles	4-10 years
Machinery and equipment	4-10 years
Water and sewer systems	20-40 years

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

6. Compensated Employee Absences

The City's employees earn vacation and sick leave, which may either be taken or accumulated, up to a certain amount, 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 portion 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 will be made from the 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 10-25 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 – Full time 8 hour employees accrue 3.70 hours per pay period. Full time 24 hour employees accrue 5.91 hours per pay period and civil service employees accrue 15 days per calendar year. The maximum sick leave time which may be accumulated by any employee shall be 90 days for regular full time employees. For 24 hour shift personnel, the maximum accrual is 1,152 hours. Civil service employees may accrue unlimited sick leave.

7. General Property Taxes

All taxes due the City on real or personal property are payable at the Office of the City Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is October 1, or as soon thereafter as practicable. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. All property located within the City limits on the first day of January of each year are charged with a special lien in favor of the City from such date for taxes due thereon.

8. Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

9. Restricted Assets

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

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

10. Fund Balance

In compliance with GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in the fund financial statements, governmental funds report the following classifications of fund balance:

- **Nonspendable** – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2012, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- **Restricted** – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- **Committed** – includes amounts that can only be used for specific purposes. Fund balances are committed by formal action of the City Council. Amendments or modifications to the committed fund balance must be approved by formal action of the City Council. Formal action shall be by resolution or majority vote. Committed fund balance will not lapse at year end.
- **Assigned** – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under City Council's adopted policy, amounts may be assigned by the City Manager under the authorization of the Fiscal Affairs Committee.
- **Unassigned** – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The General Fund is the only fund that is allowed to have a positive amount reported in this category.

For the purposes of fund balance classification, expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, the unassigned fund balance. City council intends to maintain a minimum fund balance of 25% of the City's General Fund operating expenditures.

11. Revenues and Expenditures/Expenses

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses in the Government-Wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

13. Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP. 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 and are revised annually.

Note 2 - Deposits (Cash) and Investments

Authorization for Deposits and Investments

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. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, bankers' acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is five years from date of purchase. The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Deposit and Investment Amounts

The City's cash and investments are classified as: cash and cash equivalents and restricted cash and investments. The cash and cash equivalents include cash on hand, fully collateralized deposits with financial institutions and in a privately-managed public funds investment pool account (TexPool, TexStar and LOGIC). The restricted cash and investments are assets restricted for specific use.

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

	Total Fair Value		
	Governmental Funds	Internal Service Funds	Business Type Activities
Cash deposits	\$ 4,981,860	\$ 517,628	\$ 420,580
Pooled funds	30,776,936	4,082,156	3,211,330
Deposit and Investments	10,249,212	1,464,780	2,356,082
	<u>\$ 46,008,008</u>	<u>\$ 6,064,564</u>	<u>\$ 5,987,992</u>

Investment Risks

Interest Rate Risk

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. GAAP, by investment type:

Investment Type	Total Fair Value	Weighted Average Maturity (months)
Public funds investment pools	\$ 38,070,422	1.5
Federal Home Loan Mortgage Corporation (FHLMC)	1,501,032	26.6
Federal Farm Credit Bank (FFCB)	7,506,624	22.3
Federal Home Loan Bank (FHLB)	2,504,071	8.9
Certificates of deposit	2,558,348	2.4
Total fair value	<u>\$ 52,140,497</u>	
Portfolio weighted average maturity		<u>4.8</u>

The City's investment policy specifies the maximum stated maturity from the date of purchase for any individual investments 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 the total portfolio that may be invested in securities other than the repurchase agreements, Treasury bills and notes or insured and collateralized Certificates of Deposits.

Investment Type	Total Fair Value	Percentage of Total Portfolio
Investment Pools	\$ 38,070,422	73%
Certificates of Deposit	2,558,348	5%
US Agency Securities	11,511,727	22%
Total	<u>\$ 52,140,497</u>	<u>100%</u>

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Credit Risk

The primary objective of the City's adopted Investment Policy is the safety of principal. Credit risk within the City's portfolio among authorized investments approved by the City's adopted Investment Policy is represented in U.S. Treasury Bills, Notes or Bonds, and other securities which are guaranteed as to principal and interest by the full faith and credit of the United States of America, collateralized or fully insured certificates of deposits, FDIC insured banks in the State of Texas, repurchase agreements if secured by U.S. Treasury Bills, Notes or Bonds and Public Funds Investment Pools.

Note 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 effective tax rate and the rollback rate tax rate, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than the rollback tax rate.

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value, assessed at 100% of appraised value and certified by the Harris County Appraisal District Board of Review. The City's property taxes are billed and collected by the City's Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the 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 2010-11 tax year were \$0.605 and \$0.105, respectively, per \$100 of assessed valuation. The 2011 assessed value and total tax levy as adjusted through September 30, 2012 were \$2,264,917,078 and \$16,080,911 respectively.

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

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 – Receivables

Amounts recorded as receivables as of for the government’s individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

Governmental Funds:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>All Other Funds</u>	<u>Total</u>
Receivables					
Taxes	\$ 1,998,557	\$ 154,464	\$ -	\$ 781,072	\$ 2,934,093
Due from Other					
Governments	2,984,943	-	-	84,653	3,069,596
Interest	9,056	1,074	2,697	2,021	14,848
Other	-	-	-	50,199	50,199
Allowance for					
Uncollectibles	(1,205,260)	(114,567)	-	-	(1,319,827)
	<u>\$ 3,787,296</u>	<u>\$ 40,971</u>	<u>\$ 2,697</u>	<u>\$ 917,945</u>	<u>\$ 4,748,909</u>

Proprietary Funds:

	<u>Utility Fund</u>	<u>LPAWA</u>	<u>Airport Fund</u>	<u>Internal Service Funds</u>	<u>Total</u>
Receivables					
Accounts	\$ 1,012,978	\$ 184,111	\$ 2,342	\$ 120,556	\$ 1,319,987
Interest	975	993	125	2,182	4,275
Other	1,159	-	-	-	1,159
Allowance for					
Uncollectibles	(22,836)	-	-	-	(22,836)
	<u>\$ 992,276</u>	<u>\$ 185,104</u>	<u>\$ 2,467</u>	<u>\$ 122,738</u>	<u>\$ 1,302,585</u>

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Harris County Central Appraisal District ("HCCAD") establishes appraised values. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 – Receivables (continued)

Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 207,479	\$ -
Delinquent property taxes receivable - debt service fund	32,572	-
Other taxes - aggregate other funds	33,458	-
Municipal fines and forfeitures	518,272	-
EMS - general fund	966,116	-
Other deferred - general fund	735,683	-
Grants and revenues prior to meeting all eligibility requirements	-	352
Total Deferred Revenue for Governmental Funds	<u>\$ 2,493,580</u>	<u>\$ 352</u>

Note 5 - Capital Assets

A summary of activity for capital assets capitalized by the City for the year ended September 30, 2012 follows:

	<u>Balance September 30, 2011</u>	<u>Increases</u>	<u>Reclassification/ (Decreases)</u>	<u>Balance September 30, 2012</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 9,199,177	\$ 23,900	\$ 287,187	\$ 9,510,264
Construction in progress	6,820,084	4,923,428	(1,474,580)	10,268,932
Total capital assets not being depreciated	<u>16,019,261</u>	<u>4,947,328</u>	<u>(1,187,393)</u>	<u>19,779,196</u>
Other capital assets:				
Buildings and improvements	35,673,540	156,149	(173,138)	35,656,551
Improvements other than buildings	23,028,588	647,435	843,114	24,519,137
Infrastructure	36,485,124	1,980,096	330,645	38,795,865
Machinery and equipment	16,668,538	1,535,175	(846,556)	17,357,157
Total other capital assets	<u>111,855,790</u>	<u>4,318,855</u>	<u>154,065</u>	<u>116,328,710</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,242,860)	(1,398,855)	54,882	(17,586,833)
Improvements other than buildings	(8,942,055)	(770,099)		(9,712,154)
Infrastructure	(21,262,700)	(1,476,810)	(5,094)	(22,744,604)
Machinery and equipment	(9,721,050)	(1,255,651)	800,743	(10,175,958)
Total accumulated depreciation	<u>(56,168,665)</u>	<u>(4,901,415)</u>	<u>850,531</u>	<u>(60,219,549)</u>
Other capital assets, net	<u>55,687,125</u>	<u>(582,560)</u>	<u>1,004,596</u>	<u>56,109,161</u>
Totals	<u>\$ 71,706,386</u>	<u>\$ 4,364,768</u>	<u>\$ (182,797)</u>	<u>\$ 75,888,357</u>

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets (continued)

	Balance September 30, 2011	Increases	Reclassification/ (Decreases)	Balance September 30, 2012
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 427,812	\$ -	\$ -	\$ 427,812
Construction in progress	5,316,158	978,879	(2,543,938)	3,751,099
Total capital assets not being depreciated	5,743,970	978,879	(2,543,938)	4,178,911
Other capital assets:				
Buildings and improvements	57,620			57,620
Improvements other than buildings	82,188,661	685,188	2,543,938	85,417,787
Machinery and equipment	645,119	13,575		658,694
Total other capital assets	82,891,400	698,763	2,543,938	86,134,101
Less accumulated depreciation for:				
Buildings and improvements	(48,786)	(551)		(49,337)
Improvements other than buildings	(45,712,544)	(2,612,619)		(48,325,163)
Machinery and equipment	(349,600)	(39,965)		(389,565)
Total accumulated depreciation	(46,110,930)	(2,653,135)		(48,764,065)
Total capital assets being depreciated, net	36,780,470	(1,954,372)	2,543,938	37,370,036
Totals	\$ 42,524,440	\$ (975,493)	\$	\$ 41,548,947

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

General government	\$ 589,898
Public safety	1,009,308
Public works	1,582,447
Parks and recreation	841,228
Internal Service funds	878,534
Total Governmental Activity	\$ 4,901,415
Water and sewer	\$ 2,485,401
Airport	167,734
Total Business-Type Activity	\$ 2,653,135

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets (continued)

Construction contract commitments outstanding as of September 30, 2012, are as follows:

Governmental Activities

Fund	Total In Progress	Remaining Commitment
Hotel/Motel Fund	\$ 52,315	\$ 7,684
TIRZ Fund	201,170	-
General CIP Fund	9,917,461	14,361,914
2006 GO's	97,986	62,989
Totals	\$ 10,268,932	\$ 14,432,587

Business-Type Activities

Fund	Total In Progress	Remaining Commitment
Utility Fund	\$ 3,311,352	\$ 251,252
2004 CO's	347,750	202,250
2005 CO's	42,459	25,094
2006 CO's	2,873	247,127
2007 CO's	46,665	130,336
Totals	\$ 3,751,099	\$ 856,059

Note 6 - Long-Term Debt

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business type activities. These instruments include general obligation bonds, certificates of obligation and revenue bonds. Future ad valorem tax revenues, water and sewer system revenues or liens on property and equipment secure these debt obligations.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

The following is a summary of the terms of obligations, general obligation bonds, certificates of obligations and revenue bonds outstanding as of September 30, 2012:

	<u>Governmental</u>	<u>Business-type</u>
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.	\$ 1,620,000	\$ -
2004 Certificates of Obligation due in annual installments 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.	1,625,000	-
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.	3,125,000	-
2005 Certificates of Obligation due in annual payments through March 15, 2015; interest at 2.8% to 3.8% \$1,800,000 issued for water and sewer improvements and fire truck.	725,000	-
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.	-	1,050,000
2006 General Obligation Serial Bonds due in annual payments through March 15, 2025; interest at 3.625% to 4.25% \$1,200,000 issued for park improvements.	960,000	-
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.	4,605,000	-
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.	7,255,000	-
2010 Certificates of Obligation due in annual payments through March 15, 2026; interest at 3.00% to 4.00% \$6,265,000 issued for street, drainage and park improvements.	5,940,000	-
2010 General Obligation Refunding Bonds due in annual payments through March 15, 2020; interest at 2.00% to 4.00% \$4,295,000 issued to refund previous debt.	3,530,000	-
2010 LPAWA Contract Revenue Refunding Bonds due in annual payments through March 15, 2017; interest at 2.50% to 4.00% \$4,085,000 issued to refund previous debt.	-	2,895,000
2012 General Obligation Refunding Bonds due in annual payments through March 15, 2025; interest at 2.00% to 3.00% \$9,435,000 issued to refund previous debt.	9,435,000	
Total Bonds Payable	<u>\$ 38,820,000</u>	<u>\$ 3,945,000</u>

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

During the year ended September 30, 2012, the following changes occurred in long-term liabilities:

	Balance September 30, 2011	Additions	(Reductions)	Balance September 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 14,720,000	\$ 9,435,000	\$ (5,485,000)	\$ 18,670,000	\$ 1,120,000
Certificates of obligation	25,605,000	-	(5,455,000)	20,150,000	1,245,000
Premium/Discount on bond issuance	443,032	297,437	-	740,469	-
Deferred Loss on Refunding	\$ -	(896,031)	36,288	(859,743)	-
Total bonds payable	40,768,032	8,836,406	(10,903,712)	38,700,726	2,365,000
Compensated Absences	3,384,117	115,820	(58,495)	3,441,442	172,072
Net pension obligation	2,071,633	3,273,831	(3,032,153)	2,313,311	-
Net OPEB obligation	4,655,956	2,032,052	(575,448)	6,112,560	-
Arbitrage	304,474	-	(304,474)	-	-
Total Governmental Activities	\$ 51,184,212	\$ 14,258,109	\$ (14,874,282)	\$ 50,568,039	\$ 2,537,072
	Balance September 30, 2011	Additions	(Reductions)	Balance September 30, 2012	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 3,500,000	\$ -	\$ (605,000)	\$ 2,895,000	\$ 625,000
Public property finance certificates of obligation	1,312,500	-	(262,500)	1,050,000	262,500
Premium on bond issuance	94,534	-	(17,312)	77,222	-
Refunding gain	11,168	-	(2,049)	9,119	-
Total Bonds Payable	4,918,202	-	(886,861)	4,031,341	887,500
Compensated absences	254,400	-	(14,711)	239,689	19,175
Net pension obligation	242,813	384,709	(356,062)	271,460	-
OPEB obligation	608,949	266,132	(75,293)	799,788	-
Total Business-type Activities	\$ 6,024,364	\$ 650,841	\$ (1,332,927)	\$ 5,342,278	\$ 906,675

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Compensated absences generally are paid by the General Fund for the governmental activities. Net pension obligation is liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

General Obligation Bonds and Certificates of Obligations

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligations Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each years bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

In April 2012, the City issued General Obligation Refunding Bonds, Series 2012 in the amount of \$9,435,000. The interest rate ranges from 2.0%-3.0%. The bonds were issued at a premium totaling \$364,013. The proceeds of the bonds were used to refund a portion of the City's outstanding bonds and pay costs of issuance related to the bonds. A portion of the proceeds were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the outstanding bonds. As a result \$8,770,000 of the 2002 Limited Tax Bonds, 2004 and 2005 Certificates of Obligation and 2005 General Obligation Bonds are considered to be defeased and the liability has been removed from the books. The purpose of the bonds was to lower the City's debt service payments. Sale of the bonds resulted in an economic gain of \$629,705 and a deferred loss on refunding of \$896,031.

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, 2012.

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2012 are as follows:

Fiscal Year	General Obligation Bonds		Certificates of Obligation	
	Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2013	\$ 1,120,000	\$ 803,279	\$ 1,245,000	\$ 1,043,029
2014	1,240,000	767,753	1,320,000	1,017,699
2015	1,255,000	733,392	1,385,000	995,164
2016	1,265,000	697,021	1,445,000	965,646
2017	1,285,000	658,924	1,500,000	939,113
2018	1,675,000	609,674	1,195,000	767,119
2019	1,705,000	471,145	1,245,000	749,398
2020	1,605,000	419,189	1,300,000	732,869
2021	1,430,000	272,300	1,250,000	686,551
2022	1,465,000	236,350	1,305,000	670,876
2023	1,505,000	194,350	1,350,000	649,620
2024	1,540,000	156,300	1,410,000	632,614
2025	1,580,000	117,275	1,465,000	163,596
2026	-	-	1,050,000	113,092
2027	-	-	540,000	70,130
2028	-	-	560,000	36,330
2029	-	-	585,000	12,285
	<u>\$ 18,670,000</u>	<u>\$ 6,136,952</u>	<u>\$ 20,150,000</u>	<u>\$ 10,245,131</u>

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

<u>Fiscal Year</u>	<u>Contract Revenue Bonds</u>		<u>Public Property Finance CO</u>	
	<u>Business-Type Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 625,000	\$ 73,556	\$ 262,500	\$ 34,361
2014	630,000	58,650	262,500	24,544
2015	650,000	41,838	262,500	14,726
2016	670,000	22,850	262,500	4,909
2017	320,000	6,400	-	-
	<u>\$ 2,895,000</u>	<u>\$ 203,294</u>	<u>\$ 1,050,000</u>	<u>\$ 78,540</u>

Prior Year Refunding of Debt

Revenue Bonds

The City defeased certain outstanding revenue bonds by placing proceeds of new bonds in irrevocable trust to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bond are not included in the City's financial statements. As of September 30, 2012 approximately \$8,770,000 and \$2,950,000 of previously refunded bonds outstanding are considered defeased in association with the governmental activities and the business-type activities respectively.

Note 7 - Interfund Activities

Transfers between the primary government funds during the year were as follows:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Insurance Fund	\$ 416,876	Transfer for liability insurance and worker's compensation.
General Fund	General CIP Fund	276,547	Annual transfer to fund capital projects.
Utility Fund	Debt Service Fund	306,800	Annual transfer for debt service.
Utility Fund	Insurance Fund	47,711	Transfer for liability insurance and worker's compensation.
Vehicle Maintenance Fund	Insurance Fund	13,236	Transfer for liability insurance and worker's compensation.
Airport Fund	Insurance Fund	518	Transfer for liability insurance and worker's compensation.
Hotel/Motel Fund	General Fund	39,000	Transfer for golf course advertising expenditures and city
General CIP Corporation (4B)	La Porte Development Corporation (4B)	154,914	Return unused funds on Gateway project to LPDC
General CIP Corporation (4B)	Debt Service Fund	660,338	Annual transfer for debt service.
General CIP Corporation (4B)	General CIP Fund	970,000	Annual transfer to fund capital projects.
General CIP	General Fund	21,945	Purchase of equipment
2007 Certificates of Obligation	Debt Service Fund	281,133	Transfer for debt service repayment.
Technology Fund	Utility Fund	21,000	Purchase of equipment
		<u>\$ 3,210,018</u>	

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Interfund Activities (continued)

Interfund receivables at year end were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	2006 Certificates of Obligation Fund	\$ 51,837	Bond interest due to debt service fund
2006 Certificates of Obligation Fund	TIRZ One	662,000	Sewer improvements paid by the City
		<u>\$ 713,837</u>	

Note 8 - Employee Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees, except firefighters, through a non-traditional, joint contributory, hybrid defined benefit plan (the “Plan”) in the statewide Texas Municipal Retirement System (TMRS), an agent multi-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report provides detailed explanation of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. The report is also available on the TMRS website at www.TMRS.com.

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 the Firefighters Pension Commission, P.O. Box 12577, Austin, TX 78711. Both plans are more fully described below.

Texas Municipal Retirement System

Contributions and Annual Pension Cost

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using Projected Unit Credit actuarial cost method. This rate consist of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member’s projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

Contributions and Annual Pension Cost (continued)

The City contributes to the TMRS plan at an actuarially determined 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 serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) for the current year is calculated as follows:

	<u>2012</u>
Annual Required Contribution (ARC)	\$ 3,624,410
Interest on net pension obligation (NPO)	173,583
Adjustment to ARC	<u>(139,265)</u>
Annual Pension Cost (APC)	3,658,728
Contributions	<u>(3,388,213)</u>
Change in NPO	270,515
NPO, beginning of the year	<u>2,314,444</u>
NPO, ending of the year	<u><u>\$2,584,959</u></u>
Percentage of APC contributed	92.6%

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	27.1 Years - Closed Period
Asset Valuation Method	10-year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.0%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost-of-Living Adjustments	2.1%

Funded Status

The funded status of the Plan as of December 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2011	\$ 94,972,036	\$ 112,727,995	84%	\$17,755,959	\$19,680,971	90%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Three-year Trend Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$3,624,410	\$3,933,822	\$ 3,712,311
Interest on net pension obligation (NPO)	173,583	113,334	48,178
Adjustment to ARC	<u>(139,265)</u>	<u>(93,771)</u>	<u>(39,226)</u>
Annual Pension Cost (APC)	3,658,728	3,953,385	3,721,263
Contributions	<u>(3,388,213)</u>	<u>(3,150,061)</u>	<u>(2,852,535)</u>
Change in NPO	270,515	803,324	868,728
NPO, beginning of the year	<u>2,314,444</u>	<u>1,511,120</u>	<u>642,392</u>
NPO, ending of the year	<u>\$2,584,959</u>	<u>\$2,314,444</u>	<u>\$ 1,511,120</u>
Percentage of APC contributed	92.6%	79.7%	76.7%

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.

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, 2010 there were 186 member departments participating in the pension system. The following table summarizes the pension system membership as of August 31, 2010:

Retirees and beneficiaries currently receiving benefits	2,167
Terminated members entitled to benefits but not yet receiving those	2,106
Current active members (vested and non-vested)	4,371

The pension system was created by Senate Bill 411, 65th Legislature, Regular Session (1977). The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contributions levels, benefit formulas and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Member are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Texas Statewide Emergency Services Personnel Retirement Fund (continued)

Summary of Significant Accounting Policies and Plan Asset Matters (continued)

Upon reaching age 55, each 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 % compounded annually.

On and off-duty death benefits and on-duty 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 dependent children.

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislative, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating department members are required to contribute at least the minimum prescribed amount per month for each active member. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

Annual Required Contribution

The contribution requirement per active emergency services personnel member per month is not actually determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010, total contributions (dues and prior service) of \$2,875,103 were paid into TESRS by the political subdivision and served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contribution required by the state statute and equal to the contributions required based on the August 31, 2008 actuarial valuation.

The purpose of the biennial actuarial valuations is to test the adequacy of the contribution arrangement and determine if they are adequate to fund the benefits that are promised. The actuarial valuation as of August 31, 2010 revealed the adequacy of the expected contributions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2010 (\$502,941 to help pay for the Systems administrative expense) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years for the System to have a 30 year amortization period, and (2) approximately \$500,000 each year to help pay for part of the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011 are less than the contributions required because of the lag time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process. The City's annual contributions for fiscal year ending September 30, 2012, 2011 and 2010 were \$27,216, \$27,264, and \$24,528 respectively.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, 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 three previous 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 uses an internal service fund to account for the revenues and expenses for providing health care coverage. Charges are assessed to various City divisions based on their full-time employee count.

Activity during the year included:

Revenues	
Charges to divisions	\$ 3,624,653
Interfund transfers	478,341
Charges to employees	446,174
Charges to retirees	102,902
Cobra charges	26,727
Insurance proceeds	44,197
Interest revenue	3,694
Total revenues	<u>\$ 4,726,688</u>
Expenses	
Personnel expenses	\$ 153,352
Other expenses	364,992
Claims administration	232,876
Claims incurred	4,365,339
Re-insurance premiums	289,052
Total health services expenses	<u>\$ 5,405,611</u>

Included in the claims paid amount is \$499,446 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, 2012, 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 2010, 2011, and 2012 are as follows:

	<u>Beginning of year accrual</u>	<u>Current year estimates</u>	<u>Payments for claims</u>	<u>End of year accrual</u>
09/30/10	\$ 448,000	\$ 3,703,943	\$ 3,652,943	\$ 499,000
09/30/11	499,000	4,286,990	4,212,096	573,894
09/30/12	573,894	4,290,891	4,365,339	499,446

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Risk Management (continued)

Risk Pool

The City is a member of the Texas Municipal League Intergovernmental Risk Pool, an unincorporated association of 1,860 political subdivisions of the State of Texas. The Pool contracts with a third party administrator for administration, investigation and adjustment services in the handling of claims. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the Pool.

Note 10 - Commitments and Contingencies

The City is a defendant in lawsuits. Although the outcome of the lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

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.

Note 11 - Post-employment Benefits

Plan Description. 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. The City administers this single-employer defined benefit medical plan (“the Retiree Medical Plan”). The plan provides medical coverage for eligible retirees and their dependents through the City’s self-health insurance plan, which covers both active and retired members. Benefit provisions are established and amended by City Council. The Retiree Medical Plan does not issue a publicly available financial report.

Funding Policy. 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 the City</u>	<u>Retiree Cost</u>	<u>City Cost</u>	<u>Retiree cost per year</u>
At least 10 but less than 15	55%	45%	\$ 3,300
At least 15 but less than 20	25%	75%	1,500
At least 20	0%	100%	-

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11 - 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:

Years of service with the City	Retiree Cost	City Cost
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	Active employee/dependent rate	

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.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s OPEB obligation to the postemployment medical plan shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s OPEB obligation to the postemployment medical plan.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11 - Post-employment Benefits (continued)

	Fiscal Year		
	2012	2011	2010
Annual Required Contribution (ARC)	\$ 2,280,768	\$ 2,214,338	\$ 2,472,961
Interest on net pension obligation (NPO)	236,921	169,198	81,894
Adjustment to ARC	(219,505)	(156,760)	(75,874)
Annual Pension Cost (APC)	2,298,184	2,226,776	2,478,981
Contributions	(650,741)	(721,830)	(538,884)
Change in NPO	1,647,443	1,504,946	1,940,097
NPO, beginning of the year	5,264,905	3,759,959	1,819,862
NPO, ending of the year	<u>\$ 6,912,348</u>	<u>\$ 5,264,905</u>	<u>\$ 3,759,959</u>
Percentage of ARC contribution	28.3%	32.4%	21.7%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012, 2011 and 2010 are as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 2,478,981	21.74%	\$ 3,759,959
9/30/2011	2,226,776	32.42%	5,264,905
9/30/2012	2,298,184	28.32%	6,912,348

Funded Status and Funding Progress. The funding status of the post employment medical plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
December 31, 2010	\$ -	29,639,065	0%	\$ 29,639,065	\$ 19,816,947	66.86%

Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress presents multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The 2010 actuarial valuation is the most recent actuarial valuation available.

CITY OF LA PORTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11 - Post-employment Benefits (continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return compounded annually (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years, and a payroll growth rate for projecting normal cost of 3 percent. These rates include a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of payroll contributions over a 30 year open amortization period assuming payroll growth of 3 percent. The remaining amortization period at September 30, 2012, was 28 years.

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit, “ or OPEB. The city contributes to SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee’s entire careers

The City’s contributions to the TMRS SDBF for the fiscal year ended 2012, 2011, and 2010 were \$30,365, \$36,232 and \$34,554 respectively, which equaled to the required contributions.

Schedule of Contribution Rates

Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2010	0.03%	0.03%	100%
2011	0.03%	0.03%	100%
2012	0.03%	0.03%	100%

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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, 2012

	2012			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Property taxes	\$ 12,530,934	\$ 12,530,934	\$ 13,286,450	\$ 755,516
Franchise fees	2,145,000	2,145,000	2,311,944	166,944
Sales and use taxes	3,256,758	3,256,758	3,896,974	640,216
Industrial payments	9,900,000	9,900,000	10,471,444	571,444
Miscellaneous taxes	80,000	80,000	60,182	(19,818)
Licenses and permits	336,931	336,931	465,052	128,121
Intergovernmental	1,000	1,000	14,585	13,585
Fines and forfeitures	1,601,664	1,601,664	1,513,786	(87,878)
Interest earnings	65,000	65,000	66,078	1,078
Charges for services	5,416,385	5,416,385	5,498,848	82,463
Miscellaneous	50,000	50,000	30,384	(19,616)
Total Revenues	35,383,672	35,383,672	37,615,727	2,232,055
Expenditures				
General government				
Administration	4,426,479	4,839,659	4,515,514	324,145
Finance	3,381,467	3,090,280	2,971,379	118,901
Planning and engineering	2,033,903	2,094,876	1,918,772	176,104
Public safety				
Fire	4,656,954	4,681,824	4,471,984	209,840
Police	10,510,034	10,600,449	10,383,634	216,815
Public works				
Public works administration	356,528	358,828	356,013	2,815
Streets	2,385,174	2,410,443	2,319,378	91,065
Health and sanitation				
Solidwaste	2,293,649	2,293,649	2,225,768	67,881
Culture and recreation	5,252,661	5,326,910	5,150,750	176,160
Total Expenditures	35,296,849	35,696,918	34,313,192	1,383,726
Excess (deficiency) of revenues over expenditures	86,823	(313,246)	3,302,535	3,615,781
Other Financing Sources (Uses)				
Transfers in	170,797	148,852	60,945	(87,907)
Transfers out	(693,423)	(693,423)	(693,423)	-
Total other financing sources and uses	(522,626)	(544,571)	(632,478)	(87,907)
Special Item				
Proceeds from sale of land	-	-	1,941,346	1,941,346
Net change in fund balances	(435,803)	(857,817)	4,611,403	5,469,220
Fund balances, beginning of year	19,353,154	19,353,154	19,353,154	-
Fund balances at year end	\$ 18,917,351	\$ 18,495,337	\$ 23,964,557	\$ 5,469,220

CITY OF LA PORTE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Budgetary Controls and Procedures

The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. The City Manager is required by charter to submit a proposed budget and accompanying message to City Council by August 1. The Council shall review and revise the proposed budget as they deem appropriate prior to circulation for the public hearing. A summary of the proposed budget and notice of the public hearing must be posted in City Hall and be published in the official newspaper at least 2 weeks prior to the hearing. Annual budgets for General, Debt Service, Special Revenue and Enterprise Funds are legally adopted by ordinance and must be done so no later than September 27th. Budgetary control for capital projects funds is achieved through legally binding construction contracts and project length budgets.

The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each department. The City manager is authorized to transfer part or all of any unencumbered appropriation balance among programs within a department. All other amendments and/or transfers must be approved by Council.

Annual appropriated budgets are adopted for the general, special revenue, and debt service funds, using the same basis of accounting as for financial reporting. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt project length budgets. The City adopts separate budgets for each of the special revenue funds rather than as a whole. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter is the total approved budget for each department. The City Manager may transfer appropriations within a department without seeking the approval of City Council; however, any revisions that alter total expenditures for any department must be approved by City Council. Appropriations lapse at the end of the year, excluding capital project budgets.

For the year ended September 30, 2012, expenditures exceeded the appropriations in the debt service fund by \$94 thousand and \$160 thousand in other financing sources and uses. This was due to the issuance of debt. The over expenditures were funded by the issuance of the debt itself; a portion of the proceeds is used to cover the cost of issuance.

CITY OF LA PORTE, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2012

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2011	\$ 94,972,036	\$ 112,727,995	84%	\$17,755,959	\$19,680,971	90%
2010	88,730,728	106,875,060	83%	18,144,332	18,811,924	96%
2009	52,637,477	78,345,079	67%	25,707,602	18,770,507	137%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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.

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

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

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.

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.

Emergency Services Sales Tax Fund – This fund is used to account for the additional sales tax collected for emergency services.

Capital Projects Funds

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

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

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

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

2004 Certificate of Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures related to the 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.

Nonmajor Governmental Funds

Capital Projects Funds (continued)

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.

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.

2007 Certificate of Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures related to wastewater treatment plant improvements, sports complex and golf cart path improvements.

2010 Certificates of Obligation Bond Fund – This fund is used to account for the proceeds and expenditures related to street, drainage and park improvements.

Drainage Improvements – This fund is used to account for the proceeds and expenditures related to the drainage fees collected.

CITY OF LA PORTE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

Special Revenue Funds

	Hotel Motel Tax	Section 4b Sales Tax	Tax Increment Reinvestment Zone	Grant Fund
Assets				
Cash and cash equivalents	\$ 718,868	\$ 1,582,058	\$ 1,177,061	\$ 818,301
Investments	227,951	501,667	-	296,825
Receivables, net of allowance	88,305	385,136	-	412
Due from other governments	-	-	1,920	82,733
Due from other funds	-	-	-	-
Total Assets	\$ 1,035,124	\$ 2,468,861	\$ 1,178,981	\$ 1,198,271
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,253	\$ 2,745	\$ -	\$ 28,287
Accrued salaries payable	2,152	2,152	-	1,051
Other payables	-	-	-	-
Due to other funds	-	-	662,000	-
Deferred revenue	1,200	32,258	-	352
Total Liabilities	4,605	37,155	662,000	29,690
 Fund balances:				
Restricted				
Debt service	-	410,061	-	-
Grants	-	-	-	441,232
Economic development	1,030,519	2,021,645	-	-
Public safety	-	-	-	727,349
Capital projects	-	-	516,981	-
Public works	-	-	-	-
Unassigned	-	-	-	-
Total Fund balances	1,030,519	2,431,706	516,981	1,168,581
 Total Liabilities and Fund Balances	 \$ 1,035,124	 \$ 2,468,861	 \$ 1,178,981	 \$ 1,198,271

			Capital Projects Funds		
Street Maintenance Sales Tax Fund	Emergency Services Sales Tax Fund	Total Special Revenue Funds	Transportation & Other Infrastructure	1998 General Obligation Bonds	2000 Certificate of Obligation Bonds
\$ 760,060	\$ 71,126	\$ 5,127,474	\$ 2,088	\$ 24,358	\$ 22,526
241,013	22,557	1,290,013	662	7,724	7,143
176,425	166,277	816,555	-	11	10
-	-	84,653	-	-	-
-	-	-	-	-	-
\$ 1,177,498	\$ 259,960	\$ 7,318,695	\$ 2,750	\$ 32,093	\$ 29,679
\$ 348,446	\$ 9,640	\$ 390,371	\$ -	\$ -	\$ -
-	-	5,355	-	-	-
42,016	3,146	45,162	2,683	-	-
-	-	662,000	-	-	-
-	-	33,810	-	-	-
390,462	12,786	1,136,698	2,683	-	-
-	-	410,061	-	-	-
-	-	441,232	-	-	-
-	-	3,052,164	-	-	-
-	247,174	974,523	-	-	-
-	-	516,981	67	32,093	29,679
787,036	-	787,036	-	-	-
-	-	-	-	-	-
787,036	247,174	6,181,997	67	32,093	29,679
\$ 1,177,498	\$ 259,960	\$ 7,318,695	\$ 2,750	\$ 32,093	\$ 29,679

CITY OF LA PORTE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

	2004			
	Certificate of	2005 Certificate	2005 General	2006 Certificate
	Obligation	of Obligation	Obligation	of Obligation
	Bonds	Bonds	Bonds	Bonds
Assets				
Cash and cash equivalents	\$ 256,208	\$ 15,640	\$ 677	\$ -
Investments	1,062	4,959	215	-
Receivables, net of allowance	2	7	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	662,000
Total Assets	\$ 257,272	\$ 20,606	\$ 892	\$ 662,000
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 48,940	\$ -	\$ -
Accrued salaries payable	-	-	-	-
Other payables	-	2,498	-	-
Due to other funds	-	-	-	51,837
Deferred revenue	-	-	-	-
Total Liabilities	-	51,438	-	51,837
 Fund balances:				
Restricted				
Debt service	-	-	-	-
Grants	-	-	-	-
Economic development	-	-	-	-
Public safety	-	-	-	-
Capital projects	257,272	-	892	610,163
Public works	-	-	-	-
Unassigned	-	(30,832)	-	-
Total Fund balances	257,272	(30,832)	892	610,163
 Total Liabilities and Fund Balances	 \$ 257,272	 \$ 20,606	 \$ 892	 \$ 662,000

Capital Funds Project (continued)

2006 General Obligation Bonds	2007 Certificate of Obligation Bonds	2010 Certificate of Obligation Bonds	Drainage Improvements	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 68,478	\$ 29,523	\$ 1,928,335	\$ 240,688	\$ 2,588,521	\$ 7,715,995
81	9,362	11,335	76,322	118,865	1,408,878
-	14	16	16,677	16,737	833,292
-	-	-	-	-	84,653
-	-	-	-	662,000	662,000
<u>\$ 68,559</u>	<u>\$ 38,899</u>	<u>\$ 1,939,686</u>	<u>\$ 333,687</u>	<u>\$ 3,386,123</u>	<u>\$ 10,704,818</u>
\$ -	\$ -	\$ 4,340	\$ 6,248	\$ 59,528	\$ 449,899
-	-	-	-	-	5,355
-	-	-	-	5,181	50,343
-	-	-	-	51,837	713,837
-	-	-	-	-	33,810
-	-	4,340	6,248	116,546	1,253,244
-	-	-	-	-	410,061
-	-	-	-	-	441,232
-	-	-	-	-	3,052,164
-	-	-	-	-	974,523
68,559	38,899	1,935,346	327,439	3,300,409	3,817,390
-	-	-	-	-	787,036
-	-	-	-	(30,832)	(30,832)
<u>68,559</u>	<u>38,899</u>	<u>1,935,346</u>	<u>327,439</u>	<u>3,269,577</u>	<u>9,451,574</u>
<u>\$ 68,559</u>	<u>\$ 38,899</u>	<u>\$ 1,939,686</u>	<u>\$ 333,687</u>	<u>\$ 3,386,123</u>	<u>\$ 10,704,818</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, 2012

	Special Revenue Funds			
	Hotel Motel Tax	Section 4b Sales Tax	Tax Increment Reinvestment Zone	Grant Fund
Revenues				
Property Taxes	\$ -	\$ -	\$ 1,633,547	\$ -
Sales and use taxes	-	1,948,484	-	-
Other taxes	499,431	-	-	-
Fines and forfeitures	-	-	-	244,315
Charges for services	-	-	-	27,339
Intergovernmental	-	-	-	1,224,849
Interest	1,829	4,299	635	1,846
Miscellaneous	5,970	-	-	-
Total revenues	507,230	1,952,783	1,634,182	1,498,349
Expenditures				
Current:				
General government	312,361	170,877	380,270	166,535
Public safety	-	-	-	255,438
Public Works	-	-	-	592,469
Culture and recreation	-	-	-	58,804
Capital outlay	-	-	1,095,875	241,638
Total Expenditures	312,361	170,877	1,476,145	1,314,884
Excess (deficiency) of revenues over expenditures	194,869	1,781,906	158,037	183,465
Other Financing Sources (Uses)				
Transfers in	-	154,914	-	-
Transfers out	(39,000)	(1,630,338)	-	-
Total other financing sources (uses)	(39,000)	(1,475,424)	-	-
Net change in fund balances	155,869	306,482	158,037	183,465
Fund balances - beginning	874,650	2,125,224	358,944	985,116
Fund balances - ending	\$ 1,030,519	\$ 2,431,706	\$ 516,981	\$ 1,168,581

			Capital Projects funds		
Street Maintenance Sales Tax Fund	Emergency Services Sales Tax Fund	Total Special Revenue Funds	Transportation & Other Infrastructure	1998 General Obligation Bonds	2000 Certificate of Obligation Bonds
\$ -	\$ -	\$ 1,633,547	\$ -	\$ -	\$ -
974,242	887,849	3,810,575	-	-	-
-	-	499,431	-	-	-
-	-	244,315	-	-	-
-	-	27,339	-	-	-
-	-	1,224,849	-	-	-
2,018	-	10,627	109	533	64
-	-	5,970	-	-	-
<u>976,260</u>	<u>887,849</u>	<u>7,456,653</u>	<u>109</u>	<u>533</u>	<u>64</u>
-	-	1,030,043	-	-	-
-	640,675	896,113	-	-	-
92,309	-	684,778	-	-	-
-	-	58,804	-	-	-
743,141	-	2,080,654	60,258	969,051	-
<u>835,450</u>	<u>640,675</u>	<u>4,750,392</u>	<u>60,258</u>	<u>969,051</u>	<u>-</u>
140,810	247,174	2,706,261	(60,149)	(968,518)	64
-	-	154,914	-	-	-
-	-	(1,669,338)	-	-	-
-	-	(1,514,424)	-	-	-
140,810	247,174	1,191,837	(60,149)	(968,518)	64
646,226	-	4,990,160	60,216	1,000,611	29,615
<u>\$ 787,036</u>	<u>\$ 247,174</u>	<u>\$ 6,181,997</u>	<u>\$ 67</u>	<u>\$ 32,093</u>	<u>\$ 29,679</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, 2012

	2004	2005	2005 General	2006
	Certificate of	Certificate of	Obligation	Certificate of
	Obligation	Obligation	Obligation	Obligation
	Bonds	Bonds	Bonds	Bonds
Revenues				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Interest	639	54	-	-
Miscellaneous	-	-	-	-
Total revenues	639	54	-	-
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public Works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	306,145	59,525	-	-
Total Expenditures	306,145	59,525	-	-
Excess (deficiency) of revenues over expenditures	(305,506)	(59,471)	-	-
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(305,506)	(59,471)	-	-
Fund balances - beginning	562,778	28,639	892	610,163
Fund balances - ending	\$ 257,272	\$ (30,832)	\$ 892	\$ 610,163

Capital Projects Funds (continued)

2006 General Obligation Bonds	2007 Certificate of Obligation Bonds	2010 Certificate of Obligation Bonds	Drainage Improvements	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,633,547
-	-	-	-	-	3,810,575
-	-	-	-	-	499,431
-	-	-	-	-	244,315
-	-	-	265,734	265,734	293,073
-	-	-	-	-	1,224,849
134	454	3,669	507	6,163	16,790
-	-	-	-	-	5,970
<u>134</u>	<u>454</u>	<u>3,669</u>	<u>266,241</u>	<u>271,897</u>	<u>7,728,550</u>
-	-	-	-	-	1,030,043
-	-	-	-	-	896,113
-	-	-	63,534	63,534	748,312
51,037	-	-	-	51,037	109,841
-	98,850	1,093,957	-	2,587,786	4,668,440
<u>51,037</u>	<u>98,850</u>	<u>1,093,957</u>	<u>63,534</u>	<u>2,702,357</u>	<u>7,452,749</u>
<u>(50,903)</u>	<u>(98,396)</u>	<u>(1,090,288)</u>	<u>202,707</u>	<u>(2,430,460)</u>	<u>275,801</u>
-	-	-	-	-	154,914
-	(281,133)	-	-	(281,133)	(1,950,471)
-	(281,133)	-	-	(281,133)	(1,795,557)
(50,903)	(379,529)	(1,090,288)	202,707	(2,711,593)	(1,519,756)
119,462	418,428	3,025,634	124,732	5,981,170	10,971,330
<u>\$ 68,559</u>	<u>\$ 38,899</u>	<u>\$ 1,935,346</u>	<u>\$ 327,439</u>	<u>\$ 3,269,577</u>	<u>\$ 9,451,574</u>

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

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

CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
With comparative actual totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Property taxes	\$ 2,288,150	\$ 2,382,173	\$ 94,023	\$ 2,333,153
Investment earnings	12,000	27,489	15,489	11,244
Total Revenues	<u>2,300,150</u>	<u>2,409,662</u>	<u>109,512</u>	<u>2,344,397</u>
Expenditures				
Debt Service:				
Principal	2,170,000	2,170,000	-	
Interest and other charges	1,576,270	1,519,769	56,501	1,740,000
Bond issuance costs	-	150,897	(150,897)	1,871,371
Total Expenditures	<u>3,746,270</u>	<u>3,840,666</u>	<u>(94,396)</u>	<u>3,611,371</u>
Revenues over (under) expenditures	<u>(1,446,120)</u>	<u>(1,431,004)</u>	<u>15,116</u>	<u>(1,266,974)</u>
Other Financing Sources (Uses)				
Issuance of debt	-	9,435,000	(9,435,000)	
Premium on bonds	-	364,013	(364,013)	
Payment to escrow agent	-	(9,638,626)	9,638,626	
Transfers in	1,248,271	1,248,271	-	1,262,168
Total Other Financing Sources (Uses)	<u>1,248,271</u>	<u>1,408,658</u>	<u>(160,387)</u>	<u>1,262,168</u>
Net change in fund balance	(197,849)	(22,346)	(145,271)	(4,806)
Fund balances, beginning of year	<u>3,112,882</u>	<u>3,112,882</u>	<u>-</u>	<u>3,117,688</u>
Fund balances at year end	<u>\$ 2,915,033</u>	<u>\$ 3,090,536</u>	<u>\$ (145,271)</u>	<u>\$ 3,112,882</u>

CITY OF LA PORTE, TEXAS

SPECIAL REVENUE FUND - HOTEL MOTEL TAX

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2012

With comparative actual totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Other taxes	\$ 390,000	\$ 499,431	\$ 109,431	\$ 522,597
Investment earnings	2,000	1,829	(171)	2,324
Miscellaneous	-	5,970	5,970	-
Total Revenues	<u>392,000</u>	<u>507,230</u>	<u>115,230</u>	<u>524,921</u>
Expenditures				
Current:				
General government	355,018	312,361	42,657	323,332
Total Expenditures	<u>355,018</u>	<u>312,361</u>	<u>42,657</u>	<u>323,332</u>
Revenues over (under) expenditures	36,982	194,869	157,887	201,589
Other Financing Sources (Uses)				
Transfers in	-	-	-	
Transfers (out)	(39,000)	(39,000)	-	(41,500)
Total Other Financing Sources (Uses)	<u>(39,000)</u>	<u>(39,000)</u>	<u>-</u>	<u>(41,500)</u>
Net change in fund balance	(2,018)	155,869	157,887	160,089
Fund balances, beginning of year	<u>874,650</u>	<u>874,650</u>	<u>-</u>	<u>714,561</u>
Fund balances at year end	<u><u>\$ 872,632</u></u>	<u><u>\$ 1,030,519</u></u>	<u><u>\$ 157,887</u></u>	<u><u>\$ 874,650</u></u>

CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - SECTION 4B SALES TAX
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
With comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Sales and use taxes	\$ 1,628,379	\$ 1,948,484	\$ 320,105	\$ 1,610,751
Investment Earnings	4,000	4,299	299	5,068
Total Revenues	<u>1,632,379</u>	<u>1,952,783</u>	<u>320,404</u>	<u>1,615,819</u>
Expenditures				
Current:				
General government	186,688	170,877	15,811	157,554
Total Expenditures	<u>186,688</u>	<u>170,877</u>	<u>15,811</u>	<u>157,554</u>
Revenues over (under) expenditures	1,445,691	1,781,906	336,215	1,458,265
Other Financing Sources (Uses)				
Transfers in	-	154,914	154,914	-
Transfers (out)	(1,630,338)	(1,630,338)	-	(977,692)
Total Other Financing Sources (Uses)	<u>(1,630,338)</u>	<u>(1,475,424)</u>	<u>154,914</u>	<u>(977,692)</u>
Net change in fund balance	(184,647)	306,482	491,129	480,573
Fund balances, beginning of year	<u>2,125,224</u>	<u>2,125,224</u>	<u>-</u>	<u>1,644,651</u>
Fund balances at year end	<u><u>\$ 1,940,577</u></u>	<u><u>\$ 2,431,706</u></u>	<u><u>\$ 491,129</u></u>	<u><u>\$ 2,125,224</u></u>

CITY OF LA PORTE, TEXAS

SPECIAL REVENUE FUND - TAX INCREMENT REINVESTMENT ZONE

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2012

With comparative actual totals for the year ended September 30, 2011

	2012		Variance	
	Final Budget	Actual	Positive / (Negative)	2011
Revenues				
Property Taxes for General Purposes	\$ 1,439,000	\$ 1,633,547	\$ 194,547	\$ 1,873,386
Investment Earnings	1,000	635	(365)	965
Total Revenues	<u>1,440,000</u>	<u>1,634,182</u>	<u>194,182</u>	<u>1,874,351</u>
Expenditures				
Current:				
General government	36,950	380,270	(343,320)	467,146
Capital outlay	1,205,754	1,095,875	109,879	1,205,753
Total Expenditures	<u>1,242,704</u>	<u>1,476,145</u>	<u>(233,441)</u>	<u>1,672,899</u>
Net change in fund balance	197,296	158,037	(39,259)	201,452
Fund balances, beginning of year	<u>358,944</u>	<u>358,944</u>	<u>-</u>	<u>157,492</u>
Fund balances at year end	<u>\$ 556,240</u>	<u>\$ 516,981</u>	<u>\$ (39,259)</u>	<u>\$ 358,944</u>

CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
With comparative actual totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Fine and Forfeits	\$ 123,000	\$ 244,315	\$ 121,315	\$ 178,399
Charges for Services	4,000	27,339	23,339	14,898
Intergovernmental	388,272	1,224,849	836,577	917,206
Investment Earnings	-	1,846	1,846	3,026
Miscellaneous Revenue	1,350	-	(1,350)	3,524
Total Revenues	516,622	1,498,349	981,727	1,117,053
Expenditures				
Current:				
General Government	88,920	166,535	(77,615)	594,786
Public Safety	432,912	255,438	177,474	455,979
Public Works	-	592,469	(592,469)	62,334
Culture and Recreation	58,610	58,804	(194)	148,375
Capital Outlay	722,020	241,638	480,382	55,516
Total Expenditures	1,302,462	1,314,884	(12,422)	1,316,990
Revenues over (under) expenditures	(785,840)	183,465	969,305	(199,937)
Other Financing Sources (Uses)				
Transfers in	-	-	-	35,615
Total Other Financing Sources (Uses)	-	-	-	35,615
Net change in fund balance	(785,840)	183,465	969,305	(164,322)
Fund balances, beginning of year	985,116	985,116	-	1,149,438
Fund balances at year end	\$ 199,276	\$ 1,168,581	\$ 969,305	\$ 985,116

CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - STREET MAINTENANCE SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
With comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
General Sales Tax	\$ 814,189	\$ 974,242	\$ 160,053	\$ 805,375
Investment earnings	1,000	2,018	1,018	1,401
Total Revenues	<u>815,189</u>	<u>976,260</u>	<u>161,071</u>	<u>806,776</u>
Expenditures				
Current:				
Public works	-	92,309	(92,309)	
Capital outlay	1,050,000	743,141	306,859	1,028,613
Total Expenditures	<u>1,050,000</u>	<u>835,450</u>	<u>214,550</u>	<u>1,028,613</u>
Net change in fund balance	(234,811)	140,810	375,621	(221,837)
Fund balances, beginning of year	<u>646,226</u>	<u>646,226</u>	<u>-</u>	<u>868,063</u>
Fund balances at year end	<u>\$ 411,415</u>	<u>\$ 787,036</u>	<u>\$ 375,621</u>	<u>\$ 646,226</u>

CITY OF LA PORTE, TEXAS

SPECIAL REVENUE FUND - EMERGENCY SERVICES SALES TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2012

With comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
General Sales Tax	\$ 814,189	\$ 887,849	\$ 73,660	\$ -
Investment earnings	1,000	-	(1,000)	-
Total Revenues	<u>815,189</u>	<u>887,849</u>	<u>72,660</u>	<u>-</u>
Expenditures				
Current:				
Public Safety	705,000	640,675	64,325	-
Total Expenditures	<u>705,000</u>	<u>640,675</u>	<u>64,325</u>	<u>-</u>
Net change in fund balance	110,189	247,174	136,985	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at year end	<u><u>\$ 110,189</u></u>	<u><u>\$ 247,174</u></u>	<u><u>\$ 136,985</u></u>	<u><u>\$ -</u></u>

CITY OF LA PORTE, TEXAS

CAPITAL PROJECTS FUND - TRANSPORTATION & OTHER INFRASTRUCTURE

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2012

With comparative actual totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Investment Earnings	\$ 750	\$ 109	\$ (641)	\$ 728
Total Revenues	<u>750</u>	<u>109</u>	<u>(641)</u>	<u>728</u>
Expenditures				
Current:				
Capital Outlay	53,675	60,258	(6,583)	569,736
Total Expenditures	<u>53,675</u>	<u>60,258</u>	<u>(6,583)</u>	<u>569,736</u>
Net change in fund balance	(52,925)	(60,149)	(7,224)	(569,008)
Fund balances, beginning of year	<u>60,216</u>	<u>60,216</u>	<u>-</u>	<u>629,224</u>
Fund balances at year end	<u>\$ 7,291</u>	<u>\$ 67</u>	<u>\$ (7,224)</u>	<u>\$ 60,216</u>

CITY OF LA PORTE, TEXAS

CAPITAL PROJECTS FUND - 1998 GENERAL OBLIGATION BONDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2012

With comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Investment Earnings	\$ -	\$ 533	\$ 533	\$ 3,614
Total Revenues	<u>-</u>	<u>533</u>	<u>533</u>	<u>3,614</u>
Expenditures				
Current:				
Capital Outlay	-	969,051	(969,051)	156,014
Total Expenditures	<u>-</u>	<u>969,051</u>	<u>(969,051)</u>	<u>156,014</u>
Net change in fund balance	-	(968,518)	(968,518)	(152,400)
Fund balances, beginning of year	<u>1,000,611</u>	<u>1,000,611</u>	<u>-</u>	<u>1,153,011</u>
Fund balances at year end	<u><u>\$ 1,000,611</u></u>	<u><u>\$ 32,093</u></u>	<u><u>\$ (968,518)</u></u>	<u><u>\$ 1,000,611</u></u>

CITY OF LA PORTE, TEXAS

CAPITAL PROJECTS FUND - 2000 CERTIFICATE OF OBLIGATION BONDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2012

With comparative actual totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Investment Earnings	\$ -	\$ 64	\$ 64	\$ 93
Total Revenues	<u>-</u>	<u>64</u>	<u>64</u>	<u>93</u>
Net change in fund balance	-	64	64	93
Fund balances, beginning of year	<u>29,615</u>	<u>29,615</u>	<u>-</u>	<u>29,522</u>
Fund balances at year end	<u>\$ 29,615</u>	<u>\$ 29,679</u>	<u>\$ 64</u>	<u>\$ 29,615</u>

CITY OF LA PORTE, TEXAS

CAPITAL PROJECTS FUND - 2004 CERTIFICATE OF OBLIGATION BONDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2012

With comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Investment Earnings	\$ -	\$ 639	\$ 639	\$ 851
Total Revenues	<u>-</u>	<u>639</u>	<u>639</u>	<u>851</u>
Expenditures				
Capital Outlay	-	306,145	(306,145)	145,667
Total Expenditures	<u>-</u>	<u>306,145</u>	<u>(306,145)</u>	<u>145,667</u>
Net change in fund balance	-	(305,506)	(305,506)	(144,816)
Fund balances, beginning of year	<u>562,778</u>	<u>562,778</u>	<u>-</u>	<u>707,594</u>
Fund balances at year end	<u><u>\$ 562,778</u></u>	<u><u>\$ 257,272</u></u>	<u><u>\$ (305,506)</u></u>	<u><u>\$ 562,778</u></u>

CITY OF LA PORTE, TEXAS**CAPITAL PROJECTS FUND - 2005 CERTIFICATE OF OBLIGATION BONDS****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2012**With comparative actual totals for the year ended September 30, 2011*

	<u>2012</u>		<u>Variance</u>	
	<u>Final Budget</u>	<u>Actual</u>	<u>Positive /</u>	<u>2011</u>
			<u>(Negative)</u>	
Revenues				
Investment Earnings	\$ -	\$ 54	\$ 54	\$ 129
Total Revenues	<u>-</u>	<u>54</u>	<u>54</u>	<u>129</u>
Expenditures				
Capital Outlay	<u>67,553</u>	<u>59,525</u>	<u>8,028</u>	<u>38,943</u>
Total Expenditures	<u>67,553</u>	<u>59,525</u>	<u>8,028</u>	<u>38,943</u>
Net change in fund balance	(67,553)	(59,471)	8,082	(38,814)
Fund balances, beginning of year	<u>28,639</u>	<u>28,639</u>	<u>-</u>	<u>67,453</u>
Fund balances at year end	<u>\$ (38,914)</u>	<u>\$ (30,832)</u>	<u>\$ 8,082</u>	<u>\$ 28,639</u>

CITY OF LA PORTE, TEXAS
CAPITAL PROJECTS FUND - 2005 GENERAL OBLIGATION BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
With comparative actual totals for the year ended September 30, 2011

	<u>2012</u>			<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive / (Negative)</u>	
Revenues				
Investment Earnings	\$ -	\$ -	\$ -	\$ 169
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>169</u>
Expenditures				
Current:				
Public Safety	-	-	-	23,697
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,697</u>
Net change in fund balance	-	-	-	(23,528)
Fund balances, beginning of year	<u>892</u>	<u>892</u>	<u>-</u>	<u>24,420</u>
Fund balances at year end	<u>\$ 892</u>	<u>\$ 892</u>	<u>\$ -</u>	<u>\$ 892</u>

CITY OF LA PORTE, TEXAS
CAPITAL PROJECTS FUND - 2006 CERTIFICATE OF OBLIGATION BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
With comparative actual totals for the year ended September 30, 2011

	<u>2012</u>		Variance Positive / (Negative)	<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>		
Revenues				
Investment Earnings	\$ -	\$ -	\$ -	\$ 48,402
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,402</u>
Expenditures				
Current:				
Public Works	-	-	-	773
Capital Outlay	-	-	-	769,930
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>770,703</u>
Net change in fund balance	-	-	-	(722,301)
Fund balances, beginning of year	<u>610,163</u>	<u>610,163</u>	<u>-</u>	<u>1,332,464</u>
Fund balances at year end	<u>\$ 610,163</u>	<u>\$ 610,163</u>	<u>\$ -</u>	<u>\$ 610,163</u>

CITY OF LA PORTE, TEXAS
CAPITAL PROJECTS FUND - 2006 GENERAL OBLIGATION BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
With comparative actual totals for the year ended September 30, 2011

	<u>2012</u>		Variance Positive / (Negative)	<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>		
Revenues				
Miscellaneous Taxes	\$ -	\$ -	\$ -	\$ 35,615
Investment Earnings	-	134	134	213
Total Revenues	<u>-</u>	<u>134</u>	<u>134</u>	<u>35,828</u>
Expenditures				
Current:				
Culture and Recreation	-	51,037	(51,037)	15,609
Total Expenditures	<u>-</u>	<u>51,037</u>	<u>(51,037)</u>	<u>15,609</u>
Revenues over (under) expenditures	-	(50,903)	(50,903)	20,219
Other Financing Sources (Uses)				
Transfers (out)	-	-	-	(35,615)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,615)</u>
Net change in fund balance	-	(50,903)	(50,903)	(15,396)
Fund balances, beginning of year	<u>119,462</u>	<u>119,462</u>	<u>-</u>	<u>134,858</u>
Fund balances at year end	<u>\$ 119,462</u>	<u>\$ 68,559</u>	<u>\$ (50,903)</u>	<u>\$ 119,462</u>

CITY OF LA PORTE, TEXAS
CAPITAL PROJECTS FUND - 2007 CERTIFICATE OF OBLIGATION BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
With comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Investment earnings	\$ -	\$ 454	\$ 454	\$ 2,264
Total Revenues	<u>-</u>	<u>454</u>	<u>454</u>	<u>2,264</u>
Expenditures				
Capital outlay	127,000	98,850	28,150	116,873
Total Expenditures	<u>127,000</u>	<u>98,850</u>	<u>28,150</u>	<u>116,873</u>
Revenues over (under) expenditures	<u>(127,000)</u>	<u>(98,396)</u>	<u>28,604</u>	<u>(114,609)</u>
Other Financing Sources (Uses)				
Transfers (out)	(281,133)	(281,133)	-	(481,708)
Total Other Financing Sources (Uses)	<u>(281,133)</u>	<u>(281,133)</u>	<u>-</u>	<u>(481,708)</u>
Net change in fund balance	(408,133)	(379,529)	28,604	(596,317)
Fund balances, beginning of year	<u>418,428</u>	<u>418,428</u>	<u>-</u>	<u>1,014,745</u>
Fund balances at year end	<u>\$ 10,295</u>	<u>\$ 38,899</u>	<u>\$ 28,604</u>	<u>\$ 418,428</u>

CITY OF LA PORTE, TEXAS**CAPITAL PROJECTS FUND - 2010 CERTIFICATE OF OBLIGATION BONDS****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2012**With comparative actual totals for the year ended September 30, 2011*

	2012		Variance	
	Final Budget	Actual	Positive / (Negative)	2011
Revenues				
Investment earnings	\$ 2,000	\$ 3,669	\$ 1,669	\$ 7,540
Total Revenues	<u>2,000</u>	<u>3,669</u>	<u>1,669</u>	<u>7,540</u>
Expenditures				
Capital outlay	<u>174,000</u>	<u>1,093,957</u>	<u>(919,957)</u>	<u>2,771,299</u>
Total Expenditures	<u>174,000</u>	<u>1,093,957</u>	<u>(919,957)</u>	<u>2,771,299</u>
Net change in fund balance	(172,000)	(1,090,288)	(918,288)	(2,763,759)
Fund balances, beginning of year	<u>3,025,634</u>	<u>3,025,634</u>	<u>-</u>	<u>5,789,393</u>
Fund balances at year end	<u>\$ 2,853,634</u>	<u>\$ 1,935,346</u>	<u>\$ (918,288)</u>	<u>\$ 3,025,634</u>

CITY OF LA PORTE, TEXAS
CAPITAL PROJECTS FUND - DRAINAGE IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
With comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Charges for service	\$ 265,000	\$ 265,734	\$ 734	\$ 266,012
Investment earnings	350	507	157	934
Total Revenues	<u>265,350</u>	<u>266,241</u>	<u>891</u>	<u>266,946</u>
Expenditures				
Current:				
Public works	195,000	63,534	131,466	409,663
Total Expenditures	<u>195,000</u>	<u>63,534</u>	<u>131,466</u>	<u>409,663</u>
Net change in fund balance	70,350	202,707	132,357	(142,717)
Fund balances, beginning of year	<u>124,732</u>	<u>124,732</u>	<u>-</u>	<u>267,449</u>
Fund balances at year end	<u><u>\$ 195,082</u></u>	<u><u>\$ 327,439</u></u>	<u><u>\$ 132,357</u></u>	<u><u>\$ 124,732</u></u>

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**SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES
General Fund**

CITY OF LA PORTE, TEXAS

General Fund

Schedule of Revenues - Budget and Actual

For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem:				
Current	\$ 12,101,675	\$ 12,101,675	\$ 13,059,152	\$ 957,477
Delinquent	259,259	259,259	68,448	(190,811)
Industrial Payments	9,900,000	9,900,000	10,471,444	571,444
Total ad valorem	<u>22,260,934</u>	<u>22,260,934</u>	<u>23,599,044</u>	<u>1,338,110</u>
Penalty and interest	170,000	170,000	158,850	(11,150)
Sales Taxes	3,256,758	3,256,758	3,896,974	640,216
Other Taxes	80,000	80,000	60,182	(19,818)
Franchise Fees:				
Electrical	1,260,000	1,260,000	1,288,895	28,895
Gas	170,000	170,000	162,361	(7,639)
Telephone	375,000	375,000	298,227	(76,773)
Cable	250,000	250,000	451,374	201,374
Commercial Solidwaste	90,000	90,000	111,087	21,087
Total Franchise Fees	<u>2,145,000</u>	<u>2,145,000</u>	<u>2,311,944</u>	<u>166,944</u>
Charges for Services:				
Public safety service fees	1,437,443	1,437,443	1,584,153	146,710
Health and sanitation service fees	2,171,500	2,171,500	2,176,508	5,008
Culture and recreation fees	1,453,542	1,453,542	1,382,586	(70,956)
Other service fees	353,900	353,900	355,601	1,701
Total Charges for Services	<u>5,416,385</u>	<u>5,416,385</u>	<u>5,498,848</u>	<u>82,463</u>
Intergovernmental	1,000	1,000	14,585	13,585
Licenses and permits:				
Building permits	30,406	30,406	443,449	413,043
Licenses	306,525	306,525	21,603	(284,922)
Total Licenses and permits	<u>336,931</u>	<u>336,931</u>	<u>465,052</u>	<u>128,121</u>
Investment income	65,000	65,000	66,078	1,078
Fines and forfeitures	1,601,664	1,601,664	1,513,786	(87,878)
Miscellaneous	50,000	50,000	30,384	(19,616)
Total revenues	<u>\$ 35,383,672</u>	<u>\$ 35,383,672</u>	<u>\$ 37,615,727</u>	<u>\$ 2,232,055</u>

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Administration:				
Emergency Management:				
Personal services	\$ 192,847	\$ 195,347	\$ 194,887	\$ 460
Supplies	8,470	8,470	8,239	231
Other services and charges	90,852	90,852	80,892	9,960
Total Emergency Management	292,169	294,669	284,018	10,651
General Administration:				
Personal services	471,790	461,290	398,124	63,166
Supplies	6,950	6,950	4,181	2,769
Other services and charges	61,295	157,795	151,776	6,019
Total General Administration	540,035	626,035	554,081	71,954
Community Investment:				
Supplies	-	50,670	45,834	4,836
Other services and charges	-	129,352	85,609	43,743
Total Community Investment	-	180,022	131,443	48,579
Human Resources:				
Personal services	226,564	242,564	242,181	383
Supplies	7,300	7,300	5,909	1,391
Other services and charges	157,065	170,465	143,789	26,676
Total Human Resources	390,929	420,329	391,879	28,450
Information Technology				
Personal services	369,590	394,590	387,535	7,055
Supplies	179,031	157,190	156,117	1,073
Other services and charges	1,027,972	1,082,178	1,076,886	5,292
Total Information Technology	1,576,593	1,633,958	1,620,538	13,420
Municipal Court:				
Personal services	465,156	468,156	467,802	354
Supplies and materials	19,350	19,350	18,306	1,044
Other services and charges	226,331	242,831	230,926	11,905
Total Municipal Court	710,837	730,337	717,034	13,303
Purchasing:				
Personal services	237,689	233,189	228,457	4,732
Supplies	3,087	3,087	2,718	369
Other services and charges	9,656	14,156	10,704	3,452
Total Purchasing	250,432	250,432	241,879	8,553
City Secretary:				
Personal services	354,635	354,035	313,545	40,490
Supplies and materials	2,150	4,750	4,690	60
Other services and charges	47,264	49,293	28,375	20,918
Total City Secretary	404,049	408,078	346,610	61,468
Legal:				
Personal services	16,230	16,230	8,115	8,115
Other services and charges	177,095	207,095	165,894	41,201
Total Legal	193,325	223,325	174,009	49,316
City Council:				
Personal services	19,377	23,377	22,929	448
Supplies and materials	18,350	16,350	12,867	3,483
Other services and charges	30,383	32,747	18,227	14,520
Total City Council	68,110	72,474	54,023	18,451
Total Administration	4,426,479	4,839,659	4,515,514	324,145

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (continued)				
Finance:				
Accounting:				
Personal services	\$ 627,231	\$ 627,231	\$ 624,314	\$ 2,917
Supplies	14,000	14,000	12,451	1,549
Other services and charges	106,078	106,078	91,918	14,160
Capital Outlay	15,000	-	-	
Total Accounting	<u>762,309</u>	<u>747,309</u>	<u>728,683</u>	<u>18,626</u>
Nondepartmental:				
Personal services	694,353	694,353	644,205	50,148
Supplies	4,000	4,500	4,411	89
Other services and charges	1,471,918	1,188,231	1,148,846	39,385
Total Nondepartmental	<u>2,170,271</u>	<u>1,887,084</u>	<u>1,797,462</u>	<u>89,622</u>
Tax Office:				
Personal services	243,599	248,599	247,322	1,277
Supplies and materials	10,800	10,050	9,163	887
Other services and charges	194,488	197,238	188,749	8,489
Total Tax Office	<u>448,887</u>	<u>455,887</u>	<u>445,234</u>	<u>10,653</u>
Total Finance	<u>3,381,467</u>	<u>3,090,280</u>	<u>2,971,379</u>	<u>118,901</u>
Planning and Engineering:				
Planning and Engineering:				
Personal services	1,012,110	1,016,610	956,464	60,146
Supplies	17,100	17,100	14,457	2,643
Other services and charges	58,456	117,929	100,573	17,356
Total Planning and Engineering	<u>1,087,666</u>	<u>1,151,639</u>	<u>1,071,494</u>	<u>80,145</u>
Inspection:				
Personal services	736,147	753,147	752,231	916
Supplies	29,576	29,576	25,275	4,301
Other services and charges	180,514	160,514	69,772	90,742
Total Inspection	<u>946,237</u>	<u>943,237</u>	<u>847,278</u>	<u>95,959</u>
Total Planning and Engineering	<u>2,033,903</u>	<u>2,094,876</u>	<u>1,918,772</u>	<u>176,104</u>
Total General Government	<u>9,841,849</u>	<u>10,024,815</u>	<u>9,405,665</u>	<u>619,150</u>
Public Safety				
Fire				
Fire Prevention:				
Personal services	263,763	272,863	272,711	152
Supplies	6,230	6,330	6,314	16
Other services and charges	22,160	23,860	23,801	59
Total Fire Prevention	<u>292,153</u>	<u>303,053</u>	<u>302,826</u>	<u>227</u>
Fire suppression:				
Personal services	1,349,432	1,361,432	1,360,407	1,025
Supplies	31,510	37,480	32,215	5,265
Other services and charges	262,871	262,871	223,976	38,895
Capital Outlay	35,000	34,900	34,872	28
Total Fire Suppression	<u>1,678,813</u>	<u>1,696,683</u>	<u>1,651,470</u>	<u>45,213</u>
Emergency medical services:				
Personal services	2,165,580	2,137,630	1,974,198	163,432
Supplies	150,600	187,675	187,260	415
Other services and charges	184,558	186,858	186,305	553
Capital Outlay	185,250	169,925	169,925	
Total Emergency Services	<u>2,685,988</u>	<u>2,682,088</u>	<u>2,517,688</u>	<u>164,400</u>
Total Fire	<u>4,656,954</u>	<u>4,681,824</u>	<u>4,471,984</u>	<u>209,840</u>

General Fund

Schedule of Expenditures - Budget and Actual
For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety (continued)				
Police				
Police Administration:				
Personal services	\$ 720,640	\$ 725,140	\$ 724,809	\$ 331
Supplies	18,709	25,209	25,188	21
Other services and charges	231,387	239,887	235,738	4,149
Total Police Administration	970,736	990,236	985,735	4,501.00
Police Patrol:				
Personal services	4,450,933	4,500,933	4,498,513	2,420
Supplies	253,548	273,877	273,449	428
Other services and charges	534,335	534,335	505,281	29,054
Total Police Patrol	5,238,816	5,309,145	5,277,243	31,902
Criminal Investigation:				
Personal services	1,725,478	1,725,478	1,708,051	17,427
Supplies	60,407	63,237	62,878	359
Other services and charges	86,508	90,008	86,057	3,951
Capital Outlay	26,800	26,800	24,604	2,196
Total Criminal Investigation	1,899,193	1,905,523	1,881,590	23,933
Support Services:				
Personal services	2,209,117	2,209,117	2,051,701	157,416
Supplies	110,127	102,888	102,828	60
Other services and charges	82,045	83,540	84,537	(997)
Total Support Services	2,401,289	2,395,545	2,239,066	156,479
Total Police	10,510,034	10,600,449	10,383,634	216,815
Total Public Safety	15,166,988	15,282,273	14,855,618	426,655
Public Works				
Public Works Administration:				
Personal services	281,310	281,510	281,495	15
Supplies and materials	4,800	7,310	7,160	150
Other services and charges	70,418	70,008	67,358	2,650
Total Public Works Administration	356,528	358,828	356,013	2,815
Streets:				
Personal services	1,569,256	1,569,256	1,521,703	47,553
Supplies	160,582	183,448	182,633	815
Other services and charges	614,236	632,739	591,284	41,455
Capital Outlay	41,100	25,000	23,758	1,242
Total Streets	2,385,174	2,410,443	2,319,378	91,065
Total Public Works	2,741,702	2,769,271	2,675,391	93,880
Health and Sanitation				
Residential Solidwaste:				
Personal services	1,173,714	1,157,714	1,114,757	42,957
Supplies	239,050	266,950	266,540	410
Other services and charges	848,985	848,985	829,523	19,462
Capital Outlay	11,900	-	-	
Total Residential Solidwaste	2,273,649	2,273,649	2,210,820	62,829
Commercial solidwaste:				
Other services and charges	20,000	20,000	14,948	5,052
Total Commercial Solidwaste	20,000	20,000	14,948	5,052
Total Health and Sanitation	2,293,649	2,293,649	2,225,768	67,881

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture & Recreation				
Park Maintenance:				
Personal services	1,250,047	1,250,047	1,234,154	15,893
Supplies and materials	117,550	126,050	125,838	212
Other services and charges	717,132	813,162	803,636	9,526
Capital outlay	46,650	12,620	11,573	1,047
Total Park Maintenance	<u>2,131,379</u>	<u>2,201,879</u>	<u>2,175,201</u>	<u>26,678</u>
Recreation:				
Personal services	543,530	543,530	523,970	19,560
Supplies	50,485	39,085	38,103	982
Other services and charges	173,148	206,930	205,187	1,743
Total Recreation	<u>767,163</u>	<u>789,545</u>	<u>767,260</u>	<u>22,285</u>
Special Services:				
Personal services	388,594	385,594	352,503	33,091
Supplies	24,348	26,348	26,045	303
Other services and charges	48,399	55,399	50,010	5,389
Total Special Services	<u>461,341</u>	<u>467,341</u>	<u>428,558</u>	<u>38,783</u>
Parks Administration:				
Personal Services	513,210	513,210	493,730	19,480
Supplies	10,414	10,414	6,093	4,321
Other Services and Charges	16,900	13,690	11,822	1,868
Total Parks Administration	<u>540,524</u>	<u>537,314</u>	<u>511,645</u>	<u>25,669</u>
Golf Course - Club House				
Personal Services	390,810	396,810	396,617	193
Supplies	58,800	58,800	54,605	4,195
Other Services and Charges	73,514	73,514	63,372	10,142
Total Golf Course	<u>523,124</u>	<u>529,124</u>	<u>514,594</u>	<u>14,530</u>
Golf Course - Maintenance				
Personal Services	545,041	545,041	538,051	6,990
Supplies	180,600	151,677	121,010	30,667
Other Services and Charges	103,489	104,989	94,431	10,558
Total Golf Course	<u>829,130</u>	<u>801,707</u>	<u>753,492</u>	<u>48,215</u>
Total Culture & Recreation	<u>5,252,661</u>	<u>5,326,910</u>	<u>5,150,750</u>	<u>176,160</u>
Total General Fund	<u>\$ 35,296,849</u>	<u>\$ 35,696,918</u>	<u>\$ 34,313,192</u>	<u>\$ 1,383,726</u>

COMBINING FINANCIAL STATEMENTS

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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
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2012

	Vehicle Replacement Fund	Employee Health Insurance	Technology	Total
Assts				
Current assets:				
Cash and cash equivalents	\$ 2,851,228	\$ 1,114,734	\$ 633,822	\$ 4,599,784
Investments	904,148	359,648	200,984	1,464,780
Accounts Receivables, net	-	120,556	-	120,556
Other receivables	1,382	509	291	2,182
Inventories	33,362	-	-	33,362
Total current assets	3,790,120	1,595,447	835,097	6,220,664
Non-current assets:				
Capital Assets:				
Equipment and Furniture	13,632,531	-	205,945	13,838,476
Less Accumulated depreciation	(7,663,696)	-	(179,503)	(7,843,199)
Total non-current assets	5,968,835	-	26,442	5,995,277
Total assets	9,758,955	1,595,447	861,539	12,215,941
Liabilities				
Current Liabilities:				
Accounts payable	16,317	6,103	-	22,420
Salaries payable	22,232	-	-	22,232
Deferred revenue	-	629	-	629
Claims and judgments	-	499,446	-	499,446
Total current liabilities	38,549	506,178	-	544,727
Non-current liabilities:				
Compensated absences	80,932	-	-	80,932
Total non-current liabilities	80,932	-	-	80,932
Total liabilities	119,481	506,178	-	625,659
Net Assets				
Invested in capital assets, net of related debt	5,968,835	-	26,442	5,995,277
Unrestricted	3,670,639	1,089,269	835,097	5,595,005
Total net assets	\$ 9,639,474	\$ 1,089,269	\$ 861,539	\$ 11,590,282

CITY OF LA PORTE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2012

	Vehicle Replacement Fund	Employee Health Insurance	Technology	Total
Revenues				
Charges for services	\$ 2,122,343	\$ 4,244,653	\$ 169,348	\$ 6,536,344
Total operating revenues	<u>2,122,343</u>	<u>4,244,653</u>	<u>169,348</u>	<u>6,536,344</u>
Operating Expenses				
Personal services	699,805	153,352	-	853,157
Supplies and materials	299,041	-	-	299,041
Other expenses	-	5,252,259	-	5,252,259
Depreciation	866,045	-	12,489	878,534
Total operating expenses	<u>1,864,891</u>	<u>5,405,611</u>	<u>12,489</u>	<u>7,282,991</u>
Operating income (loss)	<u>257,452</u>	<u>(1,160,958)</u>	<u>156,859</u>	<u>(746,647)</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	8,633	3,694	1,685	14,012
Gain (loss) on disposal of capital assets	116,515	-	-	116,515
Total non-operating revenue (expenses)	<u>125,148</u>	<u>3,694</u>	<u>1,685</u>	<u>130,527</u>
Income (loss) before transfers	382,600	(1,157,264)	158,544	(616,120)
Transfers in	-	478,341	-	478,341
Transfers out	(13,236)	-	(21,000)	(34,236)
Total transfers	<u>(13,236)</u>	<u>478,341</u>	<u>(21,000)</u>	<u>444,105</u>
Change in net assets	369,364	(678,923)	137,544	(172,015)
Total net assets - beginning	<u>9,270,110</u>	<u>1,768,192</u>	<u>723,995</u>	<u>11,762,297</u>
Total net assets - ending	<u>\$ 9,639,474</u>	<u>\$ 1,089,269</u>	<u>\$ 861,539</u>	<u>\$ 11,590,282</u>

CITY OF LA PORTE, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2012

	<u>Vehicle Replacement</u>	<u>Employee Health Insurance</u>	<u>Technology</u>	<u>Total</u>
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 2,122,343	\$ 4,244,653	\$ 169,348	\$ 6,536,344
Disbursed for personnel services	(707,735)	(154,107)	-	(861,842)
Disbursed for goods and services	(303,130)	(5,350,140)	-	(5,653,270)
Net cash provided (used) by operating activities	<u>1,111,478</u>	<u>(1,259,594)</u>	<u>169,348</u>	<u>21,232</u>
Cash Flows from NonCapital Financing Activities				
Transfers from other funds	-	478,341	-	478,341
Transfers to other funds	(13,236)	-	(21,000)	(34,236)
Net cash provided by (used by) noncapital financing activities	<u>(13,236)</u>	<u>478,341</u>	<u>(21,000)</u>	<u>444,105</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from the sale of equipment	163,353	-	-	163,353
Acquisition and construction of capital assets, net of dispos	(1,231,690)	-	-	(1,231,690)
Net cash used by capital and related financing activities	<u>(1,068,337)</u>	<u>-</u>	<u>-</u>	<u>(1,068,337)</u>
Cash Flows from Investing Activities				
Sale of investments	339,916	394,000	28,232	762,148
Interest received	8,291	3,785	1,577	13,653
Net cash provided by (used by) investing activities	<u>348,207</u>	<u>397,785</u>	<u>29,809</u>	<u>775,801</u>
Net increase in cash and equivalents	378,112	(383,468)	178,157	172,801
Cash and equivalents, beginning of year	<u>2,473,116</u>	<u>1,498,202</u>	<u>455,665</u>	<u>4,426,983</u>
Cash and equivalents, at end of year	<u>\$ 2,851,228</u>	<u>\$ 1,114,734</u>	<u>\$ 633,822</u>	<u>\$ 4,599,784</u>
Unrestricted cash and equivalents	<u>\$ 2,851,228</u>	<u>\$ 1,114,734</u>	<u>\$ 633,822</u>	<u>\$ 4,599,784</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 257,452	\$ (1,160,958)	\$ 156,859	\$ (746,647)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	866,045	-	12,489	878,534
(Increase) decrease in accounts receivable	-	(629)	-	(629)
(Increase) decrease in inventory	1,266	-	-	1,266
Increase (decrease) in claims and judgments payable	-	(74,448)	-	(74,448)
Increase (decrease) in accounts payable	(5,355)	(23,375)	-	(28,730)
Increase (decrease) in salaries payable	(2,532)	(813)	-	(3,345)
Increase (decrease) in compensated absences	(5,398)	-	-	(5,398)
Increase (decrease) in deferred revenue	-	629	-	629
Net cash provided by operating activities	<u>\$ 1,111,478</u>	<u>\$ (1,259,594)</u>	<u>\$ 169,348</u>	<u>\$ 21,232</u>

STATISTICAL SECTION

(Unaudited)

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Unaudited Statistical Section

This part of the City of La Porte, Texas' 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	104
<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>	
Revenue Capacity	114
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax.</i>	
Debt Capacity	120
<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>	
Demographic and Economic Information	125
<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>	
Operating Information	127
<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>	

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 Ten Fiscal Years**Amounts in (000's)**(Accrual Basis of Accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 23,400	\$ 32,753	\$ 28,933	\$ 28,424	\$ 27,529
Restricted	5,804	5,771	6,642	7,363	13,317
Unrestricted	23,953	12,998	19,370	18,984	19,986
Total governmental activities net assets	<u>\$ 53,158</u>	<u>\$ 51,522</u>	<u>\$ 54,945</u>	<u>\$ 54,771</u>	<u>\$ 60,832</u>
Business-type Activities					
Invested in capital assets, net of related debt	\$ 26,110	\$ 25,996	\$ 26,590	\$ 29,642	\$ 29,481
Restricted	3,043	3,663	3,407	2,186	2,185
Unrestricted	4,709	2,647	1,265	3,397	3,296
Total business-type activities net assets	<u>\$ 33,862</u>	<u>\$ 32,306</u>	<u>\$ 31,262</u>	<u>\$ 35,225</u>	<u>\$ 34,962</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 49,510	\$ 58,749	\$ 55,523	\$ 58,066	\$ 57,010
Restricted	8,847	9,434	10,050	9,549	15,501
Unrestricted	28,663	15,645	20,635	22,380	23,281
Total primary government net assets	<u>\$ 87,020</u>	<u>\$ 83,828</u>	<u>\$ 86,207</u>	<u>\$ 89,996</u>	<u>\$ 95,793</u>

Exhibit 1

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 24,923	\$ 32,667	\$ 35,195	\$ 37,324	\$ 46,814
16,567	16,170	18,108	8,060	8,728
18,985	16,838	13,904	26,859	21,621
<u>\$ 60,475</u>	<u>\$ 65,676</u>	<u>\$ 67,207</u>	<u>\$ 72,243</u>	<u>\$ 77,163</u>
\$ 35,483	\$ 40,206	\$ 40,595	\$ 37,606	\$ 37,567
2,188	1,353	1,460	680	559
3,799	2,473	2,027	4,199	3,791
<u>\$ 41,471</u>	<u>\$ 44,032</u>	<u>\$ 44,082</u>	<u>\$ 42,485</u>	<u>\$ 41,917</u>
\$ 60,406	\$ 72,874	\$ 75,790	\$ 74,930	\$ 84,381
18,755	17,523	19,568	8,740	9,287
22,785	19,311	15,932	31,058	25,412
<u>\$ 101,945</u>	<u>\$ 109,707</u>	<u>\$ 111,290</u>	<u>\$ 114,729</u>	<u>\$ 119,080</u>

CITY OF LA PORTE, TEXAS

CHANGES IN NET ASSETS

Last Ten Fiscal Years

Amounts in (000's)

(Accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 8,626	\$ 10,488	\$ 7,411	\$ 7,349	\$ 8,411
Public safety	10,771	11,947	10,368	11,603	12,153
Public works	3,638	1,268	5,165	5,210	3,668
Health and sanitation	1,823	1,907	1,887	1,862	2,488
Culture and recreation	4,049	4,106	3,718	3,580	3,120
Interest on long-term debt	747	690	864	1,226	1,353
Total governmental activities expenses	29,655	30,406	29,413	30,830	31,193
Business-type activities:					
Water Services	6,339	6,256	6,478	6,845	6,548
Sewer services	1,913	1,896	1,820	1,894	2,087
Airport	149	143	157	123	124
Bay Forest Golf Course	1,285	1,223	1,243	1,285	1,311
Sylvan Beach Convention Center	213	194	212	215	218
Total business-type activities expenses	9,900	9,712	9,909	10,361	10,288
Total primary government expenses	\$ 39,554	\$ 40,118	\$ 39,322	\$ 41,191	\$ 41,481
Program Revenue					
Governmental activities:					
Charges for services					
General government	\$ 661	528	670	1,002	2,007
Public safety	1,690	1,442	1,498	1,333	435
Public works	1,481	106	24	-	-
Health and sanitation	831	464	1,430	1,771	1,856
Culture and recreation	658	1,157	461	430	418
Operating grants and contributions					
General government	480	576	2,640	1,031	992
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital grants and contributions					
General government	-	-	-	-	-
Culture and recreation	-	-	-	-	-
revenues	5,801	4,273	6,723	5,567	5,708
Business-type activities:					
Charges for services					
Water Services	4,158	4,156	4,500	5,439	4,790
Sewer services	2,493	2,493	2,591	2,842	2,764
Airport	30	33	33	36	42
Bay Forest Golf Course	943	1,022	966	956	911
Sylvan Beach Convention Center	161	181	164	163	189
Capital grants and contributions	-	-	-	-	1,061
revenues	7,786	7,884	8,254	9,435	9,758
Total primary government program revenues	\$ 13,586	\$ 12,158	\$ 14,977	\$ 15,003	\$ 15,465
Net (Expense)/Revenue					
Governmental activities	\$ (23,854)	\$ (26,132)	\$ (22,689)	\$ (25,263)	\$ (25,486)
Business-type activities	(2,114)	(1,828)	(1,655)	(926)	(530)
Total primary government net expense	\$ (25,968)	\$ (27,960)	\$ (24,344)	\$ (26,189)	\$ (26,016)

Exhibit 2
Page 1 of 2

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 10,056	\$ 11,443	\$ 11,497	\$ 14,575	\$ 14,091
16,267	15,495	17,109	16,306	17,375
4,348	8,095	4,601	6,280	3,784
2,465	2,379	2,521	2,454	2,424
4,004	4,223	6,483	6,033	6,361
1,695	1,527	1,557	1,871	1,268
38,836	43,162	43,769	47,518	45,303
6,631	4,833	5,721	6,942	7,691
2,247	2,603	2,674	3,094	2,932
156	183	181	194	183
1,362	1,437	1,485	-	-
225	26	-	-	-
10,621	9,082	10,061	10,230	10,806
\$ 49,458	\$ 52,244	\$ 53,830	\$ 57,748	\$ 56,109
2,725	3,061	3,116	\$ 712	\$ 844
591	1,681	1,593	3,506	3,128
	0	1,067	330	268
1,889	1,849	1,842	2,046	2,197
418	448	661	1,474	1,385
4,648	5,165	1,004	-	-
-	-	-	8	240
-	-	-	611	431
-	-	-	428	766
-	-	-	107	78
235	1,260	-	-	-
-	-	-	1	1
10,505	13,463	9,283	9,223	9,338
6,133	4,520	3,850	6,267	6,055
3,670	3,363	3,307	3,535	3,601
65	53	53	56	28
1,032	1,067	1,002	-	-
161	2	-	-	-
2,338	1,786	860	1,442	859
13,398	10,791	9,073	11,300	10,543
\$ 23,903	\$ 24,255	\$ 18,356	\$ 20,524	\$ 19,881
\$ (28,331)	\$ (29,699)	\$ (34,485)	\$ (38,295)	\$ (35,965)
2,777	1,710	(988)	1,070	(263)
\$ (25,554)	\$ (27,990)	\$ (35,473)	\$ (37,224)	\$ (36,228)

CITY OF LA PORTE, TEXAS

CHANGES IN NET ASSETS

Last Ten Fiscal Years

Amounts in (000's)

(Accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	\$ 10,868	\$ 11,062	\$ 11,816	\$ 12,197	\$ 13,066
Industrial payments	7,277	6,896	6,992	7,660	8,189
Sales and use taxes	3,038	3,263	3,460	4,068	5,736
Franchise taxes	1,683	1,719	1,886	1,987	2,004
Investment earnings	542	376	720	1,875	2,387
Other revenues	444	495	857	1,213	89
Gain/(Loss) on sale of capital assets	-	-	-	-	-
Transfers	(254)	685	382	(3,910)	76
Total governmental activities	<u>23,598</u>	<u>24,496</u>	<u>26,112</u>	<u>25,089</u>	<u>31,546</u>
Business-type activities:					
Investment earnings	121	89	165	300	343
Other revenues	889	874	827	695	-
Gain/(Loss) on sale of capital assets	-	(6)	-	(16)	-
Transfers	254	(685)	(382)	3,910	(76)
Total business-type activities	<u>1,264</u>	<u>272</u>	<u>611</u>	<u>4,889</u>	<u>267</u>
Total primary government	<u>\$ 24,862</u>	<u>\$ 24,768</u>	<u>\$ 26,723</u>	<u>\$ 29,978</u>	<u>\$ 31,813</u>
Change in Net Assets					
Governmental activities	\$ (256)	\$ (1,636)	\$ 3,423	\$ (174)	\$ 6,060
Business-type activities	(850)	(1,556)	(1,044)	3,963	(263)
Total primary government	<u>\$ (1,106)</u>	<u>\$ (3,192)</u>	<u>\$ 2,379</u>	<u>\$ 3,789</u>	<u>\$ 5,797</u>

Exhibit 2
Page 2 of 2

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 13,683	\$ 16,391	\$ 17,742	\$ 17,164	\$ 17,251
7,959	10,555	10,732	10,193	10,471
5,803	5,787	5,914	6,236	8,267
2,165	2,160	2,171	2,196	2,312
1,783	688	294	216	143
115	93	164	375	168
-	-	-	4,244	1,940
<u>(3,533)</u>	<u>(779)</u>	<u>(1,000)</u>	<u>2,707</u>	<u>334</u>
<u>27,975</u>	<u>34,895</u>	<u>36,017</u>	<u>43,331</u>	<u>40,886</u>
199	73	39	33	12
-	-	-	7	16
-	-	-	-	-
<u>3,533</u>	<u>779</u>	<u>1,000</u>	<u>(2,707)</u>	<u>(334)</u>
<u>3,732</u>	<u>852</u>	<u>1,040</u>	<u>(2,667)</u>	<u>(306)</u>
<u>\$ 31,707</u>	<u>\$ 35,747</u>	<u>\$ 37,057</u>	<u>\$ 40,664</u>	<u>\$ 40,580</u>
\$ (357)	\$ 5,196	\$ 1,531	\$ 5,036	\$ 4,921
6,509	2,561	51	(1,597)	(569)
<u>\$ 6,152</u>	<u>\$ 7,757</u>	<u>\$ 1,582</u>	<u>\$ 3,439</u>	<u>\$ 4,352</u>

CITY OF LA PORTE, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Nonspendable	\$ 69	\$ 69	\$ 69	\$ 70	\$ 83
Committed					
Assigned	140	372	550	126	134
Unassigned	7,037	7,093	8,644	11,582	14,494
Total general fund	\$ 7,246	\$ 7,534	\$ 9,263	\$11,778	\$14,711
All Other Governmental Funds					
Restricted	5,164	5,351	6,236	6,705	9,318
Committed	10,734	6,442	16,488	18,814	18,660
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	\$15,898	\$11,793	\$22,724	\$25,519	\$27,979

Exhibit 3

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 105	\$ 102	\$ 135	\$ 139	\$ 94
296	199	151	96	30
<u>14,405</u>	<u>13,758</u>	<u>12,274</u>	<u>19,118</u>	<u>23,840</u>
<u>\$14,806</u>	<u>\$14,059</u>	<u>\$12,560</u>	<u>\$19,353</u>	<u>\$ 23,964</u>
8,489	5,813	7,644	14,084	12,573
19,933	17,944	20,331	9,079	6,553
-	-	7	-	-
-	-	-	-	(30)
<u>\$28,423</u>	<u>\$23,757</u>	<u>\$27,983</u>	<u>\$23,163</u>	<u>\$ 19,096</u>

CITY OF LA PORTE, TEXAS

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last ten Fiscal Years

Amounts in (000's)

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 22,923	\$ 22,949	\$ 24,046	\$ 25,688	\$ 28,919
Donations	-	-	30	-	30
Harris County Joint Ventures	-	-	1,752	-	-
Licenses and permits	200	320	531	683	920
Fines and forfeits	847	555	678	848	1,244
Charges for services	2,275	2,947	3,233	3,888	3,967
Intergovernmental	480	576	1,113	1,174	716
Interest	482	325	631	1,709	2,117
Miscellaneous	125	33	184	163	77
Total Revenues	<u>27,332</u>	<u>27,705</u>	<u>32,197</u>	<u>34,154</u>	<u>37,990</u>
Expenditures					
General government	5,543	7,971	6,849	7,237	7,696
Public safety	10,477	10,415	10,533	11,072	11,769
Public works	2,556	2,361	2,430	2,360	2,407
Health and sanitation	1,823	1,759	1,808	1,814	1,973
Culture and recreation	3,476	3,245	3,068	3,011	3,103
Debt service:					
Principal	1,590	1,490	1,330	1,195	1,235
Interest	795	700	820	1,180	1,428
Bond issuance cost			211	195	154
Capital outlay	2,772	3,259	8,566	6,550	10,013
Total Expenditures	<u>29,032</u>	<u>31,200</u>	<u>35,615</u>	<u>34,613</u>	<u>39,779</u>
Excess of revenues over (under) expenditures	(1,700)	(3,495)	(3,418)	(459)	(1,789)
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	16,587	6,965	8,075
Refunding bonds issued	-	-	-	-	-
Premium on refunding bonds issued	-	-	-	191	38
Payment to refunded bond escrow agent	1,920	3,469	3,222	6,056	4,197
Transfers in	(3,424)	(3,791)	(3,774)	(7,533)	(5,148)
Transfers out	-	-	42	90	21
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>(1,504)</u>	<u>(322)</u>	<u>16,077</u>	<u>5,769</u>	<u>7,183</u>
Net change in fund balances	<u>\$ (3,203)</u>	<u>\$ (3,817)</u>	<u>\$ 12,659</u>	<u>\$ 5,310</u>	<u>\$ 5,393</u>
Debt service as a percentage of noncapital expenditures	9.1%	7.8%	8.7%	9.2%	9.5%

Exhibit 4

2008	2009	2010	2011	2012
\$ 30,060	\$ 34,930	\$ 36,682	35,761	38,354
-	-	-	-	-
-	-	-	-	-
560	642	476	313	465
1,726	1,833	1,803	1,724	1,758
3,958	4,470	6,084	5,680	5,957
4,755	4,868	989	917	1,239
1,883	610	263	193	129
90	105	125	242	36
<u>43,033</u>	<u>47,458</u>	<u>46,422</u>	<u>44,829</u>	<u>47,938</u>
8,418	9,869	9,788	10,289	10,462
15,610	13,859	14,612	15,688	15,752
2,909	6,664	2,819	3,118	3,439
2,479	2,087	2,233	2,182	2,226
3,470	3,817	5,048	5,314	5,261
1,655	1,695	1,755	1,740	2,170
1,758	1,572	1,388	1,871	1,520
		200		150
6,351	15,557	10,843	8,714	8,583
<u>42,650</u>	<u>55,120</u>	<u>48,686</u>	<u>48,916</u>	<u>49,563</u>
383	(7,662)	(2,264)	(4,087)	(1,625)
-	-	6,265	-	-
-	-	4,295	-	9,435
-	-	225	-	364
7,625	14,232	(4,410)		(9,639)
(7,501)	(12,119)	9,158	4,248	2,711
32	137	(10,545)	(5,012)	(2,644)
-	-	5	6,822	1,941
<u>156</u>	<u>2,250</u>	<u>4,993</u>	<u>6,057</u>	<u>2,169</u>
<u>\$ 538</u>	<u>\$ (5,412)</u>	<u>\$ 2,729</u>	<u>\$ 1,971</u>	<u>\$ 544</u>
9.4%	8.3%	8.8%	9.0%	9.4%

CITY OF LA PORTE, TEXAS**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY***Last Ten Fiscal Years**(unaudited)*

Fiscal Year	Tax Year	Real Property	Personal Property	Less Tax Exempt Real Property	Less Other Exemptions and Abatements	Total Taxable Assessed Value
2003	2002	\$ 1,498,049,850	\$ 270,257,240		\$ 255,642,570	\$ 1,512,664,520
2004	2003	1,546,560,410	279,687,470		265,840,970	1,560,406,910
2005	2004	1,601,433,200	311,721,280		278,265,540	1,634,888,940
2006	2005	1,777,351,563	325,549,640		407,734,605	1,695,166,598
2007	2006	1,861,821,075	350,191,031		419,779,423	1,792,232,683
2008	2007	2,007,113,146	372,331,715		428,955,092	1,950,489,769
2009	2008	2,237,095,319	469,916,389		502,091,647	2,204,920,061
2010	2009	2,261,046,846	582,963,159		515,111,496	2,328,898,509
2011	2010	2,055,914,368	672,621,147		514,928,797	2,213,606,718
2012	2011	2,079,843,021	720,515,678		535,441,621	2,264,917,078

Source: Harris County Certified Tax Rolls and Corrections.

Exhibit 5

Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percent of Actual Taxable Value
\$ 0.710000	\$ 1,512,664,520	100%
0.710000	1,560,406,910	100%
0.710000	1,634,888,940	100%
0.710000	1,695,166,598	100%
0.710000	1,792,232,683	100%
0.710000	1,950,489,769	100%
0.710000	2,204,920,061	100%
0.710000	2,328,898,509	100%
0.710000	2,213,606,718	100%
0.710000	2,264,917,078	100%

CITY OF LA PORTE, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City of La Porte by fund:					
General	\$ 0.57500	\$0.57500	\$0.61100	\$0.61100	\$0.61200
Debt service	0.13500	0.13500	0.09900	0.09900	0.09800
Total Direct Rates	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>
Harris County Flood Control District	0.04174	0.03318	0.03322	0.03241	0.03106
Harris County	0.38810	0.39990	0.39986	0.40239	0.39239
Port of Houston Authority	0.01990	0.01670	0.01474	0.01302	0.01437
Harris County Board of Education	0.00630	0.00630	0.00629	0.00629	0.00585
Hospital District	0.19020	0.19020	0.19020	0.19216	0.19216
La Porte I.S.D.	1.63000	1.68000	1.73400	1.73400	1.30500
San Jacinto Jr. College District	0.13070	0.13910	0.14537	0.14537	0.14537
Total Direct and Overlapping Rates	<u>\$ 3.11694</u>	<u>\$3.17538</u>	<u>\$3.23368</u>	<u>\$3.23564</u>	<u>\$2.79620</u>

Tax rates per \$100 of assessed valuation
 Source: Harris County Appraisal District

Exhibit 6

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$0.61900	\$0.61900	\$0.61900	\$ 0.60500	\$ 0.60500
<u>0.09100</u>	<u>0.09100</u>	<u>0.09100</u>	<u>0.10500</u>	<u>0.10500</u>
<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>
0.03086	0.02922	0.02923	0.02809	0.02809
0.38923	0.39224	0.38805	0.39117	0.40021
0.01773	0.01636	0.02054	0.01856	0.01952
0.00584	0.00605	0.00658	0.00658	0.00662
0.19216	0.19216	0.19216	0.19216	0.18216
1.32500	1.32500	1.32500	1.35500	1.33000
<u>0.16341</u>	<u>0.17080</u>	<u>0.17628</u>	<u>0.18560</u>	<u>0.18560</u>
<u>\$2.83423</u>	<u>\$2.84183</u>	<u>\$2.84784</u>	<u>\$ 2.88716</u>	<u>\$ 2.86220</u>

CITY OF LA PORTE, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and 9 Years Ago

Exhibit 7

Property Tax Payer	2012			Property Tax Payer	2003		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value		Taxable Assessed Value	Rank	% of Taxable Assessed Value
Conoco Phillips Co	\$ 54,419,668	1	2.40%	Oxy Vinyls LP	\$ 49,186,150	1	3.25%
Wilson Supply	51,015,545	2	2.25%	Conoco Phillips, Inc.	46,876,580	2	3.10%
Oxy Vinyls LP	50,833,309	3	2.24%	Equistar Chemicals LP	45,239,660	3	2.99%
Granite Underwood Dist Ctr LP	46,538,059	4	2.05%	BP Solvay	37,068,510	4	2.45%
Equistar Chemicals LP	45,773,036	5	2.02%	PPG Industries	35,723,480	5	2.36%
Ineos USA LLC	37,999,780	6	1.68%	Attofin Petrochemicals	26,149,430	6	1.74%
Underwood Distribution Ctr LP	31,439,659	7	1.39%	Centerpoint Energy	23,112,520	7	1.53%
Port Crossing Land LP	22,252,057	8	0.98%	Dow Chemicals	20,718,750	8	1.38%
Dow Chemical	22,134,869	9	0.98%	DuPont Dow Elastomers	15,866,540	9	1.05%
Total Petrochemicals	21,932,946	10	0.97%	Calpine Corporation	13,005,700	10	0.86%
Subtotal	384,338,928		16.97%		312,947,320		20.69%
Other Taxpayers	1,880,578,150		83.03%		1,199,717,200		79.31%
Total	\$ 2,264,917,078		100.00%		\$ 1,512,664,520		100.00%

Source: Harris County Tax Assessor-Collector's records.

CITY OF LA PORTE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Exhibit 8

Fiscal Year Ended Sept 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
2003	\$ 10,826,184	\$ 10,491,257	96.9%	\$ 299,605	\$ 10,790,862	99.7%
2004	11,178,351	10,829,202	96.9%	303,169	11,132,371	99.6%
2005	11,669,473	11,334,572	97.1%	277,530	11,612,102	99.5%
2006	12,080,351	11,755,121	97.3%	275,147	12,030,268	99.6%
2007	12,703,850	12,418,873	97.8%	242,471	12,661,344	99.7%
2008	13,857,467	13,476,872	97.3%	345,229	13,822,101	99.7%
2009	15,654,937	15,377,149	98.2%	208,091	15,585,240	99.6%
2010	16,542,483	16,309,818	98.6%	118,901	16,428,719	99.3%
2011	15,871,498	15,599,930	98.3%	164,780	15,764,710	99.3%
2012	16,080,911	15,860,664	98.6%	-	15,860,664	98.6%

CITY OF LA PORTE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Certificates of Obligation Bonds	Other Obligation	Revenue Bonds	General Obligation Bonds	Other Obligations
2003	\$ 6,770	\$ 2,550	\$ 5,400	\$ 750	\$ 1,040	\$ 7,293
2004	5,430	2,400	5,400	625	585	6,904
2005	11,925	11,050	5,400	500	145	6,500
2006	12,610	16,405	5,130	375	-	8,680
2007	12,070	24,055	4,860	250	-	7,958
2008	11,475	23,265	4,590	125	-	7,210
2009	10,870	22,445	4,320	-	-	6,443
2010	11,665	26,350	4,050	-	-	5,660
2011	10,940	25,605	3,780	-	-	4,813
2012	17,050	20,150	1,620	-	-	3,945

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See Demographic and Economic Statistics for personal income and population data.

Exhibit 9

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 23,803	N/A	\$ 704
21,344	N/A	633
35,520	N/A	1,028
43,200	N/A	1,240
49,193	N/A	1,413
46,665	N/A	1,320
44,078	N/A	1,241
47,725	N/A	1,298
45,138	N/A	1,322
42,765	N/A	1,212

CITY OF LA PORTE, TEXAS

Exhibit 10

**RATIO OF GENERAL BONDED DEBT TO TAXABLE VALUE,
GENERAL BONDED DEBT PER CAPITA,
AND TAXABLE VALUE OF ALL PROPERTY
Last Ten Fiscal Years
(dollars in thousands, except per capita)**

Fiscal Year	Tax Year	General Obligation Bonds	Certificates of Obligation	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
2003	2002	\$ 14,720	\$ 2,550	\$ 1,797	\$ 15,473	1.0%	N/A	\$ 382
2004	2003	10,830	2,400	1,584	11,646	0.7%	N/A	345
2005	2004	17,325	11,050	1,705	26,670	1.6%	N/A	772
2006	2005	17,740	16,405	1,814	32,331	1.9%	N/A	928
2007	2006	16,930	24,055	1,926	39,059	2.2%	N/A	1,105
2008	2007	16,065	23,265	2,000	37,330	1.9%	N/A	1,051
2009	2008	15,190	22,445	2,151	35,484	1.6%	N/A	965
2010	2009	15,715	26,350	3,118	38,947	1.7%	N/A	1,152
2011	2010	14,720	25,605	3,113	37,212	1.7%	N/A	1,090
2012	2011	18,670	20,150	3,091	35,729	1.6%	N/A	1,013

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

(2) Population data can be found in demographic and economic statistics table.

CITY OF LA PORTE, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 September 30, 2012
 (dollars in thousands, except per capita)

Exhibit 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Harris County	\$ 2,223,167,190	0.82%	\$ 18,229,971
Harris County Department of Education	7,795,000	0.82%	63,919
Harris County Flood Control District	100,020,000	0.82%	820,164
Harris County Toll Road - Toll Road Bonds ^a	-	0.82%	-
La Porte ISD	208,845,000	37.88%	79,110,486
Port of Houston Authority	745,874,396	0.82%	6,116,170
San Jacinto Jr. College District	<u>305,260,568</u>	6.15%	<u>18,773,525</u>
 Total Net Overlapping Debt	 \$ 3,590,962,154		 123,114,235
 City of La Porte direct debt^b	 38,820,000	 100%	 <u>38,820,000</u>
 Total direct and overlapping debt			 <u><u>\$ 161,934,235</u></u>

^a Harris County Toll Road debt is considered self-supporting.

^b Approximately \$16,152,236 of the City's outstanding debt is self-supporting

Source: Texas Municipal Reports

Percentages are based on total property values

CITY OF LA PORTE, TEXAS

Exhibit 12

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2003	\$5,837,448	\$5,025,158	\$ 812,290	\$ 580,000	\$ 115,948	\$ 695,948	1.2
2004	5,836,221	5,125,635	710,586	580,000	71,293	651,293	1.1
2005	6,193,451	5,259,943	933,508	565,000	43,161	608,161	1.5
2006	7,438,016	5,389,783	2,048,233	270,000	111,712	381,712	5.4
2007	6,722,774	5,681,548	1,041,226	262,500	106,828	369,328	2.8
2008	8,916,777	5,653,497	3,263,280	387,500	91,605	479,105	6.8
2009	7,920,114	5,743,725	2,176,389	387,500	76,350	463,850	4.7
2010	7,822,294	6,514,343	1,307,951	525,000	216,458	741,458	1.8
2011	8,569,767	6,458,483	2,111,284	585,000	104,488	689,488	3.1
2012	8,383,162	6,641,482	1,741,680	605,000	88,150	693,150	2.5

⁽¹⁾ Total revenues including interest

⁽²⁾ Total operating expenses less depreciation

CITY OF LA PORTE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Exhibit 13

Fiscal Year Ended Sept. 30,	Population (1)	Personal Income⁽²⁾	Per Capita Personal Income⁽²⁾	Median Age⁽³⁾	School Enrollment⁽⁴⁾	Unemployment Rate⁽⁵⁾
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%
2008	35,518	N/A	N/A	N/A	7,940	5.2%
2009	36,779	N/A	N/A	N/A	7,830	9.4%
2010	33,800	N/A	N/A	33	7,781	8.2%
2011	34,138	N/A	N/A	33	7,732	9.0%
2012	35,280	N/A	N/A	33	7,751	6.3%

Data sources:

- (1) Estimated population provided by city staff
- (2) Personal income and per capita personal income is currently unavailable
- (3) Median age data prior to 2010 is not available, median age provided by 2010 Census
- (4) School enrollment provided by La Porte Independent School District
- (5) Unemployment rates provided from the Bureau of Labor Statistics

CITY OF LA PORTE, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Six Years Ago

Exhibit 14

2012			2006		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Total Petrochemicals USA, Inc.	1,500	4.74%	La Porte ISD	1,000	5.29%
La Porte Independent School District	1075	3.39%	E.I. DuPont De Nemours & Co.	580	3.07%
International Plant Services LLC	1000	3.16%	City of La Porte	368	1.95%
Rockwood Service Corporation	700	2.21%	Fumanite Worldwide	334	1.77%
Longview Inspection, Inc.	664	2.10%	A & L Industrial Services Inc	300	1.59%
JP&D Digital Satellite Systems, Inc.	600	1.89%	CCC Group, Inc	300	1.59%
E. I. Du Pont De Menours and Company	500	1.58%	Aker Kvaerner Industrial Constructors, Inc	250	1.32%
Katoen Natie USA, Inc.	500	1.58%	James H. Jackson Industries Inc	250	1.32%
Sulzer Turbo Systems Intl	400	1.26%	Occidental Chemical Corp.	175	0.92%
City of La Porte	388	1.23%	Intercontinental Terminal Co.	160	0.85%
Total	7,327	23.14%	Total	3,717	19.67%

Source: Centerpoint Energy

Note: This list includes companies within the City limits of La Porte and within the industrial districts.

CITY OF LA PORTE, TEXAS

Exhibit 15

FULL-TIME EMPLOYEES BY FUNCTION/PROGRAM

Last Eight Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government	76	76	80	79	78	79	90	90
Public Safety:	135	138	147	142	143	144	144	151
Public Works	32	32	32	32	32	32	32	32
Health and Sanitation	22	21	21	22	22	22	24	24
Culture and recreation	47	45	44	45	45	46	46	46
Water services	26	27	25	25	25	25	25	25
Sewer Services	20	20	20	20	20	20	20	20
Golf Course	13	13	12	12	12	12	-	-
Sylvan Beach								
Convention Center	3	3	4	4	4	-	-	-
Total	<u>374</u>	<u>375</u>	<u>385</u>	<u>381</u>	<u>381</u>	<u>380</u>	<u>381</u>	<u>388</u>

CITY OF LA PORTE, TEXAS
OPERATING INDICATORS BY FUNCTION / PROGRAM
Last Ten Fiscal Years

Function / Program	Fiscal Year				
	2003	2004	2005	2006	2007
Police					
Physical arrests	2,271	2,000	2,330	2,465	2,489
Tickets processed	9,605	6,593	6,877	8,212	9,652
Fire					
Number of calls answered	976	1,343	1,747	2,028	1,603
Inspections	N/A	500	500	N/A	600
Highways and streets					
Street resurfacing (linear feet)	27,800	33,800	22,975	27,835	22,100
Potholes repaired	413	524	531	321	1,260
Sanitation					
Cu. Yds. Garbage collected	28,243	29,675	30,022	30,795	29,279
Cu. Yds Trash collected	50,111	54,875	49,140	49,140	52,250
Culture and recreation					
Fitness center admissions	76,311	84,353	81,868	70,558	62,828
Water					
Number of water meters	10,987	11,189	11,391	11,592	11,743
Average daily consumption (millions of gallons)	4.0	3.8	4.1	3.9	3.8
Water main breaks	440	299	437	483	467
Wastewater					
Average daily sewage treatment (thousands of gallons)	3.9	4.0	3.5	2.8	3.9
Golf Course					
Number of Paid Rounds Played	38,594	38,901	34,961	32,731	32,433

Source: Various City departments

Notes: N/A - Data not available

Exhibit 16

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
2,642	2,737	2,538	2,354	2,311
15,352	16,098	16,603	14,619	13,221
1,799	1,409	1,559	1,483	1,195
320	600	690	725	812
19,887	23,559	38,365	60,472	69,580
996	1,012	1,236	465	1,173
29,282	29,894	29,642	27,961	42,589
48,136	78,900	48,368	45,778	54,641
62,245	53,401	78,118	64,989	64,279
11,913	11,968	12,015	12,061	12,129
4.0	4.0	3.9	4.6	4.3
455	498	417	666	311
3.2	2.8	3.7	2.8	3.3
35,839	36,009	31,271	34,848	34,038

CITY OF LA PORTE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
Last Ten Fiscal Years

Function / Program	Fiscal Year				
	2003	2004	2005	2006	2007
Public Safety					
Police Station	1	1	1	1	1
Police Officers	72	72	72	73	74
Reserve Officers	5	5	5	5	6
Fire Stations	4	4	4	4	4
Sanitation					
Collection trucks	14	14	14	14	14
Highways and streets					
Streets (miles)	164	164	211	217	211
Streetlights	1,533	1,665	2,192	1,803	1,804
Traffic signals	3	3	3	3	3
Culture and recreation					
Parks acreage	463	463	337	339	347
Parks	19	19	21	21	22
Swimming pools	6	6	6	6	6
Recreation Centers	1	1	1	1	1
Senior Center	1	1	1	1	1
Water and Sewer					
Water mains (miles)	231	231	165	168	176
Fire hydrants	1,800	1,800	1,800	1,800	1,076
Sanitary Sewers (miles)	187	187	187	187	189
Storm sewers (miles)	89	89	89	92	92

Source: City Departments

Exhibit 17

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1	1	1	1	1
74	74	75	75	74
2	1	2	2	2
4	4	4	4	4
14	14	14	14	12
295	126	126	126	125
2,400	2,387	2,387	2,415	2,415
3	7	5	5	6
347	356	356	356	188
22	21	21	21	22
6	6	5	5	5
1	1	4	4	3
1	1	1	1	1
178	180	180	181	182
1,161	1,168	1,179	1,186	1,199
189	191	191	192	192
92	92	95	97	60