

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**CITY OF LA MARQUE, TEXAS**

**FOR THE FISCAL YEAR ENDED**

**SEPTEMBER 30, 2006**

**PREPARED BY**

**THE DEPARTMENT OF FINANCE**

**CITY OF LA MARQUE, TEXAS**

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

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## **INTRODUCTORY SECTION**



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**MAYOR** - Larry Crow, Sr.  
**MAYOR PRO-TEM** - Hank Wrenn  
**COUNCIL MEMBERS** - Keith Bell, Bill Charbonneau, Larry Mann  
**CITY MANAGER** - Robert F. Ewart

March 26, 2007

Honorable Larry E. Crow, Sr., Mayor  
Members of the City Council  
City of La Marque, Texas

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report of the City of La Marque, Texas, for the fiscal year ended September 30, 2006.

This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City financial affairs have been included.

The financial statements of the City of La Marque have been audited by Null-Lairson, P.C. Certified Public Accountants in order to provide reasonable assurance that the financial statements of the City of La Marque for the fiscal year ended September 30, 2006 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts 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's Report reflects an unqualified opinion that the City of La Marque's financial statements for the fiscal year ended September 30, 2006, are fairly presented in conformity with GAAP. The Independent Auditor's Report is included as the first component of the financial section of the report.

## **THE REPORT**

This Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The introductory section includes this transmittal letter, a listing of the City Officials and an organizational chart of the City. The financial section includes a Management and Discussion Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules, as well as the independent auditors' report on the basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City of La Marque's MD&A can be found immediately following the report of the independent auditors. The statistical section includes financial and demographic information, usually presented on a multi-year basis that is relevant to a financial statement reader.

The Financial Section described above is prepared in accordance with generally accepted accounting principals for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.



The financial reporting entity (the government) includes all funds of the primary government, the City of La Marque, as well as its component unit. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The La Marque Economic Development Corporation is reported as a discretely presented component unit.

## **CITY PROFILE**

### Location

The City is located in the Gulf Coast area of Texas just north of Galveston. La Marque is only 45 miles south of Houston and less than 20 miles south of NASA's Johnson Space Center, and is readily accessible via the Interstate Highway 45 corridor. The City encompasses 14.8 square miles with a population of approximately 13,805 and shares its boundaries with Texas City and Hitchcock.

### Organization

Originally part of the Republic of Texas Land Grant, the area prospered along with the growth of the petrochemical industry in Texas City, and was incorporated in 1953 under the provisions of the Home Rule City Act. The City operates under a Council-Manager form of government comprised of a Mayor and four council members, and is responsible for enacting legislation in the form of ordinances, resolutions, and regulations governing the City. The City has an Economic Development Corporation, Building Standards Commission, Clean City Commission and Planning Commission. The City Manager is the chief administrative officer of the City, and is responsible for enforcement of laws and ordinances, as well as appointment of various department heads of the municipal organization.

### Services Provided

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City can provide at the least cost. Major services provided under general government and enterprise functions are: police, fire and ambulance, streets, water and wastewater utilities, solid waste, code enforcement, parks and recreation, public library, public improvements, community development, planning and general administrative services.

### Accounting System and Budgetary Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls as deemed appropriate by the City Manager. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by the City Manager. All internal control evaluations occur within the above framework. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding (1) safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The City believes that its internal accounting controls adequately safeguard and provide reasonable assurance from improper recording of financial transactions. The City's accounting controls are designed to provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned duties.

The City's annual budget is the basis for La Marque's financial planning and control. All departments submit requests for appropriation to the City manager. These requests are the starting point for developing a proposed budget. The City manager then presents this proposed budget to the City council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of La Marque's fiscal year. The appropriated budget is prepared by fund, function, department and category. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds, other than general fund, with appropriated annual budgets, this comparison is presented in the nonmajor governmental funds subsection of this report.



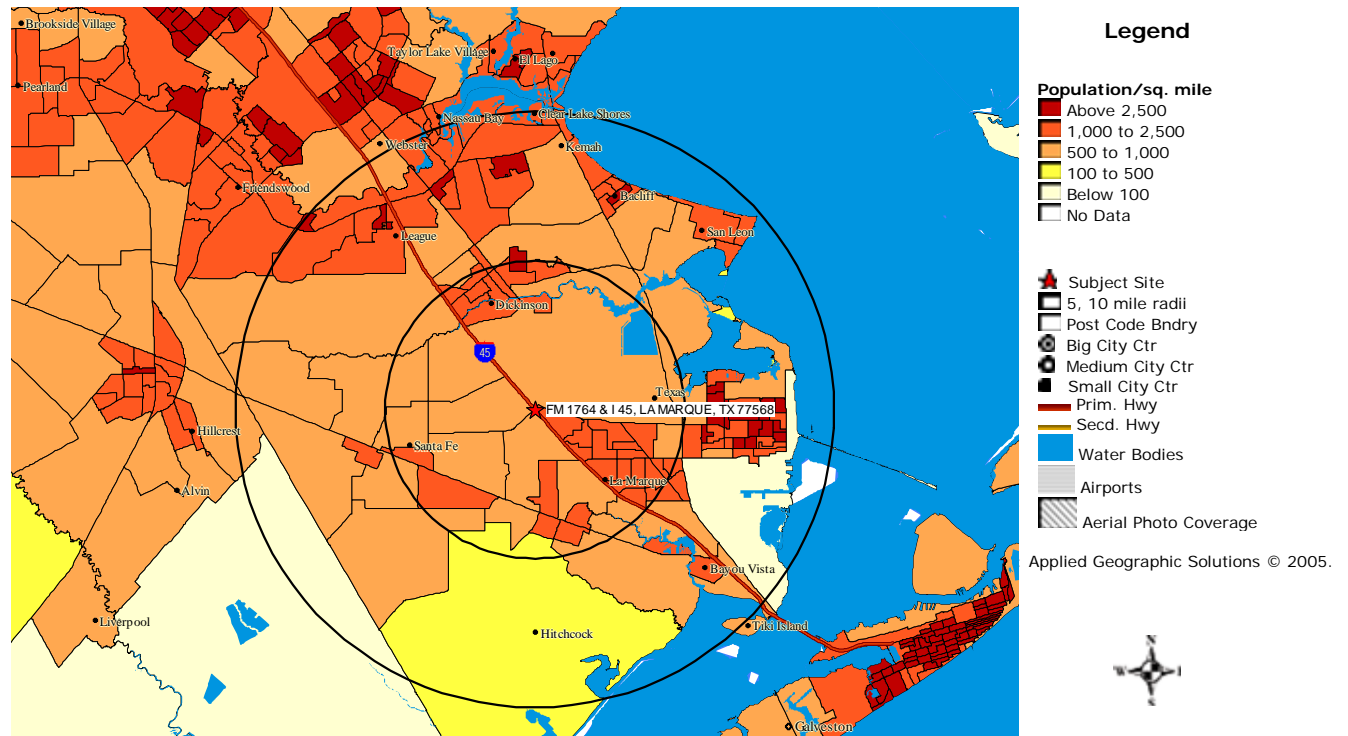
Activities of the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds are included in the annual appropriated budget. Budgetary control (the level at which expenditures cannot legally exceed appropriations) is maintained at the departmental level.

**ECONOMIC OUTLOOK AND FINANCIAL CONDITION**

La Marque is located on the upper Texas coast of the Gulf of Mexico along the Interstate 45 corridor in central Galveston County. La Marque is twenty minutes south of the city of Houston and 15 minutes north of Galveston Island. The City has traditionally been a bedroom community, but is now experiencing tremendous growth in both residential and commercial areas. The educational system centers around three college-level institutions: The University of Texas Medical Branch at Galveston, College of the Mainland of Texas City, and Galveston Community College at Galveston.

**Local Economy**

The western portion of the city along Interstate 45 is leading the explosive commercial development, which started several years ago with the building of Gulf Greyhound Park, touted as the world’s largest greyhound race track. The neighboring area is now home to the 226,000 square foot Wal-Mart Super Center, which opened in April 2003. The Wal-Mart opening has spurred other commercial developments such as La Marque Center, Bay Park Shopping Center, and La Marque Crossing Shopping Center, all housing a variety of specialty retail stores, restaurant and entertainment facilities.



**Future Economic Outlook**

New residential development is being forecast at an explosive rate within a ten mile proximity of the City with approximately 62,604 new residential housing starts projected, of which 30% are projected for La Marque.

Additionally, the 2010 population is expected to increase 10.4% more than 2005 projections. This region also boasts a high educational attainment with 63% of the population over 25 having some college or more attributing to the average income of \$60,838, median household income of \$50,846, and per capita income of \$23,685.

Cash management policies and practices

Cash temporarily idle during the year was invested in certificate of deposits, U.S. Agency securities, mutual funds and investment pools. Maturities of these investments range from one day to eighteen months. Interest rates on these investments range from 4.74% to 5.32%. The primary objectives of the City's investment policy, in priority order, are safety (preservation of capital), liquidity (to provide adequate and timely working funds), and return on investment (obtaining a rate of return commensurate with investment risk constraints and cash flow needs).

Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. In addition, a designation for self-insurance has been established in the General and Enterprise Funds to provide a designation of funds to cover the risk of loss for physical damage to vehicles. This designation is not, nor is it intended to be a traditional self-insurance program. It is rather a designation of funds established to meet deductibles under the City's commercial insurance coverage.

**AWARDS AND ACKNOWLEDGEMENTS**

Awards

This report has been prepared in accordance with guidelines established by the Government Finance Officers Association (GFOA) for its Certificate of Achievement for Excellence in Financial Reporting. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2005. This was the twelfth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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.

Acknowledgments The preparation of the CAFR on a timely basis was made possible by the efforts of the City audit firm, Null-Lairson, P.C., along with the City Finance department. Other departments within the City were cooperative in providing essential information to the Finance Department in a timely and professional manner and we extend our thanks to responsible persons in those departments. In addition, we thank the Mayor and members of the City Council for the responsible decisions they have made in the interest of preserving the financial integrity of the City of La Marque.

Respectfully submitted,



Robert Ewart  
City Manager



Susan Lang, CGFO  
Director of Finance



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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of La Marque  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2005

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



President

Executive Director

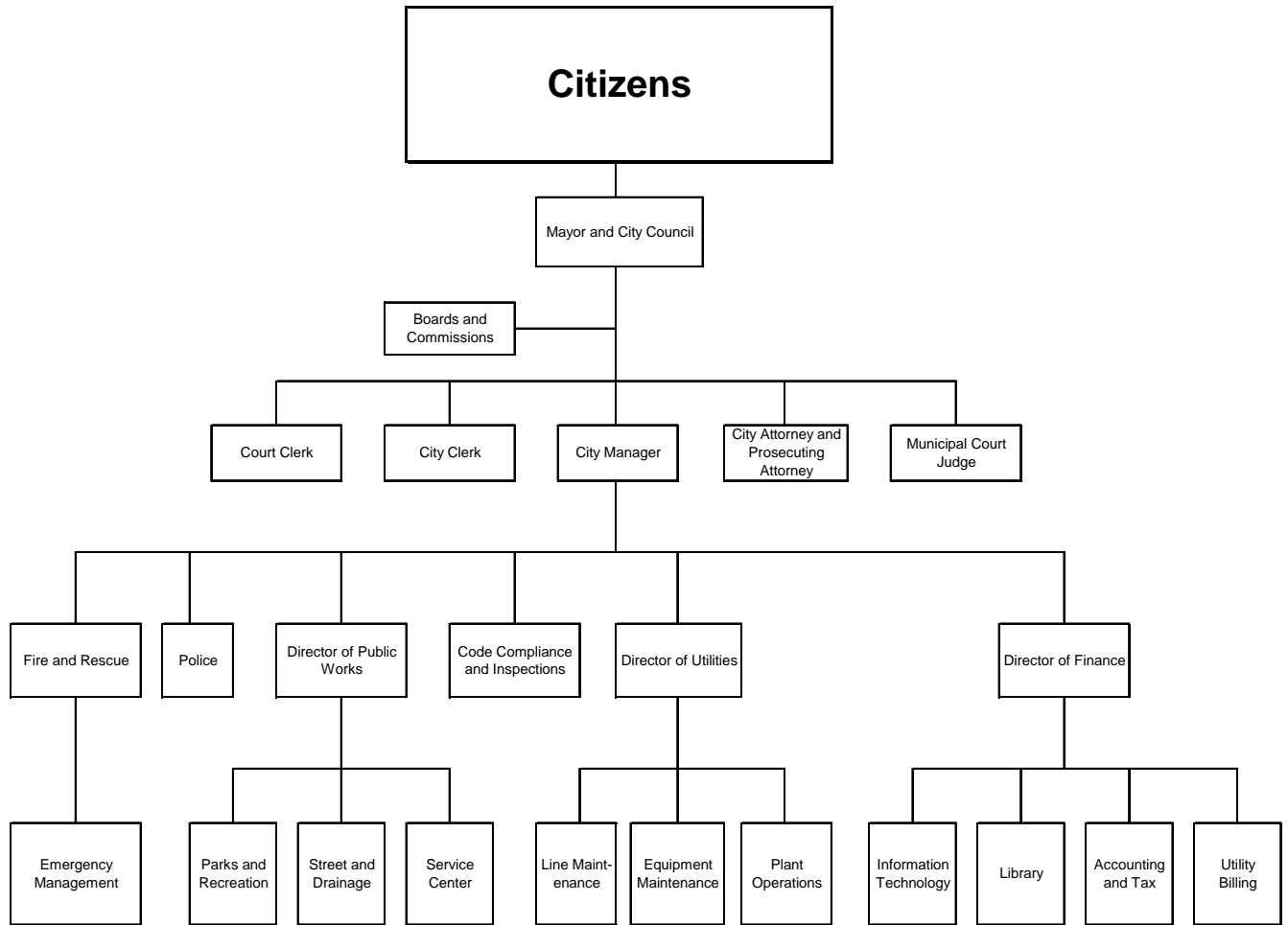


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# City of La Marque, Texas

## *Organizational Chart*





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## CITY COUNCIL

LARRY E. CROW, SR.  
Mayor

HANK WRENN  
Mayor Pro-Tem

KEITH BELL  
Councilman



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BILL CHARBONNEAU  
Councilman

LARRY MANN  
Councilman

ROBERT EWART  
City Manager





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## **FINANCIAL SECTION**



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Galveston, TX 77550  
(409) 762-8380

## INDEPENDENT AUDITORS' REPORT

The Honorable Larry E. Crow, Sr., Mayor  
Members of the City Council  
1111 Bayou Road  
La Marque, Texas 77568-4299

Members of the City Council:

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 Marque, Texas as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of La Marque's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The management's discussion and analysis on pages 19 through 26, the general fund budgetary comparison information on pages 36 through 37 and the schedule of funding progress on page 83, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Marque's basic financial statements. The introductory section, combining and individual fund statements and schedules that include: combining financial statements for nonmajor governmental funds, internal service funds and fiduciary funds; individual fund annual budgetary comparison schedules; combined schedule of investments; schedule of changes in taxes receivable; combined schedule of bonds and other long-term debt; and, debt service requirements to maturity; and, statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules that include: combining financial statements for nonmajor governmental funds and internal service funds; individual fund annual budgetary comparison schedules; combined schedule of investments; schedule of changes in taxes receivable; combined schedule of bonds and other long-term debt; and, debt service requirements to maturity have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Null-Lairson, PC*

**NULL-LAIRSON, PC**  
*Texas City, Texas*  
*March 26, 2007*



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Comprehensive Annual Financial Report, we present a narrative overview and analysis of the financial activities of the City of La Marque for the fiscal year ended September 30, 2006. Please read it in conjunction with the independent auditors' report, our letter of transmittal and the City's Basic Financial Statements.

### FINANCIAL HIGHLIGHTS

- The assets of the City of La Marque exceeded its liabilities at the close of the most recent fiscal year by \$19,698,428 (*net assets*). Of this amount, \$5,050,891 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,156,205 as a result of this year's operations.
- During the year, the City had expenses that were \$532,225 less than the \$9,872,615 generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues exceeded expenses by \$204,700. The current year revenues in excess of expenses were due primarily to increased property and sales tax collections as well as charges for services.
- As of the close of the current fiscal year, the City of La Marque's governmental funds reported combined ending fund balances of \$6,809,683, an increase of \$548,665 in comparison with the prior year.
- The General Fund ended the year with a fund balance of \$2,459,744.
- The resources available for appropriation were \$283,172 more than budgeted for the General Fund.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of La Marque's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of La Marque'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 of La Marque is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 of La Marque 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 user fees and charges (*business-type activities*). The governmental activities of the City of La Marque include general government, public safety, public works and sanitation. The business-type activities of the City of La Marque include the Utility Fund and Water and Sewer System Revenue and Interest and Sinking Funds.



The government-wide financial statements include not only the City of La Marque (the *primary government*), but also a legally separate Economic Development Corporation for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

**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 of La Marque, 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *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 of La Marque maintains nine 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 fund and capital projects Street and Drainage (2005) which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of La Marque 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.

**Proprietary funds.** The City of La Marque maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of La Marque uses enterprise funds to account for its Utility Fund and Water and Sewer System Revenue and Interest and Sinking Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of La Marque uses internal service funds to account for its equipment replacement and for its equipment maintenance insurance. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund and for the Water and Sewer System Revenue and Interest and Sinking Funds, all of which are considered to be major funds of the City of La Marque. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of La Marque's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of La Marque maintains two individual fiduciary funds which are combined into a single, aggregated presentation. Data for each individual fiduciary fund is provided in the form of *combining statements* elsewhere in 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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of La Marque's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of La Marque, assets exceeded liabilities by \$19,698,428 at the close of the most recent fiscal year.

By far the largest portion of the City of La Marque's net assets (54 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related 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 of La Marque's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### City of La Marque's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets:</b>						
Current and other assets	\$ 10,025,125	\$ 8,737,389	\$ 5,324,323	\$ 4,846,450	\$ 15,349,448	\$ 13,583,839
Capital assets	3,510,544	3,169,809	17,366,996	18,458,337	20,877,540	21,628,146
Total assets	<u>13,535,669</u>	<u>11,907,198</u>	<u>22,691,319</u>	<u>23,304,787</u>	<u>36,226,988</u>	<u>35,211,985</u>
<b>Liabilities:</b>						
Long-term liabilities	4,535,838	4,847,293	10,042,554	10,554,620	14,578,392	15,401,913
Other liabilities	1,322,447	697,310	627,721	570,539	1,950,168	1,267,849
Total liabilities	<u>5,858,285</u>	<u>5,544,603</u>	<u>10,670,275</u>	<u>11,125,159</u>	<u>16,528,560</u>	<u>16,669,762</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	3,072,404	2,726,395	7,656,487	8,253,056	10,728,891	10,979,451
Restricted	3,621,242	418,911	297,404	297,191	3,918,646	716,102
Unrestricted	983,738	3,217,289	4,067,153	3,629,381	5,050,891	6,846,670
Total net assets	<u>\$ 7,677,384</u>	<u>\$ 6,362,595</u>	<u>\$ 12,021,044</u>	<u>\$ 12,179,628</u>	<u>\$ 19,698,428</u>	<u>\$ 18,542,223</u>

An additional portion of the City of La Marque's net assets (19.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$5,050,891) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of La Marque has 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.

There was an increase of \$213 in restricted net assets reported in connection with the City of La Marque's business-type activities resulting from increased investment earnings on restricted investments.

The government's net assets increased by \$1,156,205 during the current fiscal year primarily due to increased property and sales tax revenue, investment earnings and increases in charges for services.

### City of La Marque's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 2,395,708	\$ 2,117,868	\$ 4,233,425	\$ 3,957,986	\$ 6,629,133	\$ 6,075,854
Operating grants and contributions	696,743	684,501	14,557	-	711,300	684,501
General revenues:						
Property taxes	2,840,318	2,461,204	-	-	2,840,318	2,461,204
Other taxes	3,404,723	3,188,918	-	-	3,404,723	3,188,918
Unrestricted investment earnings	379,188	135,922	144,351	78,336	523,539	214,258
Other revenue	146,038	48,708	3,440	39,390	149,478	88,098
Total revenues	<u>9,862,718</u>	<u>8,637,121</u>	<u>4,395,773</u>	<u>4,075,712</u>	<u>14,258,491</u>	<u>12,712,833</u>
Expenses:						
General government	1,278,647	1,648,150	-	-	1,278,647	1,648,150
Public safety	4,645,576	4,013,207	-	-	4,645,576	4,013,207
Public works	1,338,798	1,455,906	-	-	1,338,798	1,455,906
Sanitation	968,143	949,185	-	-	968,143	949,185
Urban housing and rehabilitation	257,455	334,786	-	-	257,455	334,786
Interest on long-term debt	181,040	87,263	-	-	181,040	87,263
Business-type activity - Utility	-	-	4,130,361	3,635,149	4,130,361	3,635,149
Business-type activity - Water & sewer	-	-	302,266	312,753	302,266	312,753
Total expenses	<u>8,669,659</u>	<u>8,488,497</u>	<u>4,432,627</u>	<u>3,947,902</u>	<u>13,102,286</u>	<u>12,436,399</u>
Increase (decrease) in net assets						
before transfers	1,193,059	148,624	(36,854)	127,810	1,156,205	276,434
Transfers	121,730	71,170	(121,730)	(71,170)	-	-
Increase (decrease) in net assets	<u>1,314,789</u>	<u>219,794</u>	<u>(158,584)</u>	<u>56,640</u>	<u>1,156,205</u>	<u>276,434</u>
Net assets - October 1 (beginning)	6,362,595	6,142,801	12,179,628	12,122,988	18,542,223	18,265,789
Net assets - September 30 (ending)	<u>\$ 7,677,384</u>	<u>\$ 6,362,595</u>	<u>\$ 12,021,044</u>	<u>\$ 12,179,628</u>	<u>\$ 19,698,428</u>	<u>\$ 18,542,223</u>

**Governmental activities.** Governmental activities increased the City of La Marque's net assets by \$1,314,789. Business-type activities generated a decrease of \$158,584 resulting in a combined net increase of \$1,156,205. Key elements of this decrease are as follows:

- Property taxes increased by \$379,114 (15.4 percent) during the year. The increase is the result of property value increases and new construction within the City.
- Other taxes increased by \$215,805 (6.8 percent) during the year. The increase is the result of increase sales taxes resulting from increased retail sales within the City.
- Charges for services increased by \$553,279 (9.1 percent) during the year. The increase is the result of increased rates charged to customers and increased usage by customers.
- Investment earnings increased by \$309,281 (144.3 percent) during the year. The increase is the result of rising rates of return on investments.
- Increases in expense closely paralleled inflation and growth in the demand for services.
  1. General government expenses decreased \$369,503 (22.4 percent) due to decreases in data processing fees associated with a new software conversion, a benefit package for the retiring City Manager in 2005 and internal shop credits being charged to public works rather than general government.
  2. Public safety expenses increased \$632,369 (15.8 percent) primarily due to the start-up and operation of the City staffed ambulance service.

**Business-type activities.** Business-type activities decreased the City of La Marque's net assets by \$158,584. Key elements of this decrease are as follows:

- Charges for services for business-type activities were sufficient to cover operating expenses and debt service payments. Operating transfers out to governmental activities of \$121,730 accounted for 77 percent of the decrease in business-type activities net assets.

### **Financial Analysis of the Government's Funds**

The City of La Marque uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of La Marque's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of La Marque's governmental funds reported combined ending fund balances of \$6,809,683, an increase of \$548,665 as compared to the prior year. *Unreserved fund balance*, which is available for spending at the government's discretion, totaled \$2,857,435. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$427,028), 2) for capital projects (\$3,291,067), 3) for prepaid expenditures (\$9,541), 4) invested in inventory (\$42,641), 5) for park improvements (\$54,270), 6) for judicial security and technology (\$48,989), 7) for special revenue fund expenditures (\$48,597) and 7) for other purposes (\$30,115).

The general fund is the chief operating fund of the City of La Marque. At the end of the current fiscal year, *unreserved fund balance* amounted to \$2,274,188, while total fund balance amounted to \$2,459,744. As a measure of the general fund's liquidity, it may be useful to compare both fund balance reserved for future expenditures and total fund balance, to total fund expenditures. Unreserved fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of the City of La Marque's general fund increased by \$617,578 during the current fiscal year. Key factors in this growth are as follows:

- Increased assessed values and the City's tax rate resulted in an increase in property tax revenue of \$348,458.
- Increased retail sales within the City resulted in an increase in sales tax revenue of \$230,933.
- Prior year increases in rates charged to customers for refuse collection resulted in an increase in charges for services of \$359,244.
- A grant was received from the Texas Department of Health and Human Services in the amount of \$99,500 to upgrade police and fire equipment contributed to the \$113,284 increase in intergovernmental revenue.

The debt service fund has a total fund balance of \$427,028, all of which is reserved for debt service. The net increase in fund balance during the current year in the debt service fund was \$8,117.

**Proprietary funds.** The City of La Marque's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

Unrestricted net assets of the Utility Fund at the end of the year totaled \$3,870,656 and total net assets were \$11,531,754. The Water and Sewer System Revenue Fund net assets totaled \$489,290. The total change in net assets for these funds was a decrease of \$280,925 and an increase of \$122,341, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of La Marque's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget resulted in an overall decrease in appropriations of \$107,435 summarized as follows:

- \$53,766 in decreases in general government activities
- \$115,213 in increases allocated to public safety
- \$113,077 in decreases allocated to the public works
- \$21,281 in decreases allocated to sanitation
- \$34,524 in decreases allocated to capital outlay

The public safety increase was funded as follows:

- \$113,077 from a donation received from BP America

The general fund had a positive revenue variance of final budget to actual of \$238,172. One factor contributing to this positive variance was sales tax collections in excess of budget of \$41,681, due to continued growth in the retail market. In addition, property tax revenue also had a positive variance of \$91,737, which was primarily due to an increase in assessed value. Intergovernmental revenue was \$199,697 in excess of budget due to grant funds received from the Texas Department of State Health Services in the amount of \$99,500 for emergency equipment purchases. This revenue also included \$88,027 of FEMA funds received for Hurricane Rita. Charges for services exceeded budget by \$166,237 due primarily to an increase in sanitation and ambulance fees collected.

Public safety had a positive variance of \$23,131, which was caused by the fire department not using funds for extra help and repair expenditures as anticipated.

Public Works expenditures had a positive variance of \$20,005 which was attributed to budgeted capital outlay items not being purchased.

### **Capital Assets and Debt Administration**

**Capital assets.** The City of La Marque's investment in capital assets for its governmental and business type activities as of September 30, 2006, amounts to \$20,877,540 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, furniture and office equipment and construction in progress. The total decrease in the City of La Marque's investment in capital assets for the current fiscal year was 3.5 percent.

Major capital assets acquired during the current fiscal year included the following:

- Construction continued on the sanitary sewer rehabilitation manhole projects as well as planning and design on various drainage improvements; construction in progress as of the close of the fiscal year totaled \$466,872.
- A truck with emergency equipment was purchased for the fire department at a cost of \$98,450.
- Computer software for the Emergency Management and Police departments was purchased at a cost of \$75,000.

**City of La Marque's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	210,370	210,370	209,774	209,774	420,144	420,144
Buildings and improvements	1,461,123	1,530,867	34,388	37,829	1,495,511	1,568,696
Improvements other than buildings	-	-	16,896,152	18,020,598	16,896,152	18,020,598
Vehicles	423,657	411,215	101,073	135,331	524,730	546,546
Machinery and equipment	927,021	938,433	22,621	24,311	949,642	962,744
Furniture and office equipment	124,489	15,450	-	-	124,489	15,450
Construction in progress	363,884	63,474	102,988	30,494	466,872	93,968
	<u>\$ 3,510,544</u>	<u>\$ 3,169,809</u>	<u>\$ 17,366,996</u>	<u>\$ 18,458,337</u>	<u>\$ 20,877,540</u>	<u>\$ 21,628,146</u>

Additional information on the City of La Marque's capital assets can be found in note IV.D of this report.

**Long-term debt.** At the end of the current fiscal year, the City of La Marque had total bonded debt outstanding of \$13,550,000. Of this amount, \$3,625,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of La Marque's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of La Marque's Outstanding Debt**  
Certificates of Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Certificates of obligation	3,625,000	3,895,000	-	-	3,625,000	3,895,000
Revenue bonds and long-term contracts	-	-	9,925,000	10,440,000	9,925,000	10,440,000
	<u>\$ 3,625,000</u>	<u>\$ 3,895,000</u>	<u>\$ 9,925,000</u>	<u>\$ 10,440,000</u>	<u>\$ 13,550,000</u>	<u>\$ 14,335,000</u>

The City of La Marque's total debt decreased by \$785,000 (5.9 percent) during the current fiscal year due to principal payments in the amount of \$785,000 made on existing debt.

Although there is no legal debt limit in Texas, most municipal finance officers in the state hold the opinion that the Attorney General would not approve bonded indebtedness in excess of 10% of assessed value. The current debt limitation for the City of La Marque is \$57,831,870, which is significantly in excess of the City of La Marque's outstanding debt.

Additional information on the City of La Marque's long-term debt can be found in note IV.G of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- New housing starts are projected to reach 18,450 in the City.
- The unemployment rate for the City of La Marque remains unchanged at 10.2 percent. This is significantly higher than the state's average unemployment rate of 4.9 percent and the national average rate of 4.6 percent.
- A donation was received from a local oil refinery in the amount of \$139,000 to assist in the purchase of mobile computer and EMS equipment for the Police and Fire departments.
- Property tax collections for the governmental funds increased 11.9% in the current fiscal year.

These factors were considered in preparing the City of La Marque's budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$2,857,435. The City of La Marque has decreased the tax rate for the 2007 fiscal year budget to \$.5143 per \$100 assessed value.

Water and sewer rates have been maintained for the 2007 fiscal year at the same rate as the 2006 year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of La Marque's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 1111 Bayou Road, La Marque, Texas 77568.

## **BASIC FINANCIAL STATEMENTS**





*Set your sites on La Marque.*

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**CITY OF LA MARQUE, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

**EXHIBIT A-1**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>La Marque E.D.C.</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 308,905	\$ 336,857	\$ 645,762	\$ 376,145
Investments	8,671,382	533,047	9,204,429	2,729,967
Property taxes receivable, net of allowance for doubtful accounts	554,959	-	554,959	-
Other taxes receivable	660,158	-	660,158	135,687
Customer receivables, net of allowance for doubtful accounts	298,910	716,533	1,015,443	-
Other receivables	20,930	23,576	44,506	1,751
Internal balances	(618,482)	618,482	-	-
Due from primary government	-	-	-	323,856
Due from other governments	21,306	-	21,306	-
Inventories	42,641	-	42,641	386,550
Prepaid items	10,317	324	10,641	-
Deferred charges	54,099	253,809	307,908	-
Restricted assets				
Cash and cash equivalents	-	39,631	39,631	-
Investments	-	2,802,064	2,802,064	-
Capital assets (net of accumulated depreciation):				
Land	210,370	209,774	420,144	-
Buildings and improvements	1,461,123	34,388	1,495,511	-
Improvements other than buildings	-	16,896,152	16,896,152	-
Vehicles	423,657	101,073	524,730	-
Machinery and equipment	927,021	22,621	949,642	-
Furniture and office equipment	124,489	-	124,489	-
Construction in progress	363,884	102,988	466,872	-
Total assets	<u>13,535,669</u>	<u>22,691,319</u>	<u>36,226,988</u>	<u>3,953,956</u>
<b>LIABILITIES</b>				
Accounts payable	709,931	238,775	948,706	51,038
Accrued expenses	100,796	12,771	113,567	-
Payable to component unit	323,856	-	323,856	-
Interest payable	12,856	39,318	52,174	-
Due to other governments	1,786	-	1,786	-
Unearned revenue	173,222	-	173,222	-
Liabilities payable from restricted assets	-	336,857	336,857	-
Noncurrent liabilities:				
Due within one year	735,133	590,656	1,325,789	-
Due in more than one year	3,800,705	9,451,898	13,252,603	-
Total liabilities	<u>5,858,285</u>	<u>10,670,275</u>	<u>16,528,560</u>	<u>51,038</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,072,404	7,656,487	10,728,891	-
Restricted for capital projects	3,145,617	-	3,145,617	-
Restricted for debt service	427,028	297,404	724,432	-
Restricted for urban housing and rehabilitation	42,225	-	42,225	-
Restricted for other purposes	6,372	-	6,372	-
Unrestricted	983,738	4,067,153	5,050,891	3,902,918
Total net assets	<u>\$ 7,677,384</u>	<u>\$ 12,021,044</u>	<u>\$ 19,698,428</u>	<u>\$ 3,902,918</u>

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
Governmental activities:			
General government	\$ 1,278,647	\$ 30,382	\$ 2,641
Public safety	4,645,576	1,072,680	303,063
Public works	1,338,798	12,833	105,130
Sanitation	968,143	1,279,813	-
Urban Housing and rehabilitation	257,455	-	285,909
Interest on long-term debt	181,040	-	-
Total governmental activities	<u>8,669,659</u>	<u>2,395,708</u>	<u>696,743</u>
Business-type activities:			
Enterprise fund - Utility	4,130,361	4,233,425	14,557
Enterprise fund - Water and sewer	302,266	-	-
Total business-type activities	<u>4,432,627</u>	<u>4,233,425</u>	<u>14,557</u>
<b>Total primary government</b>	<u>\$ 13,102,286</u>	<u>\$ 6,629,133</u>	<u>\$ 711,300</u>
<b>Component Unit - LaMarque E.D.C.</b>	<u>\$ 465,414</u>	<u>\$ 355,000</u>	<u>\$ -</u>

**General revenues:**

- a Property taxes levied for general purposes
- b Property taxes levied for special purposes
- c Sales taxes
- d Gross receipts taxes
- e Hotel/Motel taxes
- f Other taxes
- g Unrestricted investment earnings
- h Other revenue

**i Transfers:**

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement

Capital Grants and Contributions	Primary Government			Component Unit La Marque E.D.C.
	Governmental Activities	Business-type Activities	Total	Total
\$ -	\$ (1,245,624)	\$ -	\$ (1,245,624)	\$ -
-	(3,269,833)	-	(3,269,833)	-
-	(1,220,835)	-	(1,220,835)	-
-	311,670	-	311,670	-
-	28,454	-	28,454	-
-	(181,040)	-	(181,040)	-
-	(5,577,208)	-	(5,577,208)	-
-	-	117,621	117,621	-
-	-	(302,266)	(302,266)	-
-	-	(184,645)	(184,645)	-
\$ -	(5,577,208)	(184,645)	(5,761,853)	
\$ -				(110,414)
a	2,395,560	-	2,395,560	-
b	444,758	-	444,758	-
c	2,461,681	-	2,461,681	820,560
d	824,017	-	824,017	-
e	50,222	-	50,222	-
f	68,803	-	68,803	-
g	379,188	144,351	523,539	106,981
h	146,038	3,440	149,478	15,792
i	121,730	(121,730)	-	-
	6,891,997	26,061	6,918,058	943,333
	1,314,789	(158,584)	1,156,205	832,919
	6,362,595	12,179,628	18,542,223	3,069,999
\$	\$ 7,677,384	\$ 12,021,044	\$ 19,698,428	\$ 3,902,918

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006**

**EXHIBIT B-1**

	<u>General</u>	<u>Capital Projects - 2005 Streets and Drainage</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 9,617	\$ -	\$ 299,288	\$ 308,905
Investments	1,281,983	3,694,659	1,939,462	6,916,104
Property taxes receivable, net	447,722	-	107,237	554,959
Other taxes receivable, net	654,692	-	5,466	660,158
Due from other funds	1,599,195	-	2,562	1,601,757
Due from other governments	-	-	21,306	21,306
Due from customers, net	298,910	-	-	298,910
Other receivables	20,828	-	102	20,930
Inventories	42,641	-	-	42,641
Prepaid expenditures	9,541	-	-	9,541
Other assets	776	-	-	776
Total assets	<u>\$ 4,365,905</u>	<u>\$ 3,694,659</u>	<u>\$ 2,375,423</u>	<u>\$ 10,435,987</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 602,598	\$ 1,495	\$ 105,306	\$ 709,399
Accrued expenditures	95,044	-	898	95,942
Due to other funds	482,481	402,097	1,010,267	1,894,845
Due to other governments	1,786	-	-	1,786
Deferred revenue	395,542	-	200,080	595,622
Bail bonds payable	4,854	-	-	4,854
Due to component unit	323,856	-	-	323,856
Total liabilities	<u>1,906,161</u>	<u>403,592</u>	<u>1,316,551</u>	<u>3,626,304</u>
<b><u>FUND BALANCE</u></b>				
Reserved for:				
Debt service	-	-	427,028	427,028
Inventory	42,641	-	-	42,641
Capital projects	-	3,291,067	-	3,291,067
Prepaid expenditures	9,541	-	-	9,541
Parks	54,270	-	-	54,270
Judicial security and technology	48,989	-	-	48,989
Special revenue funds	-	-	48,597	48,597
Other	30,115	-	-	30,115
Unreserved:				
Designated for:				
Self insurance:				
Reported in the general fund	40,000	-	-	40,000
Future expenditures:				
Reported in the general fund	2,234,188	-	-	2,234,188
Reported in special revenue funds	-	-	550,560	550,560
Reported in the capital projects fund	-	-	27,673	27,673
Undesignated, reported in:				
Special revenue funds	-	-	5,014	5,014
Total fund balance	<u>2,459,744</u>	<u>3,291,067</u>	<u>1,058,872</u>	<u>6,809,683</u>
Total liabilities and fund balances	<u>\$ 4,365,905</u>	<u>\$ 3,694,659</u>	<u>\$ 2,375,423</u>	<u>\$ 10,435,987</u>

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

**EXHIBIT B-2**

<b>Total fund balances - Governmental funds</b>	\$ 6,809,683
<b>1</b> The City uses internal service funds to charge the costs of certain activities, such as equipment maintenance insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	1,429,352
<b>2</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. At the beginning of the year, the cost of these assets was \$7,056,038 and the accumulated depreciation was \$3,728,673. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in governmental activities is to decrease net assets.	(1,669,862)
<b>3</b> Current year capital outlays are expenditures in the fund financial statements but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current year capital outlays is to increase net assets.	621,269
<b>4</b> The current year depreciation expense increases accumulated depreciation and is not recorded in the fund financial statements. The net effect of the current year's depreciation is to decrease net assets.	(280,534)
<b>5</b> Current year long-term debt principal payments are expenditures in the fund financial statements but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of including the debt principal payments is to increase net assets.	292,054
<b>6</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting. These include current year amortization of bond issuance costs, the net change in accrued interest payable, the net change in compensated absences payable and the net change in supplemental annuities. The net effect of these reclassifications and recognitions is to increase net assets.	53,022
<b>7</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net assets.	422,400
<b>Net assets of governmental activities</b>	<u>\$ 7,677,384</u>

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2006**

**EXHIBIT B-3**

	<u>General</u>	<u>Capital Projects - 2005 Streets and Drainage</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
<i>Taxes:</i>				
Property	\$ 2,478,937	\$ -	\$ 446,778	\$ 2,925,715
Sales	2,461,681	-	-	2,461,681
Gross receipts	824,017	-	-	824,017
Other	68,803	-	50,222	119,025
Licenses and permits	203,605	-	-	203,605
Intergovernmental revenue	202,338	-	285,930	488,268
Charges for services	1,583,328	-	-	1,583,328
Fines and forfeitures	588,903	-	-	588,903
Investment earnings	54,055	167,061	81,989	303,105
Reimbursement from component unit	82,816	-	-	82,816
Other revenue	226,574	-	65,578	292,152
<b>Total revenues</b>	<b><u>8,775,057</u></b>	<b><u>167,061</u></b>	<b><u>930,497</u></b>	<b><u>9,872,615</u></b>
<b><u>EXPENDITURES</u></b>				
<i>Current:</i>				
General government:	1,160,480	-	82,036	1,242,516
Public safety	4,510,025	-	1,000	4,511,025
Public works	1,242,042	500	996	1,243,538
Sanitation	958,372	-	-	958,372
Urban rehabilitation and housing	-	-	257,455	257,455
<i>Debt service:</i>				
Principal on long-term debt	-	-	292,054	292,054
Interest and fiscal charges	1,641	-	212,520	214,161
<i>Capital outlay:</i>				
Public safety	285,840	-	-	285,840
Public works	35,020	300,409	-	335,429
Sanitation	-	-	-	-
<b>Total expenditures</b>	<b><u>8,193,420</u></b>	<b><u>300,909</u></b>	<b><u>846,061</u></b>	<b><u>9,340,390</u></b>
Excess (Deficiency) of revenues over (under) expenditures	581,637	(133,848)	84,436	532,225
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer in	71,101	-	-	71,101
Transfers (out)	(36,180)	-	(19,501)	(55,681)
Proceeds from the disposal of assets	1,020	-	-	1,020
<b>Total other financing sources (uses)</b>	<b><u>35,941</u></b>	<b><u>-</u></b>	<b><u>(19,501)</u></b>	<b><u>16,440</u></b>
<b>Net change in fund balances</b>	<b>617,578</b>	<b>(133,848)</b>	<b>64,935</b>	<b>548,665</b>
Fund balances - October 1 (Beginning)	<u>1,842,166</u>	<u>3,424,915</u>	<u>993,937</u>	<u>6,261,018</u>
<b>Fund balances - September 30 (Ending)</b>	<b><u>\$ 2,459,744</u></b>	<b><u>\$ 3,291,067</u></b>	<b><u>\$ 1,058,872</u></b>	<b><u>\$ 6,809,683</u></b>

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2006**

**EXHIBIT B-4**

<b>Total net change in fund balances - Governmental funds</b>	\$ 548,665
1 The City uses internal service funds to charge the costs of certain activities, such as equipment maintenance insurance to appropriate functions in other funds. The income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net assets.	165,710
2 Current year capital outlays are reported as expenditures in the fund financial statements, but they are reported as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net assets.	621,269
3 Depreciation is not recognized as an expenditure in the governmental funds as it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(280,534)
4 Current year long-term debt principal payments are reported as expenditures in the fund financial statements, but they are reported as reductions in long-term debt in the government-wide financial statements. The net effect of removing the debt principal payments is to increase net assets.	292,054
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest, compensated absences and supplemental annuities. The net effect of these reclassifications and recognitions is to decrease net assets.	53,022
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net assets.	<u>(85,397)</u>
<b>Change in net assets of governmental activities</b>	<u>\$ 1,314,789</u>

The notes to the financial statements are an integral part of this statement



**CITY OF LA MARQUE, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>REVENUES</u></b>				
<i>Taxes:</i>				
Property	\$ 2,398,760	\$ 2,387,200	\$ 2,478,937	\$ 91,737
Sales	2,300,000	2,420,000	2,461,681	41,681
Gross receipts	815,900	822,200	824,017	1,817
Other	76,500	71,400	68,803	(2,597)
Licenses and permits	148,460	193,200	203,605	10,405
Intergovernmental revenue	2,641	2,641	202,338	199,697
Charges for services	1,386,445	1,417,091	1,583,328	166,237
Fines and forfeitures	587,510	583,345	588,903	5,558
Investment earnings	22,300	50,000	54,055	4,055
Reimbursement from component unit	84,460	75,300	82,816	7,516
Other revenue	167,550	469,508	226,574	(242,934)
Total revenues	<u>7,990,526</u>	<u>8,491,885</u>	<u>8,775,057</u>	<u>283,172</u>
<b><u>EXPENDITURES</u></b>				
<i>Current:</i>				
General government:				
General	272,120	249,578	243,674	5,904
City Manager	247,040	231,805	230,974	831
City Council	23,510	21,151	18,812	2,339
Finance and tax	318,280	324,788	326,594	(1,806)
Data processing	79,140	77,908	81,040	(3,132)
Library	248,711	244,805	243,255	1,550
Contingency	26,860	11,860	16,131	(4,271)
Total general government	<u>1,215,661</u>	<u>1,161,895</u>	<u>1,160,480</u>	<u>1,415</u>
Public safety:				
Police	2,435,940	2,446,341	2,458,764	(12,423)
Judicial	268,930	241,522	250,361	(8,839)
Fire	1,391,473	1,557,876	1,492,463	65,413
Inspection	246,960	216,938	220,394	(3,456)
Emergency management	20,250	16,580	34,144	(17,564)
Animal control	54,390	53,899	53,899	-
Total public safety	<u>4,417,943</u>	<u>4,533,156</u>	<u>4,510,025</u>	<u>23,131</u>
Public works:				
Administration	57,940	54,795	57,839	(3,044)
Shop service facility	212,344	211,119	209,702	1,417
Streets and highways	972,700	863,880	840,808	23,072
Parks and recreation	132,140	132,253	133,693	(1,440)
Total public works	<u>1,375,124</u>	<u>1,262,047</u>	<u>1,242,042</u>	<u>20,005</u>
Sanitation:				
	<u>978,260</u>	<u>956,979</u>	<u>958,372</u>	<u>1,393</u>

The notes to the financial statements are an integral part of this statement

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>EXPENDITURES (CONTINUED)</u></b>				
<i>Debt service:</i>				
Interest and fiscal charges	\$ 1,650	\$ 1,650	\$ 1,641	\$ 9
Total debt service	<u>1,650</u>	<u>1,650</u>	<u>1,641</u>	<u>9</u>
<i>Capital outlay:</i>				
Public Safety	307,340	257,996	285,840	(27,844)
Public Works	105,200	120,020	35,020	85,000
Total capital outlay	<u>412,540</u>	<u>378,016</u>	<u>320,860</u>	<u>57,156</u>
Total expenditures	<u>8,401,178</u>	<u>8,293,743</u>	<u>8,193,420</u>	<u>103,109</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(410,652)</u>	<u>198,142</u>	<u>581,637</u>	<u>383,495</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer in	80,101	80,101	71,101	(9,000)
Transfers (out)	(36,180)	(36,180)	(36,180)	-
Proceeds from the disposal of assets	10	1,020	1,020	-
Total other financing sources (uses)	<u>43,931</u>	<u>44,941</u>	<u>35,941</u>	<u>(9,000)</u>
Net change in fund balances	(366,721)	243,083	617,578	374,495
Fund balances - Beginning	<u>1,842,166</u>	<u>1,842,166</u>	<u>1,842,166</u>	<u>-</u>
Fund balances - Ending	<u>\$ 1,475,445</u>	<u>\$ 2,085,249</u>	<u>\$ 2,459,744</u>	<u>\$ 374,495</u>

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2006**

	<u>Utility Current Year</u>	<u>Utility Prior Year</u>	<u>Water and Sewer System Revenue Current Year</u>	<u>Water and Sewer System Revenue Prior Year</u>
<b>ASSETS</b>				
Current assets:				
Unrestricted:				
Cash and cash equivalents	\$ -	\$ 218,934	\$ -	\$ -
Investments	533,047	464,355	-	-
Due from other funds	2,781,579	2,608,639	11,615	11,615
Due from customers, net of allowance for doubtful accounts	716,533	333,639	-	-
Interest receivable	5,126	2,494	-	-
Miscellaneous receivables	18,450	31,761	-	-
Prepaid items	324	260	-	-
Restricted:				
Cash and cash equivalents				
Customer deposits	336,857	334,620	-	-
Revenue bond debt service	3,813	250	-	-
Water and sewer system reserve	-	-	35,818	35,818
Investments				
Revenue bond debt service	296,187	289,750	-	-
Water and sewer system reserve	-	-	199,182	189,182
Total current assets	<u>4,691,916</u>	<u>4,284,702</u>	<u>246,615</u>	<u>236,615</u>
Noncurrent assets:				
Restricted assets				
Restricted investments				
Revenue bond debt service	220,103	212,814	-	-
Water and sewer system reserve	-	-	1,213,769	1,162,573
Plant and lines reserve	399,844	381,800	-	-
Meter replacement reserve	472,979	456,825	-	-
Total restricted assets	<u>1,092,926</u>	<u>1,051,439</u>	<u>1,213,769</u>	<u>1,162,573</u>
Deferred charges, net of accumulated amortization	<u>173,405</u>	<u>188,339</u>	<u>80,404</u>	<u>87,223</u>
Capital assets:				
Land	209,774	209,774	-	-
Buildings and structures	116,805	116,805	-	-
Other improvements	28,421,659	28,421,659	4,726,622	4,726,622
Machinery and equipment	532,628	522,875	-	-
Motor vehicles	1,058,966	1,076,466	-	-
Construction in process	22,574	22,574	80,414	7,920
Less accumulated depreciation	<u>(17,053,225)</u>	<u>(16,054,691)</u>	<u>(749,221)</u>	<u>(591,667)</u>
Total capital assets, net of accumulated depreciation	<u>13,309,181</u>	<u>14,315,462</u>	<u>4,057,815</u>	<u>4,142,875</u>
Total noncurrent assets	<u>14,575,512</u>	<u>15,555,240</u>	<u>5,351,988</u>	<u>5,392,671</u>
Total assets	<u>19,267,428</u>	<u>19,839,942</u>	<u>5,598,603</u>	<u>5,629,286</u>

The notes to the financial statements are an integral part of this statement

<u>Total Proprietary Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ -	\$ -
533,047	1,755,278
2,793,194	132,198
	-
716,533	-
5,126	-
18,450	-
324	-
	-
	-
336,857	-
3,813	-
35,818	-
	-
296,187	-
199,182	-
<u>4,938,531</u>	<u>1,887,476</u>
220,103	-
1,213,769	-
399,844	-
472,979	-
<u>2,306,695</u>	<u>-</u>
<u>253,809</u>	<u>-</u>
209,774	-
116,805	-
33,148,281	-
532,628	-
1,058,966	-
102,988	-
(17,802,446)	-
<u>17,366,996</u>	<u>-</u>
<u>19,927,500</u>	<u>-</u>
<u>24,866,031</u>	<u>1,887,476</u>

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

	<u>Utility Current Year</u>	<u>Utility Prior Year</u>	<u>Water and Sewer System Revenue Current Year</u>	<u>Water and Sewer System Revenue Prior Year</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	\$ 168,631	\$ 173,033	\$ 70,144	\$ 7,920
Accrued expenses	12,771	14,122	-	-
Interest payable	28,892	29,899	10,426	10,944
Accrued compensated absences	55,656	59,148	-	-
Due to other funds	980,969	980,969	1,193,743	1,183,473
	<u>1,246,919</u>	<u>1,257,171</u>	<u>1,274,313</u>	<u>1,202,337</u>
Current liabilities payable from restricted assets:				
Customer deposits payable	336,857	334,620	-	-
Revenue bonds payable	300,000	290,000	235,000	225,000
	<u>636,857</u>	<u>624,620</u>	<u>235,000</u>	<u>225,000</u>
Total current liabilities	<u>1,883,776</u>	<u>1,881,791</u>	<u>1,509,313</u>	<u>1,427,337</u>
Noncurrent liabilities:				
Accrued compensated absences	61,898	55,472	-	-
Revenue bonds payable	5,790,000	6,090,000	3,600,000	3,835,000
Total noncurrent liabilities	<u>5,851,898</u>	<u>6,145,472</u>	<u>3,600,000</u>	<u>3,835,000</u>
Total liabilities	<u>7,735,674</u>	<u>8,027,263</u>	<u>5,109,313</u>	<u>5,262,337</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	7,363,694	8,093,902	292,793	159,154
Restricted for debt service	297,404	297,191	-	-
Unrestricted	3,870,656	3,421,586	196,497	207,795
Total net assets	<u>\$ 11,531,754</u>	<u>\$ 11,812,679</u>	<u>\$ 489,290</u>	<u>\$ 366,949</u>

The notes to the financial statements are an integral part of this statement

<u>Total Proprietary Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 238,775	\$ 532
12,771	-
39,318	-
55,656	-
<u>2,174,712</u>	<u>457,592</u>
<u>2,521,232</u>	<u>458,124</u>
336,857	-
535,000	-
<u>871,857</u>	<u>-</u>
<u>3,393,089</u>	<u>458,124</u>
61,898	-
9,390,000	-
<u>9,451,898</u>	<u>-</u>
<u>12,844,987</u>	<u>458,124</u>
7,656,487	-
297,404	-
4,067,153	1,429,352
<u>\$ 12,021,044</u>	<u>\$ 1,429,352</u>

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2006**

	<u>Utility Current Year</u>	<u>Utility Prior Year</u>	<u>Water and Sewer System Revenue Current Year</u>	<u>Water and Sewer System Revenue Prior Year</u>
<b><u>Operating revenues</u></b>				
Charges for services	\$ 4,211,225	\$ 3,952,248	\$ -	\$ -
Total operating revenues	<u>4,211,225</u>	<u>3,952,248</u>	<u>-</u>	<u>-</u>
<b><u>Operating expenses</u></b>				
Personnel services	932,900	951,212	-	19,050
Supplies	188,716	148,578	-	32
Maintenance and repairs	603,591	321,972	-	-
Miscellaneous services	176,516	97,157	-	747
Utilities	219,744	236,875	-	-
Purchased water	676,832	674,069	-	-
Depreciation	1,016,034	857,575	157,554	152,422
Compensated absences expense	2,934	-	-	-
Total operating expenses	<u>3,817,267</u>	<u>3,287,438</u>	<u>157,554</u>	<u>172,251</u>
Operating income	<u>393,958</u>	<u>664,810</u>	<u>(157,554)</u>	<u>(172,251)</u>
<b><u>Non-operating revenues (expenses)</u></b>				
Intergovernmental revenue	14,557	-	-	-
Miscellaneous revenue	25,580	39,030	-	-
Investment earnings	83,155	44,487	61,196	33,848
Internal shop credits	-	5,738	-	-
Interest expense and fiscal charges	(297,390)	(321,387)	(137,893)	(133,683)
Amortization of deferred expenses	(14,934)	(25,414)	(6,819)	(6,819)
Contingencies	(770)	(910)	-	-
Total non-operating revenues (expenses)	<u>(189,802)</u>	<u>(258,456)</u>	<u>(83,516)</u>	<u>(106,654)</u>
Income before contributions and transfers	<u>204,156</u>	<u>406,354</u>	<u>(241,070)</u>	<u>(278,905)</u>
<b><u>Contributions and transfers</u></b>				
Transfer in	56,296	-	363,411	240,598
Transfers (out)	(541,437)	(311,768)	-	-
Proceeds from disposal of assets	60	360	-	-
Total contributions and transfers	<u>(485,081)</u>	<u>(311,408)</u>	<u>363,411</u>	<u>240,598</u>
Change in net assets	<u>(280,925)</u>	<u>94,946</u>	<u>122,341</u>	<u>(38,307)</u>
Total net assets - Beginning	<u>11,812,679</u>	<u>11,717,733</u>	<u>366,949</u>	<u>405,256</u>
Total net assets - Ending	<u>\$ 11,531,754</u>	<u>\$ 11,812,679</u>	<u>\$ 489,290</u>	<u>\$ 366,949</u>

The notes to the financial statements are an integral part of this statement

<u>Total Proprietary Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 4,211,225	\$ -
<u>4,211,225</u>	<u>-</u>
932,900	-
188,716	-
603,591	-
176,516	18,882
219,744	-
676,832	-
1,173,588	-
2,934	-
<u>3,974,821</u>	<u>18,882</u>
<u>236,404</u>	<u>(18,882)</u>
14,557	-
25,580	2,199
144,351	76,083
-	-
(435,283)	-
(21,753)	-
(770)	-
<u>(273,318)</u>	<u>78,282</u>
<u>(36,914)</u>	<u>59,400</u>
419,707	106,310
(541,437)	-
60	-
<u>(121,670)</u>	<u>106,310</u>
(158,584)	165,710
<u>12,179,628</u>	<u>1,263,642</u>
<u>\$ 12,021,044</u>	<u>\$ 1,429,352</u>

The notes to the financial statements are an integral part of this statement



**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2006**

	<u>Utility Current Year</u>	<u>Utility Prior Year</u>	<u>Water and Sewer System Revenue Current Year</u>	<u>Water and Sewer System Revenue Prior Year</u>
Cash flows from operating activities:				
Cash received from customers	\$ 3,869,459	\$ 3,809,421	\$ -	\$ -
Cash paid to suppliers for goods and services	(1,870,635)	(1,440,627)	-	(39,825)
Cash paid to employees for services	(934,251)	(994,041)	-	(19,051)
Federal assistance - FEMA	14,557	-	-	-
Net cash provided by operating activities	<u>1,079,130</u>	<u>1,374,753</u>	<u>-</u>	<u>(58,876)</u>
Cash flows from non-capital financing activities:				
Transfers in	56,296	-	363,411	240,598
Transfers (out)	(541,437)	(311,768)	-	-
Interfund cash payments	(172,940)	(204,657)	-	(11,615)
Interfund cash receipts	-	-	10,270	244,507
Cash payments to component unit	-	-	-	-
Net cash used for non-capital financing activities	<u>(658,081)</u>	<u>(516,425)</u>	<u>373,681</u>	<u>473,490</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(9,753)	(22,571)	(10,270)	(117,611)
Proceeds from disposal of assets	60	-	-	-
Principal paid on bond maturities	(290,000)	(460,000)	(225,000)	(100,000)
Interest and fiscal charges paid on bonds	(298,397)	(323,139)	(138,411)	(133,910)
Net cash from capital and related financing activities	<u>(598,090)</u>	<u>(805,710)</u>	<u>(373,681)</u>	<u>(351,521)</u>
Cash flows from investing activities:				
Purchase of investments	(45,406)	(502,564)	-	(63,875)
Proceeds - sale and maturity of investments	2,550	663,421	-	-
Interest received from investments	6,763	12,377	-	750
Net cash from investing activities	<u>(36,093)</u>	<u>173,234</u>	<u>-</u>	<u>(63,125)</u>
Net increase (decrease) in cash and cash equivalents	(213,134)	225,852	-	(32)
Cash and cash equivalents, beginning of year	<u>553,804</u>	<u>327,952</u>	<u>35,818</u>	<u>35,850</u>
Cash and cash equivalents, end of year	<u>\$ 340,670</u>	<u>\$ 553,804</u>	<u>\$ 35,818</u>	<u>\$ 35,818</u>

The notes to the financial statements are an integral part of this statement

<b>Total Proprietary Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
\$ 3,869,459	\$ 2,199
(1,870,635)	(18,350)
(934,251)	-
14,557	-
<u>1,079,130</u>	<u>(16,151)</u>
419,707	106,310
(541,437)	-
(172,940)	(7,169)
10,270	196,889
-	-
<u>(284,400)</u>	<u>296,030</u>
(20,023)	-
60	-
(515,000)	-
(436,808)	-
<u>(971,771)</u>	<u>-</u>
(45,406)	(281,521)
2,550	-
6,763	1,642
<u>(36,093)</u>	<u>(279,879)</u>
(213,134)	-
589,622	-
<u>\$ 376,488</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2006**

	<u>Utility Current Year</u>	<u>Utility Prior Year</u>	<u>Water and Sewer System Revenue Current Year</u>	<u>Water and Sewer System Revenue Prior Year</u>
Reconciliation of net operating income to net cash provided by operating activities:				
Net operating income (loss)	\$ 393,958	\$ 664,810	\$ (157,554)	\$ (172,251)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:				
Depreciation	1,016,034	857,575	157,554	152,422
Non-operating income (expense)	39,367	116,922	-	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(369,583)	(201,226)	-	-
(Increase) decrease in prepaid items	(63)	259	-	-
Increase (decrease) in accrued expenditures	(1,351)	(30,574)	-	-
Increase (decrease) in accounts payable	(4,403)	(34,029)	-	(39,047)
Increase (decrease) in compensated absences	2,934	(12,255)	-	-
Increase (decrease) in customer deposits	2,237	13,271	-	-
Total adjustments	<u>685,172</u>	<u>709,943</u>	<u>157,554</u>	<u>113,375</u>
Net cash provided by operating activities	<u>\$ 1,079,130</u>	<u>\$ 1,374,753</u>	<u>\$ -</u>	<u>\$ (58,876)</u>
Non-cash transactions:				
Depreciation	\$ 1,016,034	\$ 857,575	\$ 157,554	\$ 152,422
Amortization of deferred expenditures	14,934	25,414	6,819	6,819
Deferred debt issuance costs	173,405	188,339	80,404	87,223
Change in fair value of investments	-	44,487	-	33,099

The notes to the financial statements are an integral part of this statement

<u>Total Proprietary Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
<u>\$ 236,404</u>	<u>\$ (18,882)</u>
1,173,588	-
39,367	2,199
(369,583)	-
(63)	-
(1,351)	-
(4,403)	532
2,934	-
2,237	-
<u>842,726</u>	<u>2,731</u>
<u>\$ 1,079,130</u>	<u>\$ (16,151)</u>
\$ 1,173,588	\$ -
21,753	-
253,809	-
-	-

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS  
SEPTEMBER 30, 2006**

**EXHIBIT D-1**

	<b>Private Purpose Trust Funds</b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 664
Total assets	<u>664</u>
<b><u>NET ASSETS</u></b>	
Unreserved	664
Total net assets	<u>\$ 664</u>

The notes to the financial statements are an integral part of this statement

**CITY OF LA MARQUE, TEXAS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS  
 SEPTEMBER 30, 2006**

**EXHIBIT D-2**

	<b>Private Purpose Trust Funds</b>
	<hr/>
<b><u>ADDITIONS</u></b>	
Contributions from the public	\$ 665
Total additions	<hr/> 665 <hr/>
<b><u>DEDUCTIONS</u></b>	
Purchase of library books	1,010
Other deductions	57,056
Total deductions	<hr/> 58,066 <hr/>
Change in net assets	(57,401)
Net assets - Beginning	<hr/> 58,065 <hr/>
Net assets - Ending	<hr/> \$ 664 <hr/>

The notes to the financial statements are an integral part of this statement



*Set your sites on La Marque.*

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**I. Summary of significant accounting policies**

The City of La Marque (the "City") is a municipality operating under the applicable laws and regulations of the State of Texas. The City prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB), other authoritative sources identified in **Statement on Auditing Standards No. 69** of the American Institute of Certified Public Accountants, and the requirements of contracts and grants of agencies from which it receives funds.

During the year ended September 30, 2006, the City implemented GASB No. 45 – *Economic Condition Reporting: The Statistical Section*, which changes many of the tables reported in the Statistical Section of comprehensive annual financial reports.

**A. Reporting entity**

**Primary government.** The City of La Marque, Texas was incorporated under the provisions of the Home Rule City Act and is governed by an elected mayor and four-member city council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

**Discretely presented component unit.** The La Marque Economic Development Corporation was established to promote economic and industrial expansion within the City's jurisdiction. The members of the Corporation's governing board as well as its operational and capital budgets are approved by City Council. The Corporation has both governmental and proprietary fund types.

Complete financial statements for the component unit may be obtained at the entity's administrative offices.

La Marque Economic Development Corporation  
 1111 Bayou Road  
 La Marque, Texas 77568-4299

**CONDENSED STATEMENT OF NET ASSETS  
 DISCRETELY PRESENTED COMPONENT UNIT  
 SEPTEMBER 30, 2006**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 11,135	\$ 365,010	\$ 376,145
Investments	2,407,027	322,940	2,729,967
Internal balances	933,904	(933,904)	-
Due from primary government	323,856	-	323,856
Interest receivable	1,751	-	1,751
Due from other governments	135,687	-	135,687
Inventories	-	386,550	386,550
Total assets	<u>3,813,360</u>	<u>140,596</u>	<u>3,953,956</u>
<b>Liabilities:</b>			
Accounts payable and other current liabilities	<u>51,038</u>	-	<u>51,038</u>
Total liabilities	<u>51,038</u>	-	<u>51,038</u>
<b>Net Assets:</b>			
Unrestricted	<u>3,762,322</u>	<u>140,596</u>	<u>3,902,918</u>
Total net assets	<u>\$ 3,762,322</u>	<u>\$ 140,596</u>	<u>\$ 3,902,918</u>



## I. Summary of significant accounting policies (Continued)

### A. Reporting entity (Continued)

#### CONDENSED STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNIT SEPTEMBER 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>Expenses:</b>			
Economic development	\$ 178,703	\$ (68,289)	\$ 110,414
Total expenses	<u>178,703</u>	<u>(68,289)</u>	<u>110,414</u>
<b>General revenues:</b>			
Sales taxes	820,560	-	820,560
Unrestricted investment earnings	92,012	14,969	106,981
Miscellaneous revenue	-	15,792	15,792
Transfers	-	-	-
Total general revenues	<u>912,572</u>	<u>30,761</u>	<u>943,333</u>
Change in net assets	733,869	99,050	832,919
Net assets - October 1 (Beginning)	<u>3,028,453</u>	<u>41,546</u>	<u>3,069,999</u>
Net assets - September 30 (Ending)	<u>\$ 3,762,322</u>	<u>\$ 140,596</u>	<u>\$ 3,902,918</u>

### 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 on all of the nonfiduciary activities of the primary government and its component unit. Except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### 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 and fiduciary fund financial statements. Revenues are recorded 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.

**I. Summary of significant accounting policies (Continued)****C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

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 City 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.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects street and drainage (2005)* fund is the City's capital projects fund into which the Certificates of Obligation – Series 2005 were deposited. Street and drainage improvements will be accounted for in this fund.

The City reports the following major proprietary funds:

The *utility fund* accounts for the rendering of water and sewer services to the residents of the City.

The *waterworks and sewer system revenue fund* accounts for the proceeds of the sale of bonds for the purpose of improving and extending the City's waterworks and sanitary sewer system.

Additionally, the City reports the following fund types:

*Internal service funds* account for equipment replacement costs and equipment maintenance insurance costs as needed by City departments on a cost reimbursement basis.

The *private-purpose trust funds* are used to account for (1) contributions legally held in trust for the purchase of library books and (2) to account for captured tax receipts of taxing entities in the zone and to account for expenditures to expand the public infrastructure in the zone.

Private-sector standards of 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 Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other interfund activity has been eliminated from the government-wide financial statements.

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

## I. Summary of significant accounting policies (Continued)

### C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility enterprise fund, of the Waterworks and Sewer System Revenue and Interest and Sinking enterprise funds, and of the City's internal service funds are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

### D. Assets, liabilities, and net assets or equity

#### 1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investment pools, mutual funds and money market accounts are not considered cash equivalents.

State statutes authorize the City to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 6) fully collateralized repurchase agreements; and 7) a public funds investment pool meeting the requirement of Government Code 2256.016 – 2256.019. Temporary investments are reported at fair value.

The City's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The City did not fully comply with the requirements of the PFIA and the City's investment policies as quarterly investment reports were not presented to City Council during the year.

The La Marque Economic Development Corporation's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Corporation utilizes the City's investment policies and Investment Officer in lieu of separately managing its investments.

#### 2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All customer and property tax receivables, including those for LMEDC, are shown net of an allowance for uncollectibles. Customer accounts receivable in excess of 120 days primarily comprise the customer accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 4 percent of outstanding property taxes at September 30, 2006.

The property tax calendar is as follows:

Property tax levy on assessed values, which approximate 100% of market value, occurs on October 1.

**I. Summary of significant accounting policies (Continued)**

**D. Assets, liabilities, and net assets or equity (Continued)**

**2. Receivables and payables (Continued)**

Taxes are due October 1, immediately following the levy date and are delinquent February 1 of the following year.

Property taxes attach as an enforceable lien on property as of January 1.

**3. Inventories and prepaid items**

Inventories are valued at cost. The General Fund inventory consists of consumable vehicle replacement parts. The consumption method of accounting is used for the governmental fund types whereby supplies are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

For the LMEDC, inventory consists of land purchases made for sale to encourage future development.

**4. Restricted assets**

**Primary Government**

Certain proceeds of the Utility enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Water and Sewer System Revenue is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The Water and Sewer System Interest and Sinking fund is used to segregate resources accumulated for debt service payments.

<u>Restricted for</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Hotel / Motel Occupancy Tax	\$ 1,132,839
Section 8	146,556
Drug Seizure	5,014
Homeland Security Grant	19,326
Home Grant	44,678
Public Improvement District	7,347
Community Development Grant	70,000
Debt Service	921,990
Capital Projects	<u>3,722,332</u>
Total Governmental Activities	<u>6,070,082</u>
<b>Business-type Activities:</b>	
Utility	1,729,783
Water and Sewer Revenue	<u>1,448,769</u>
Total Business-type Activities:	<u>3,178,552</u>
Total	<u>\$ 9,248,634</u>

**I. Summary of significant accounting policies (Continued)**

**D. Assets, liabilities, and net assets or equity (Continued)**

**5. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 for furniture and equipment and \$25,000 for buildings, improvements and infrastructure and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Water and Sewer System Revenue fund during the current fiscal year was \$137,230. None of this amount was included as part of the cost of capital assets under construction in connection with water and wastewater treatment facilities construction projects.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	40
Heavy equipment	20
Light equipment - Normal use	7 - 10
Light equipment - Frequent use	5
Vehicles	10
Office furniture and equipment	7
Computer equipment	5

General infrastructure assets are defined by *Governmental Accounting Standards Board* Statement No. 34 as “long-lived assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets” and include the following:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>1. Roads</li> <li>2. Bridges</li> <li>3. Tunnels</li> <li>4. Drainage systems</li> </ul> | <ul style="list-style-type: none"> <li>5. Water and sewer systems</li> <li>6. Dams</li> <li>7. Lighting systems</li> </ul> |
|---|--|

*Governmental Accounting Standards Board* Statement No. 34 states that governments with revenues between 10 and 100 million dollars (Phase II governments) are not required to report general infrastructure acquired prior to October 1, 2002 until the year ended September 30, 2007. Therefore, in accordance with *Governmental Accounting Standards Board* Statement No. 34, only general infrastructure assets acquired since October 1, 2002 are reported.

**6. Compensated absences**

City employees earn vacation and sick leave benefits, which may be taken or accumulated within established limits until paid upon retirement, termination or death. These limits vary for City fire fighters and police officers, as their collective bargaining agreements supersede City policies.

**I. Summary of significant accounting policies (Continued)****D. Assets, liabilities, and net assets or equity (Continued)****6. Compensated absences (Continued)**

Accumulated vacation is limited to a maximum of two years credit for all city employees, including fire fighters and police officers. Accumulated sick leave is limited to 1,040 hours for City employees, 1,378 hours for fire fighters, and is not limited for police officers. A City employee who resigns or terminates employment will be paid at the employee's regular pay scale not to exceed one month's pay. All City employees that retire from employment will be paid a lump sum of all accumulated sick leave within established limits. Fire Fighters who leave employment will be paid up to 230 hours of accumulated sick leave. Police officers who leave employment with the City for any reason other than a "just cause" termination will be paid up to 720 hours of accumulated sick leave.

The liability for compensated absences amounted to \$824,141 for governmental activities and \$117,554 for business-type activities as of September 30, 2006.

The LaMarque Economic Development Corporation employs, through a contract with the City, a manager that functions as the Administrator of the Corporation. The manager's compensated absences are accounted for by the City rather than the Corporation, so the Corporation does not incur an expense or liability associated with the manager's compensated absences.

**7. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**9. Statement of cash flows**

In accordance with Governmental Accounting Standards Board Statement No. 34, a Statement of Cash Flows is required as part of a full set of financial statements for all Proprietary Funds. For purposes of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Investment pools, mutual funds and money market accounts are not considered cash equivalents.

**10. Comparative data/reclassifications**

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. Reconciliation of government-wide and fund financial statements****A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Exhibit B-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, property taxes receivable, net of the allowance for uncollectible taxes, which are deferred in the fund financial statements are reported as revenue in the government-wide financial statements.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

Exhibit B-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The debt payments on retirement of debt are recorded as expenditures for fund basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund basis financial statements but are capitalized on the government-wide financial statements. The fund basis statements do not include depreciation expense and is therefore a deduction to reconcile to the government-wide statement of activities. New debt issues are considered sources of revenue for fund basis financial statements and increases in liabilities for government-wide financial statements. Property taxes receivable are deferred in the fund basis financial statements, as they are not considered available. Property taxes are recorded as revenue when levied in the government-wide financial statements.

### III. Stewardship, compliance, and accountability

#### A. Budgetary information

##### Purpose of Budget

The budget is required by City Charter and is used to plan, monitor, and control the use of resources. The budget then:

1. Identifies resources and funds to provide for the delivery of services.
2. Appropriates funds for the level of service to be provided.
3. Provides the basis for recording and controlling revenues and expenditures.

##### Budget Process

The budget process is a systematic approach to providing reasonable estimates of revenues and expenditures for a certain level of activity. These revenue and expenditure estimates are based on past, current, and future anticipated activity. The information is accumulated and proceeds from the departments to the City Manager, the City Council, and the public. Therefore, budget preparation is an opportunity to review each activity and present a realistic, adequately documented budget to provide those services in a low-cost, efficient manner.

The City follows these procedures, which comply with legal requirements, in establishing the budgetary data reflected in the financial statements:

1. The general fund, the Hotel/Motel Room Occupancy Tax and Section 8 special revenue funds, the Debt Service fund, and the enterprise funds have legally adopted annual budgets. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. The City Manager is authorized to transfer budget amounts within and between departments; however, any revisions that alter the total expenditures of any category (general government, public safety, etc.) must be approved by the City Council.
5. Budgets for the general fund, the Hotel/Motel Room Occupancy Tax and Section 8 special revenue funds, the Debt Service fund, and the enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. All budgeted appropriations lapse at year end.

Budget amounts are as originally adopted or as amended by the City Council. Expenditures may not exceed appropriations on a functional level in the general fund, enterprise funds, Hotel/Motel Room Occupancy Tax and Section 8 special revenue funds, and the Debt Service fund. All budget amendments are brought to City Council.

Two budget amendments in the form of Resolution #1044 and Resolution #1049 were approved by City Council during the fiscal year ended September 30, 2006.

##### Charter Requirements

1. Overview - Section 6.02; "Preparation and submission of budget" of Article VI. The budget as taken from the charter of the City of La Marque, Texas states in part:



**III. Stewardship, compliance, and accountability (Continued)****A. Budgetary information (Continued)**

"The City Manager shall submit to the City Council a budget. For such purpose, he shall obtain from the head of each office or department estimates of revenue and expenditure of that office or department, detailed by character and object of expenditure and such other supporting data as he may request; together with an estimate of all capital projects pending or which such department head believes should be undertaken (a) within the budget year and (b) within the five next succeeding years. In preparing the budget, the City Manager shall review the estimates and may revise the estimates, as he may deem advisable."

**2. Excerpts - from other sections of Article VI.**

- 6.13 - It shall set forth the reasons for salient changes from the previous year in cost and revenue items and shall explain any major changes in financial policy.
- 6.15 - The City Manager shall also include a capital program of proposed capital projects for the next five fiscal years.
- 6.16 - Attached shall be such supporting schedules, exhibits, and other explanatory material as the City Manager shall believe useful.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. As of September 30, 2006, there were no outstanding encumbrances in the General Fund.

**B. Deficit Net Assets**

The Equipment Maintenance Insurance Internal Service Fund ended the year with a deficit net asset balance of \$20,792. The City plans to transfer funds in the future to cover this deficit.

**IV. Detailed notes on all funds**

**A. Deposits and investments**

City Policies and Legal and Contractual Provisions Governing Deposits

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At September 30, 2006, the carrying amount of the City’s deposits, (cash and interest-bearing savings accounts) was \$686,057 and the bank balance was \$1,132,161.

Custodial Credit Risk

The City’s deposits are subject to custodial credit risk as \$932,161 of total deposits are uninsured and are secured by securities held by the pledging financial institutions agent in the City’s name. The City’s deposits were fully collateralized at year-end and throughout the year.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository Regions Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$1,951,656.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$2,046,880 and occurred during the month of September.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$200,000.

	<u>Cash on Hand</u>	<u>Equity in Pooled Cash</u>	<u>Other Deposits</u>	<u>Total</u>
<b>Primary government</b>				
<i>Governmental activities:</i>				
General fund	\$ 1,050	\$ -	\$ 8,567	\$ 9,617
Capital Projects - 2005 Streets and Drainage	-	-	-	-
Nonmajor governmental funds	-	174,035	125,253	299,288
Nonmajor internal service funds	-	-	-	-
Total governmental activities	<u>1,050</u>	<u>174,035</u>	<u>133,820</u>	<u>308,905</u>
<i>Business-type activities:</i>				
Utility fund	600	336,257	3,813	340,670
Water and Sewer Revenue fund	-	-	35,818	35,818
Total business-type activities	<u>600</u>	<u>336,257</u>	<u>39,631</u>	<u>376,488</u>
<i>Fiduciary funds:</i>				
Private purpose trust funds	-	-	664	664
Total fiduciary funds	-	-	664	664
<b>Total primary government</b>	<u><u>\$ 1,650</u></u>	<u><u>\$ 510,292</u></u>	<u><u>\$ 174,115</u></u>	<u><u>\$ 686,057</u></u>
<b>Discretely presented component unit</b>				
<i>Governmental activities:</i>				
General fund	\$ -	\$ 11,135	\$ -	\$ 11,135
<i>Business-type activities:</i>				
Enterprise fund	-	365,010	-	365,010
<b>Total discretely presented component unit</b>	<u><u>\$ -</u></u>	<u><u>\$ 376,145</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 376,145</u></u>

## IV. Detailed notes on all funds (Continued)

## A. Deposits and investments (Continued)

## Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City of La Marque is not in substantial compliance with the requirements of the Act and with local policies.

The following table includes portfolio balance, the weighted average maturity, and the percentage of the portfolio balance by investment type held by the City as of September 30, 2006:

	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
<b>Primary government</b>			
<i>Governmental activities:</i>			
Money market accounts			
Wachovia	\$ 503,664	4.0%	1
	<u>503,664</u>	<u>4.0%</u>	
Mutual funds			
ICT	795,272	7.0%	44
Wachovia	21,571	0.2%	1
	<u>816,843</u>	<u>7.0%</u>	3
Local government investment pools			
Logic	1,367,328	11.0%	16
TexPool	5,983,547	50.0%	34
	<u>7,350,875</u>	<u>61.0%</u>	19
<i>Total governmental activities</i>	<u>8,671,382</u>	<u>72.0%</u>	22
<i>Business-type Activities:</i>			
Certificates of deposit	616,290	5.1%	131
	<u>616,290</u>	<u>5.1%</u>	7
Mutual funds			
ICT	1,877,862	15.6%	44
	<u>1,877,862</u>	<u>15.6%</u>	7
Local government investment pools			
Logic	761,624	6.3%	16
TexPool	79,335	0.7%	47
	<u>840,959</u>	<u>7.0%</u>	1
<i>Total business-type activities</i>	<u>3,335,111</u>	<u>27.8%</u>	15
<b>Total primary government</b>	<u>\$ 12,006,493</u>	<u>100.0%</u>	37

## IV. Detailed notes on all funds (Continued)

## A. Deposits and investments (Continued)

	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
<b>Discretely presented component unit</b>			
<i>Governmental activities:</i>			
Certificates of deposit	\$ 684,661	25.1%	229
	<u>684,661</u>	<u>25.1%</u>	57
Mutual funds			
ICT	127,943	4.7%	44
	<u>127,943</u>	<u>4.7%</u>	2
Local government investment pools			
TexPool	1,594,423	58.4%	47
	<u>1,594,423</u>	<u>58.4%</u>	27
<i>Total governmental activities</i>	<u>2,407,027</u>	<u>88.2%</u>	87
<i>Business-type Activities:</i>			
Money market accounts			
Merrill Lynch	322,940	11.8%	1
	<u>322,940</u>	<u>11.8%</u>	
<i>Total business-type activities</i>	<u>322,940</u>	<u>11.8%</u>	
<b>Total discretely presented component unit</b>	<u>2,729,967</u>	<u>100.0%</u>	87

Additional policies and contractual provisions governing deposits and investments for The City of La Marque are specified below:

Interest rate risk

The City has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate changes.

Credit risk

State law limits investments in commercial paper, corporate bonds, and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has a formal investment policy that further limits its investment choices. As of September 30, 2006, the City's investment in TexPool was rated AAAM by Standard and Poors. The City's investment in Logic was rated AAAM by Standard and Poors. The City's investment in ICT was rated AAAM by Standard and Poor's.

Concentration of credit risk

Although there is no credit risk associated with the investments currently held, the City has a formal investment policy that places limits on the amount the City may invest in any one issuer. The following is a recap of City investments by type with maximum percentages per the formal investment policy.

	<u>Fair Value</u>	<u>Maximum</u>	<u>Percent Invested</u>
Certificates of deposit	\$ 1,300,951	30.0%	8.8%
Local government investment pools	9,786,257	70.0%	66.4%
Money market accounts	826,604	30.0%	5.6%
Mutual funds	2,822,648	30.0%	19.2%
	<u>\$ 14,736,460</u>		<u>100.0%</u>

**IV. Detailed notes on all funds (Continued)**

**A. Deposits and investments (Continued)**

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City does not have a formal policy for investment custodial risk. Of the total \$12,006,493 invested by the City, \$516,290 is exposed to custodial credit risk. The entire amount exposed was held in the City's name by the counterparty.

Adjustment to Investment Fair Values

The City's portfolio fluctuates in an inverse relationship to any change in interest rates. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen. Investments are reported by the City at fair value in accordance with Governmental Accounting Standards. The city had no gains or losses from the sale of investments. Changes in market values of investments are included in investment earnings as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Interest income	\$ 379,188	\$ 144,351	\$ 523,539
Net decrease in investment values	-	-	-
<b>Total Investment Earnings</b>	<u>\$ 379,188</u>	<u>\$ 144,351</u>	<u>\$ 523,539</u>

**Investor's Cash Trust**

Investor's Cash Trust ("ICT") is an SEC registered money market mutual fund rated AAAM by Standard & Poors. The portfolio consists exclusively of U.S. Treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and related repurchase agreements. The portfolio also may consist of investments in repurchase agreements collateralized by U.S. Treasury and Agency Securities.

To maintain its money market fund status, the ICT fund seeks to maintain a stable \$1.00 share price and follows the following rules:

- individual securities must have remaining maturities of no more than 397 days and be denominated in U.S. dollars,
- the dollar-weighted average maturity of the portfolio's holdings cannot exceed 90 days, and
- all securities must be in the top two credit grades for short-term debt securities.

The fair value of ICT investments are based on quoted market values of underlying investments of the pool. ICT is a Public Funds Investment Pool. The investments are reported by the City at amortized cost in accordance with the 90-day exception rule of GASB 31. No unrealized gains are reported in the financial statements under the 90-day exception in GASB 31 to reporting unrealized gains/losses.

The investment in ICT and any accrued interest may be redeemed at the City's discretion.

**IV. Detailed notes on all funds (Continued)****A. Deposits and investments (Continued)****Wachovia Money Fund Class A (Wachovia CMF)**

Wachovia Money Fund Class A ("Prudential") is an SEC registered money market mutual fund. The fund seeks as high a level of current income as is consistent with the preservation of capital and liquidity. To maintain its money market fund status, the Prudential fund seeks to maintain a stable \$1.00 share price and follows the following rules:

1. Individual securities must have remaining maturities of no more than 397 days and be denominated in U.S. dollars,
2. The dollar-weighted average maturity of the portfolio's holdings cannot exceed 90 days, and
3. All securities must be in the top two credit grades for short-term debt securities.

**Tex Pool**

The fair value of TexPool investments is based on quoted market values of underlying investments of the pool. TexPool is an investment service authorized by the Texas Legislature and administered by the State Comptroller. The investments are reported by the City at amortized cost in accordance with the 90-day exception rule of GASB 31. All gains/losses are reported in the financial statements for realized gains/losses. No unrealized gains are reported in the financial statements under the 90-day exception in GASB 31 to reporting unrealized gains/losses.

The purpose of Texpool is to allow for the pooling of public funds to provide a higher yield on the pooled investment than would be possible with the investment of the individual public entity's funds. These investments are subject to the same safety investment instruments for public funds, including repurchase agreements, U.S. Treasury bills and bonds, securities of other U.S. government agencies, commercial paper and other safe instruments.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 in order to ensure a more conservative investment strategy and to provide a much higher level of investment safety for local government funds.

TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The investment in TexPool and any accrued interest may be redeemed at the City's discretion.

**LOGIC**

LOGIC, Local Government Investment Cooperative is an investment program for local governments within the State of Texas. Investments are subject to the strict requirements of the Public Funds Investment Act and LOGIC may invest in any of the securities authorized by statute. The pool must demonstrate compliance with Chapter 2256, Sections .016, .017, .018 and .019. The fair value of LOGIC investment is based on quoted market values of underlying investments of the pool. The investments are reported by the City at amortized cost in accordance with the 90-day exception rule of GASB 31. All gains/losses are reported in the financial statements for realized gains/losses. No unrealized gains are reported in the financial statements under the 90-day exception in GASB 31 to reporting unrealized gains/losses. The fair value of the position in LOGIC is the same as the value of the pool shares. Logic is rated AAAM by Standard & Poors.

**IV. Detailed notes on all funds (Continued)****B. Property taxes**

Property taxes are levied by October 1st 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 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Appraised values are established by the Central Appraisal District (CAD) of Galveston County, Texas. Taxes are levied by City Council based on the appraised values received from Galveston Central Appraisal District. Billing and collection of tax levies are performed by the Galveston County Tax Assessor/Collector.

Property tax rates, established in accordance with state law, are levied on real and personal property within the City's boundaries for use in financing general government and debt service expenditures. Tax rates levied to finance general government and debt service expenditures for the fiscal year were \$0.4730 and \$0.0803, respectively, based on an assessed property valuation of approximately \$497 million resulting in an adjusted tax levy of approximately \$2.7 million. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Governmental funds net property taxes receivable at September 30, 2006 consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Delinquent taxes:			
Current year levy	\$ 134,027	\$ 22,753	\$ 156,780
Prior year levy	332,444	88,409	420,853
Total delinquent taxes	<u>466,471</u>	<u>111,162</u>	<u>577,633</u>
Less allowance for uncollectible taxes	<u>(18,749)</u>	<u>(3,925)</u>	<u>(22,674)</u>
Net property taxes receivable	<u>\$ 447,722</u>	<u>\$ 107,237</u>	<u>\$ 554,959</u>

**C. Customer receivables**

Customer receivables consist of amounts billed to the residents of the City for refuse collection, water and sewer service, and emergency transports. Amounts receivable are reported net of an allowance for uncollectible receivables which is based upon historical collection experience.

Customer receivables at September 30, 2006 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Refuse, water and sewer receivables</b>			
Refuse	\$ 310,877	\$ -	\$ 310,877
Water and sewer	-	894,390	894,390
Total refuse, water and sewer	<u>310,877</u>	<u>894,390</u>	<u>1,205,267</u>
Less allowance for uncollectible accounts	<u>(71,058)</u>	<u>(177,857)</u>	<u>(248,915)</u>
<b>Net refuse, water and sewer receivables</b>	<u>239,819</u>	<u>716,533</u>	<u>956,352</u>
<b>Emergency transport receivables</b>			
EMS transport receivables	781,521	-	781,521
Less allowance for uncollectible accounts	<u>(722,430)</u>	<u>-</u>	<u>(722,430)</u>
<b>Net emergency transport receivables</b>	<u>59,091</u>	<u>-</u>	<u>59,091</u>
Net customer receivables	<u>\$ 298,910</u>	<u>\$ 716,533</u>	<u>\$ 1,015,443</u>

## IV. Detailed notes on all funds (Continued)

## D. Capital assets

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

	Balance October 1, 2005	Additions	Retirements and Transfers	Balance September 30, 2006
<b>Primary government</b>				
<i>Governmental activities:</i>				
Capital assets, not being depreciated				
Land	\$ 210,370	\$ -	\$ -	\$ 210,370
Construction in progress	63,474	300,410	-	363,884
Total capital assets, not being depreciated	<u>273,844</u>	<u>300,410</u>	<u>-</u>	<u>574,254</u>
Capital assets, being depreciated				
Buildings and structures	2,858,392	-	-	2,858,392
Vehicles	1,039,263	98,450	(18,000)	1,119,713
Machinery and equipment	2,694,201	93,809	(208,501)	2,579,509
Furniture and office equipment	105,514	128,600	-	234,114
Total Capital assets, being depreciated	<u>6,697,370</u>	<u>320,859</u>	<u>(226,501)</u>	<u>6,791,728</u>
Less accumulated depreciation for:				
Buildings and structures	(1,327,525)	(69,744)	-	(1,397,269)
Vehicles	(628,048)	(86,008)	18,000	(696,056)
Machinery and equipment	(1,755,768)	(105,221)	208,501	(1,652,488)
Furniture and office equipment	(90,064)	(19,561)	-	(109,625)
Leased assets under capital lease	-	-	-	-
Total accumulated depreciation	<u>(3,801,405)</u>	<u>(280,534)</u>	<u>226,501</u>	<u>(3,855,438)</u>
Governmental capital assets	<u>\$ 3,169,809</u>	<u>\$ 340,735</u>	<u>\$ -</u>	<u>\$ 3,510,544</u>
<i>Business-type activities:</i>				
Capital assets, not being depreciated				
Land	\$ 209,774	\$ -	\$ -	\$ 209,774
Construction in progress	30,494	72,495	-	102,989
Total capital assets, not being depreciated	<u>240,268</u>	<u>72,495</u>	<u>-</u>	<u>312,763</u>
Capital assets, being depreciated				
Buildings and structures	116,805	-	-	116,805
Improvements other than buildings	33,148,281	-	-	33,148,281
Vehicles	1,076,466	-	(17,500)	1,058,966
Machinery and equipment	522,875	9,753	-	532,628
Total capital assets, being depreciated	<u>34,864,427</u>	<u>9,753</u>	<u>(17,500)</u>	<u>34,856,680</u>
Less accumulated depreciation for:				
Buildings and structures	(79,438)	(2,979)	-	(82,417)
Improvements other than buildings	(15,127,222)	(1,124,907)	-	(16,252,129)
Vehicles	(941,133)	(34,260)	17,500	(957,893)
Machinery and equipment	(498,565)	(11,442)	-	(510,007)
Total Accumulated depreciation	<u>(16,646,358)</u>	<u>(1,173,588)</u>	<u>17,500</u>	<u>(17,802,446)</u>
Business-type capital assets	<u>\$ 18,458,337</u>	<u>\$ (1,091,340)</u>	<u>\$ -</u>	<u>\$ 17,366,997</u>
<b>Discretely presented component unit</b>				
<i>Governmental activities:</i>				
Machinery and equipment	\$ 28,012	\$ -	\$ -	\$ 28,012
Less accumulated depreciation	(28,012)	-	-	(28,012)
Total capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**IV. Detailed notes on all funds (Continued)**

**D. Capital assets (Continued)**

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

	<u>Depreciation Expense</u>
<b>Governmental activities:</b>	
General government	\$ 31,467
Public safety	153,307
Public works	<u>95,760</u>
Total Governmental activities	<u>280,534</u>
<b>Business-type activities:</b>	
Utility	1,016,034
Water and sewer system revenue	<u>157,554</u>
Total Business-type activities:	<u>1,173,588</u>
Total	<u>\$ 1,454,122</u>

**Construction commitments**

The City has active construction projects as of September 30, 2006. The projects include sanitary sewer rehabilitation in various areas of the City and various street improvements. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Estimated Remaining Commitment</u>
Sanitary sewer rehab - Contract #019-077Q	\$124,474	\$ 102,988	\$ 21,486
Street improvements	66,100	52,381	13,719
Drainage improvements	3,205,141	311,504	2,893,637
	<u>\$ 3,395,715</u>	<u>\$ 466,873</u>	<u>\$ 2,928,842</u>

## IV. Detailed notes on all funds (Continued)

## E. Interfund receivables, payables, and transfers

Interfund receivables and payables are utilized as an offset to a fund's deficit cash with another fund's positive cash. The composition of interfund balances as of September 30, 2006, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Net</u>
<b>Primary government</b>			
<i>Governmental activities:</i>			
General fund	\$ 1,599,195	\$ (482,481)	\$ 1,116,714
Capital Projects - 2005 Streets and Drainage	-	(402,097)	(402,097)
Nonmajor governmental funds	2,562	(1,010,267)	(1,007,705)
Nonmajor internal service funds	132,198	(457,592)	(325,394)
Total governmental activities	<u>1,733,955</u>	<u>(2,352,437)</u>	<u>(618,482)</u>
<i>Business-type activities:</i>			
Utility fund	2,781,579	(980,969)	1,800,610
Water and Sewer Revenue fund	11,615	(1,193,743)	(1,182,128)
Total business-type activities	<u>2,793,194</u>	<u>(2,174,712)</u>	<u>618,482</u>
<b>Total primary government</b>	<u>\$ 4,527,149</u>	<u>\$ (4,527,149)</u>	<u>\$ -</u>
<b>Discretely presented component unit</b>			
<i>Governmental activities:</i>			
General fund	\$ 933,904	\$ -	\$ 933,904
<i>Business-type activities:</i>			
Enterprise fund	-	(933,904)	(933,904)
<b>Total discretely presented component unit</b>	<u>\$ 933,904</u>	<u>\$ (933,904)</u>	<u>\$ -</u>

The principal purpose of interfund transfers is to fund the equipment replacement and equipment maintenance insurance funds.

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
<b>Primary government</b>			
<i>Governmental activities:</i>			
General fund	\$ 71,101	\$ (36,180)	\$ 34,921
Capital Projects - 2005 Streets and Drainage	-	-	-
Nonmajor governmental funds	-	(19,501)	(19,501)
Nonmajor internal service funds	106,310	-	106,310
Total governmental activities	<u>177,411</u>	<u>(55,681)</u>	<u>121,730</u>
<i>Business-type activities:</i>			
Utility fund	56,296	(541,437)	(485,141)
Water and Sewer Revenue fund	363,411	-	363,411
Total business-type activities	<u>419,707</u>	<u>(541,437)</u>	<u>(121,730)</u>
<b>Total primary government</b>	<u>\$ 597,118</u>	<u>\$ (597,118)</u>	<u>\$ -</u>

**IV. Detailed notes on all funds (Continued)****F. Leases**Operating Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment are classified as State of Texas Rental Contracts and are cancelable contingent upon budget funding approval. The City is therefore not obligated for any future minimum rental payments at September 30, 2006.

The imputed interest on the leases is not readily determinable.

Rental expenditures during the year ended September 30, 2005 were \$14,136.

**G. Long-term debt****1. Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2006, was as follows:

	<b>Balance September 1, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance August 31, 2006</b>	<b>Due Within One Year</b>
<b>Primary government</b>					
<i>Governmental activities:</i>					
Certificates of obligation	3,895,000	\$ -	\$ (270,000)	3,625,000	\$ 320,000
Compensated absences	844,561	438,778	(459,198)	824,141	394,698
Supplemental annuities	107,732	1,019	(22,054)	86,697	20,435
Total governmental activities	<u>4,847,293</u>	<u>439,797</u>	<u>(751,252)</u>	<u>4,535,838</u>	<u>735,133</u>
<i>Business-type activities</i>					
Bonds and contracts payable:					
Revenue bonds	7,540,000	-	(475,000)	7,065,000	495,000
Long-term contracts	2,900,000	-	(40,000)	2,860,000	40,000
Total bonds and contracts payable	<u>10,440,000</u>	<u>-</u>	<u>(515,000)</u>	<u>9,925,000</u>	<u>535,000</u>
Compensated absences	114,620	67,035	(64,101)	117,554	55,656
Total business-type activities	<u>10,554,620</u>	<u>67,035</u>	<u>(579,101)</u>	<u>10,042,554</u>	<u>590,656</u>
			-		
<b>Total primary government</b>	<u>\$ 15,401,913</u>	<u>\$ 506,832</u>	<u>\$ (1,330,353)</u>	<u>\$ 14,578,392</u>	<u>\$ 1,325,789</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

## IV. Detailed notes on all funds (Continued)

## G. Long-term debt (Continued)

## 2. Certificates of Obligation

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and major equipment. Certificates of obligation have been issued for governmental activities. The original amount of certificates of obligation issued in prior years was \$4,415,000. During the year, no new certificates of obligation were issued.

Certificates of obligation are direct obligations and pledge the full faith and credit of the City. These certificates were issued as 25-year and 15-year certificates with various amounts of principal maturing each year.

Certificates of obligations outstanding at year-end are as follows:

<u>Issue</u>	<u>Original Issuance Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Certificates of obligation - Series 1993	\$925,000	5.00% to 6.70%	2008	\$ 160,000
Certificates of obligation - Series 2005	3,490,000	4.00% to 5.00%	2029	3,465,000
	Total certificates of obligation payable			3,625,000
	Less current portion			(320,000)
	<b>Long-term portion</b>			<b><u>\$ 3,305,000</u></b>

Annual debt service requirements to maturity for certificates of obligation are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 320,000	\$ 160,480	\$ 480,480
2008	95,000	144,480	239,480
2009	95,000	139,730	234,730
2010	95,000	134,980	229,980
2011	100,000	130,230	230,230
2012	105,000	125,230	230,230
2013	110,000	119,980	229,980
2014	115,000	115,305	230,305
2015	120,000	110,705	230,705
2016	130,000	105,905	235,905
2017	135,000	100,705	235,705
2018	140,000	95,237	235,237
2019	145,000	89,567	234,567
2020	155,000	83,550	238,550
2021	160,000	77,117	237,117
2022	170,000	70,317	240,317
2023	175,000	63,093	238,093
2024	185,000	55,480	240,480
2025	195,000	47,433	242,433
2026	205,000	38,950	243,950
2027	215,000	29,930	244,930
2028	225,000	20,470	245,470
2029	235,000	10,458	245,458
	<u>3,625,000</u>	<u>\$ 2,069,332</u>	<u>\$ 5,694,332</u>
	(320,000)	Less Current Portion	
	<b><u>\$ 3,305,000</u></b>	<b>Long-term portion</b>	

**IV. Detailed notes on all funds (Continued)**

**G. Long-term debt (Continued)**

**3. Revenue bonds and other long-term debt**

The City also issues bonds for which the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for business -type activities. The original amount of revenue bonds issued in prior years was \$9,040,000. During the year, no revenue bonds were issued.

The City has also entered into contracts for which the City pledges sufficient sums to retire the water contract revenue bonds of the Gulf Coast Water Authority. These contracts are for business-type activities. The original amount of contracts entered into in prior years was \$3,040,000. During the year, the City entered into no new contracts.

**Primary Government**

Revenue bonds and other long-term debt outstanding at year-end are as follows:

<u>Issue</u>	<u>Original Issuance Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
<i>Revenue bonds:</i>				
Revenue bonds - Series 1996	\$4,440,000	3.00% to 4.55%	2016	\$ 3,230,000
Revenue bonds - Series 1998	\$4,600,000	2.50% to 3.65%	2018	3,835,000
	Total revenue bonds payable			<u>7,065,000</u>
	Less current portion			<u>(495,000)</u>
	<b>Long-term portion</b>			<b><u>\$ 6,570,000</u></b>
<i>Long-term contracts:</i>				
Water system contract refunding bonds - Series 1998-D	\$3,040,000	4.15% to 5.00%	2018	\$ 2,860,000
	Total long-term contracts payable			<u>2,860,000</u>
	Less current portion			<u>(40,000)</u>
	<b>Long-term portion</b>			<b><u>\$ 2,820,000</u></b>

Revenue bond and long-term contracts debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 535,000	\$ 413,903	\$ 948,903
2008	555,000	394,640	949,640
2009	680,000	374,188	1,054,188
2010	705,000	347,583	1,052,583
2011	730,000	319,398	1,049,398
2012	760,000	289,597	1,049,597
2013	790,000	258,058	1,048,058
2014	825,000	224,767	1,049,767
2015	860,000	189,593	1,049,593
2016	895,000	152,630	1,047,630
2017	780,000	113,975	893,975
2018	790,000	82,737	872,737
2019	225,000	51,000	276,000
2020	240,000	39,750	279,750
2021	250,000	27,750	277,750
2022	305,000	15,250	320,250
	<u>9,925,000</u>	<u>\$ 3,294,819</u>	<u>\$ 13,219,819</u>
	(535,000)	Less Current Portion	
	<b><u>\$ 9,390,000</u></b>	<b>Long-term portion</b>	

**IV. Detailed notes on all funds (Continued)**

**G. Long-term debt (Continued)**

**4. Long-term contracts payable**

**Gulf Coast Water Authority**

According to the contract between the City of La Marque and the Gulf Coast Water Authority (GCWA), the City agreed to provide sufficient sums to retire the water contract revenue bonds of the GCWA. In return, the proceeds of the contract revenue bonds have been used to finance the construction of a water transmission main from a water treatment plant located in the City of Texas City to the City of La Marque and upgrade the City of La Marque's water supply and distribution system. The improvements were necessary to convert the City of La Marque to a surface water supply. The project was completed in November, 1982.

On July 1, 1998, the City of La Marque entered into a long-term contract with the Gulf Coast Water Authority (GCWA), formerly Galveston County Water Authority, to build and improve facilities for potable water transportation to the City of La Marque. The GCWA is a conservation and reclamation district created by Chapter 712, Acts of the 59th Texas Legislature, 1965, as amended (compiled as Article 8280-339, Vernon's Texas Civil Statutes, as amended). The GCWA issued bonds totaling \$3,040,000 in 1998 under the title "Gulf Coast Water Authority Water System Contract Revenue Bonds, Series 1998 D - City of La Marque Project". Under the contract, the City agreed to provide sufficient sums to retire the bonds.

Additionally, the City entered into a contract to purchase water from the Gulf Coast Water Authority which includes an agreement to provide funds to cover bonds obtained by the GCWA for waterline improvements within the corporate boundaries of the City. This commitment amounted to \$762,951 as of September 30, 2006 and will be paid as part of water purchases expense in the Utility fund.

**5. Restricted net assets for revenue bond debt service**

Water Contract Refunding Bonds, Series 1998-D	<u>\$</u>	297,404
Total revenue bond debt service reserve	<u>\$</u>	<u>297,404</u>

As required by a city ordinance adopted on August 26, 1996, the City agreed to maintain reserve funds for Series 1996 and 1998 Water and Sewer Revenue Bonds, based upon the average debt requirements of \$361,975 and \$342,477, respectively. The City had a sixty-month period to accumulate the required reserves. Once attained, the reserves were to remain level until the bonds were paid in full. However, on July 13, 1998 a new ordinance was passed which allowed the City to satisfy the Reserve Fund Requirements by obtaining Reserve Fund Surety Policies. A Reserve Fund Surety Policy was purchased on August 13, 1998 which allowed funded amounts in the Reserve Funds to be released for any of the purposes for which such funds may be lawfully applied. Therefore, no interest and sinking fund reserves are required.

Additionally, a restriction for Water Contract Revenue Bonds, Series 1998D, in the amount of \$297,404, has been recorded as of September 30, 2006.

**H. Revaluation of utility plant**

A surplus arising in the amount of \$959,359, from revaluation of the Utility Plant in service is based on an appraisal by Chas. R. Haile Associates, Inc., Consulting Engineers, as of April 1, 1959. This was prior to the dissolution of Galveston County W.C.I.D. #3, which was acquired by the City of La Marque. The surplus is included in invested in capital assets, net of related debt.

**IV. Detailed notes on all funds (Continued)**

**I. Designated fund balances – self insurance**

**Primary Government**

Self-insurance - A designation for self-insurance has been established in the General and Utility Funds to provide a designation of funds to cover the risk of loss for physical damage to vehicles. This designation is not, nor is it intended to be a traditional self-insurance program. It is rather a designation of funds established to meet deductibles under the City's commercial insurance coverage. The designation for all funds totaled \$47,500 at September 30, 2006.

**Discretely presented component unit**

Fund balance in the General Fund has been reserved in an amount equal to amounts due from the Mark 45 Business Park Fund.

**J. Budgeted special revenue funds**

The City legally adopts annual budgets for only two of the City's five Special Revenue Funds - Hotel/Motel Room Occupancy Tax Fund and Section 8 Fund. The Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual on pages 90 and 91 presents only those two funds.

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Budgeted special revenue funds</b>			
Total revenues	\$ 429,580	\$ 389,334	\$ (40,246)
Total expenditures	458,139	339,491	118,648
Excess revenues over (under) expenditures	(28,559)	49,843	78,402
Fund balance - October 1 (Beginning)	542,942	542,942	-
Fund balance - September 30 (Ending)	514,383	592,785	78,402
<b>Unbudgeted special revenue funds</b>			
Total revenues	-	8,971	8,971
Total expenditures	-	1,996	(1,996)
Excess revenues over (under) expenditures	-	6,975	6,975
Fund balance - October 1 (Beginning)	-	4,411	4,411
Fund balance - September 30 (Ending)	-	11,386	11,386
<b>All special revenue funds</b>			
Total revenues	429,580	398,305	(31,275)
Total expenditures	458,139	341,487	116,652
Excess revenues over (under) expenditures	(28,559)	56,818	85,377
Fund balance - October 1 (Beginning)	542,942	547,353	4,411
Fund balance - September 30 (Ending)	\$ 514,383	\$ 604,171	\$ 89,788

**IV. Detailed notes on all funds (Continued)**

**K. Deferred revenue**

Deferred revenue represents assets that are not available for use by the City to liquidate current year liabilities. Deferred revenue by fund as of September 30, 2006 follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Net property taxes receivable	\$ 336,998	\$ 85,402	\$ 422,400
Proceeds - Expenditure driven grants			
BP Donation	34,473	-	34,473
Library grant	6,250	-	6,250
Home grant	-	44,678	44,678
CDBG grant matching	-	70,000	70,000
Other unearned revenue	17,821	-	17,821
<b>Total</b>	<u>\$ 395,542</u>	<u>\$ 200,080</u>	<u>\$ 595,622</u>

A summary of unavailable and unearned deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General fund	\$ 336,998	\$ 58,544	\$ 395,542
Nonmajor governmental funds	85,402	114,678	200,080
<b>Total</b>	<u>\$ 422,400</u>	<u>\$ 173,222</u>	<u>\$ 595,622</u>

**L. Deferred charges**

Costs related to obtaining revenue bonds and long-term contracts are capitalized and amortized over the term of the related debt using the straight-line method. Costs, accumulated amortization and amortization expense are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>		<u>Total</u>
		<u>Utility</u>	<u>Water and Sewer Revenue</u>	
<b>Deferred charges:</b>				
Bond issue costs	\$ 57,147	\$ 388,521	\$ 136,374	\$ 524,895
Accumulated amortization	(3,048)	(251,805)	(55,970)	(307,775)
Bond issue costs, net of accumulated amortization	<u>54,099</u>	<u>136,716</u>	<u>80,404</u>	<u>217,120</u>
Premium received on bond issue	-	55,908	-	55,908
Accumulated amortization	-	(19,219)	-	(19,219)
Premium received on bond issue, net of accumulated amortization	<u>-</u>	<u>36,689</u>	<u>-</u>	<u>36,689</u>
Deferred charges, net of accumulated amortization	<u>\$ 54,099</u>	<u>\$ 173,405</u>	<u>\$ 80,404</u>	<u>\$ 253,809</u>
<b>Current year amortization:</b>				
Bond issue costs	\$ 2,286	\$ 12,216	\$ 6,819	\$ 19,035
Premium received on bond issue	-	2,718	-	2,718
Total current year amortization	<u>\$ 2,286</u>	<u>\$ 14,934</u>	<u>\$ 6,819</u>	<u>\$ 21,753</u>

When a bond or long-term contract is paid in full, any unamortized deferred costs are written off as current expenditures.



**V. Other information****A. Risk management**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. In addition, a designation for self-insurance has been established in the General and Enterprise Funds to provide a reservation of funds to cover the risk of loss for physical damage to vehicles. This designation is not, nor is it intended to be a traditional self-insurance program. It is rather a designation of funds established to meet deductibles under the City's commercial insurance coverage. The Enterprise Fund designation is reported as unrestricted net assets.

	<b>Designated for Self Insurance</b>			
	<b>General Fund</b>	<b>Enterprise Funds</b>	<b>September 30, 2006</b>	<b>September 30, 2005</b>
Balance, October 1, 2005	\$ 40,000	\$ 7,500	\$ 47,500	\$ 47,500
Additions	-	-	-	-
Reductions	-	-	-	-
Balance, September 30, 2006	<u>40,000</u>	<u>7,500</u>	<u>47,500</u>	<u>47,500</u>

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**B. Health care coverage**

During the year ended September 30, 2006, employees of the City of La Marque, Texas were covered by a health insurance plan. The City paid \$702,997 in annual premiums to the Plan. All premiums were paid to a licensed insurer. The policy is renewable on an annual basis.

**C. Deferred compensation plan**

The City offers its employees the opportunity to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The City provides neither administrative services nor investment advice for the plan. Accordingly, no assets or liabilities are reported in the financial statements of the City.

**D. Subsequent events****Primary Government**

Subsequent to year end, the City entered into a capital lease with AT&T to purchase telecommunications equipment for all City facilities. The total amount of the lease is \$133,876 with a term of sixty months at an interest rate of 5.5 percent.

**E. Contingent liabilities****Primary Government**

Grants - The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City of La Marque, Texas at September 30, 2006.

**V. Other information (Continued)****E. Contingent liabilities (Continued)****Primary Government (Continued)**

Litigation - The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**Discretely presented component unit**

At September 30, 2006, there are no lawsuits pending against the Corporation which would in the opinion of legal counsel, result in claims which would have a material effect on the financial statements of the Corporation.

**F. Other postemployment benefits**

The City provides post-employment healthcare benefits as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA) to all employees who retire from the City of La Marque. Insurance premiums are fully funded by the City as required by council policy. During the year ended September 30, 2006 eleven participants were eligible to receive benefits. The City paid \$26,793 in premiums to insure former employees.

**G. Employee retirement systems and pension plans**Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 currently administered by TMRS, an agent multiple-employer public employee retirement system.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of 4/19/06\*):

Deposit Rate:	<b>5%</b>
Matching Ratio (City to Employee):	<b>2 to 1</b>
A member is vested after	<b>5 years</b>

Members can retire at certain ages, based on the years of service with the City.  
The Service Retirement Eligibilities for the City (expressed as years of service/age) are:  
**5 yrs/age 60, 20 yrs/any age**

## V. Other information (Continued)

## G. Employee retirement systems and pension plans (Continued)

The City of La Marque is one of 811 municipalities having the benefit plan administered by TMRS. Each of the 811 Municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/05 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2005 valuation is effective for rates beginning January 2007).

(\* To ensure the most accurate future rates are determined for the City, TMRS provided plan provisions as of 4/19/06 to the actuary in calculating the 12/31/05 valuation).

Schedule of Actuarial Liabilities and Funding Progress

Actuarial valuation date	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00	12/31/99	12/31/98	12/31/97
Actuarial value of plan assets	\$ 8,057,692	\$ 8,485,418	\$ 8,132,647	\$ 7,460,033	\$ 6,598,262	\$ 5,993,116	\$ 5,503,361	\$ 4,889,425	\$ 4,903,039
Actuarial accrued liability	\$ 9,352,571	\$ 9,892,519	\$ 9,332,163	\$ 8,667,939	\$ 7,662,137	\$ 7,143,243	\$ 6,552,868	\$ 5,950,921	\$ 6,155,335
Percentage funded	86.15%	85.78%	87.15%	86.06%	86.12%	83.90%	83.98%	82.16%	79.66%
Unfunded (over-funded) actuarial accrued liability (AAL)	\$ 1,294,879	\$ 1,407,101	\$ 1,199,516	\$ 1,207,906	\$ 1,063,875	\$ 1,150,127	\$ 1,049,507	\$ 1,061,496	\$ 1,252,296
Annual covered payroll	\$ 4,162,216	\$ 3,752,132	\$ 3,291,494	\$ 3,319,943	\$ 2,719,416	\$ 2,867,148	\$ 2,632,846	\$ 2,654,234	\$ 2,710,100
UAAL as a percentage of covered payroll	31.11%	37.50%	36.44%	36.38%	39.12%	40.11%	39.86%	39.99%	46.21%
Net pension obligation (NPO) at the beginning of the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual pension costs:									
Annual required contribution (ARC)	362,411	356,150	303,530	311,582	244,482	239,599	261,248	265,176	219,471
Interest on NPO	-	-	-	-	-	-	-	-	-
Adjustment to ARC	-	-	-	-	-	-	-	-	-
Total annual pension costs	<u>362,411</u>	<u>356,150</u>	<u>303,530</u>	<u>311,582</u>	<u>244,482</u>	<u>239,599</u>	<u>261,248</u>	<u>265,176</u>	<u>219,471</u>
Annual reductions in NPO									
Contributions made	362,411	356,150	303,530	311,582	244,482	239,599	261,248	265,176	219,471
Increase in NPO	-	-	-	-	-	-	-	-	-
Total annual reductions in NPO	<u>362,411</u>	<u>356,150</u>	<u>303,530</u>	<u>311,582</u>	<u>244,482</u>	<u>239,599</u>	<u>261,248</u>	<u>265,176</u>	<u>219,471</u>
NPO at the end of the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

V. Other information (Continued)

G. Employee retirement systems and pension plans (Continued)

<u>General System-wide Actuarial Assumptions</u>	
Actuarial cost method -	Unit credit
Amortization method -	Level percent of payroll
Remaining amortization period -	25 years - Open period
Asset valuation method	Amortized cost (to accurately reflect the requirements of GASB stmt, No. 25, paragraphs 36e and 38)
Investment rate of return -	7%
Projected salary increases -	None
Includes inflation at -	3.5%
Cost-of-living adjustments -	None

Pension Plan B Supplemental Annuity Program

DESCRIPTION OF PLAN AND TERMS

Plan - The City maintains a supplemental annuity program, a single-employer defined benefit pension plan.

Plan Membership - All permanent employees of the City are eligible to qualify for the annuity program. The City funds and administers the annuity program. All employees of the City, who have a total of "80" points or more are eligible for the annuity program.

The calculation to determine the amount of points for an employee is to add the employee's number of years of service with the City as a full-time employee to the age of the employee at the time of retirement. This program is limited to full-time employees and seven annuitants, currently.

Plan Benefits - After an eligible employee has selected his retirement option under the Texas Municipal Retirement System and a determination of his monthly TMRS Annuity has been finalized, then that monthly TMRS Annuity would be multiplied by twenty-five percent (25%) to equal the amount of the Supplement the retiree would receive twelve (12) times each year. The amount of the Supplement would be revised annually should the TMRS Annuity change.

The Supplemental Annuity would cease when the employee reaches age sixty-five (65). In the event of death prior to age sixty-five (65), the surviving spouse would receive the Supplemental Annuity until age sixty (60).

Funding Requirements - The cost of the annuity program is funded by the employer. Annuity payments for the year ended September 30, 2006 were \$22,054. The annuity program is a limited program; therefore, unfunded liabilities will remain immaterial, and funding will remain approximately level over time. Annual contributions to the annuity program are from current resources.



*Set your sites on La Marque.*

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**REQUIRED SUPPLEMENTARY INFORMATION**



*Set your sites on La Marque.*

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**REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

**EXHIBIT F-1**

	(1)	(2)	(1)/(2)	(1)-(2)	(3)	(2)-(1)/(3)	(4)	(4)/(3)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>	<b>Annual Pension Cost (September 30)</b>	<b>Average City Rate</b>
12/31/1997	\$ 4,903,039	\$ 6,155,335	79.7%	\$ 1,252,296	\$ 2,710,100	46.2%	\$ 219,471	8.1%
12/31/1998	4,889,425	5,950,921	82.2%	1,061,496	2,654,234	40.0%	265,176	10.0%
12/31/1999	5,503,361	6,552,868	84.0%	1,049,507	2,632,846	39.9%	261,248	9.9%
12/31/2000	5,993,116	7,143,243	83.9%	1,150,127	2,867,148	40.1%	239,599	8.4%
12/31/2001	6,598,262	7,662,137	86.1%	1,063,875	2,719,416	39.1%	244,482	9.0%
12/31/2002	7,460,033	8,667,939	86.1%	1,207,906	3,319,943	36.4%	311,582	9.4%
12/31/2003	8,132,647	9,332,163	87.1%	1,199,516	3,291,494	36.4%	303,530	9.2%
12/31/2004	8,485,418	9,892,519	85.8%	1,407,101	3,752,132	37.5%	356,150	9.5%
12/31/2005	8,057,692	9,352,571	86.2%	1,294,879	4,162,216	31.1%	362,411	8.7%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of Texas Municipal Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability and covered payroll approximately adjusts for the effects of inflation and aids analysis of Texas Municipal Retirement System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Public Employee Retirement System.





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## **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 Room Occupancy Tax Fund** - This fund accounts for revenues derived from the City Room Occupancy Tax. State Statutes require that such revenues be used for (a) the acquisition of sites for and the construction, improvement, operation, and maintenance of convention center facilities; (b) advertising for general promotion and tourist advertising of the City; (c) the encouragement, promotion, improvement, and application of the site; and (d) historical preservation and restoration.

**Section 8 Fund** - This fund accounts for a federal grant from the United States Department of Housing and Urban Development used for housing assistance and utility payments.

**Drug Seizure Fund** - This fund accounts for money and property forfeitures arising out of the Health and Safety Code (formerly the Controlled Substance Act). Proceeds are used only for law enforcement purposes.

**Home Grant** - This fund accounts for grants received to increase available funding to provide affordable housing and related services.

**Homeland Security Grant** - This fund accounts for a federal grant from the U. S. Department of Homeland Security that is used to improve emergency response and homeland security.

**Public Improvement District** - This fund accounts for assessments levied on property within Public Improvement Districts. The funds are used to pay debt related to infrastructure improvements within the District.

**Community Development Grant** - This fund is used to account for revenues derived from revenue and expenditure funding through the Community Development Block Grants.

### **Debt Service Fund**

This fund is used to account for the accumulation of resources for the payment of interest and principal on long-term debt.

### **Non-major Capital Projects Fund**

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

**CITY OF LA MARQUE, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006**

	<u>Hotel/Motel Occupancy Tax</u>	<u>Section 8 Fund</u>	<u>Drug Seizure</u>	<u>Home Grant</u>	<u>Homeland Security Grant</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ -	\$ 125,253	\$ 5,014	\$ 44,675	\$ 19,326
Investments	1,127,373	-	-	-	-
Property taxes receivable, net	-	-	-	-	-
Other taxes receivable, net	5,466	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	21,303	-	3	-
Other receivables	-	-	-	-	-
Total assets	<u>\$ 1,132,839</u>	<u>\$ 146,556</u>	<u>\$ 5,014</u>	<u>\$ 44,678</u>	<u>\$ 19,326</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ -	\$ 104,331	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-	-	-
Due to other funds	582,279	-	-	-	19,326
Deferred revenue	-	-	-	44,678	-
Total liabilities	<u>582,279</u>	<u>104,331</u>	<u>-</u>	<u>44,678</u>	<u>19,326</u>
<b><u>FUND BALANCE</u></b>					
Reserved for:					
Debt service	-	-	-	-	-
Special revenue funds	-	42,225	-	-	-
Unreserved:					
Designated for:					
Future expenditures:					
Reported in special revenue funds	550,560	-	-	-	-
Reported in the capital projects fund	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	-	5,014	-	-
Total fund balance	<u>550,560</u>	<u>42,225</u>	<u>5,014</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,132,839</u>	<u>\$ 146,556</u>	<u>\$ 5,014</u>	<u>\$ 44,678</u>	<u>\$ 19,326</u>

Public Improvement District	Community Development Grant	Total Nonmajor Special Revenue Funds	Debt Service Fund	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
\$ 7,347	\$ 70,000	\$ 271,615	\$ -	\$ 27,673	\$ 299,288
-	-	1,127,373	812,089	-	1,939,462
-	-	-	107,237	-	107,237
-	-	5,466	-	-	5,466
-	-	-	2,562	-	2,562
-	-	21,306	-	-	21,306
-	-	-	102	-	102
<u>\$ 7,347</u>	<u>\$ 70,000</u>	<u>\$ 1,425,760</u>	<u>\$ 921,990</u>	<u>\$ 27,673</u>	<u>\$ 2,375,423</u>
\$ 975	\$ -	\$ 105,306	\$ -	\$ -	\$ 105,306
-	-	-	898	-	898
-	-	601,605	408,662	-	1,010,267
-	70,000	114,678	85,402	-	200,080
<u>975</u>	<u>70,000</u>	<u>821,589</u>	<u>494,962</u>	<u>-</u>	<u>1,316,551</u>
-	-	-	427,028	-	427,028
6,372	-	48,597	-	-	48,597
-	-	550,560	-	-	550,560
-	-	-	-	27,673	27,673
-	-	5,014	-	-	5,014
<u>6,372</u>	<u>-</u>	<u>604,171</u>	<u>427,028</u>	<u>27,673</u>	<u>1,058,872</u>
<u>\$ 7,347</u>	<u>\$ 70,000</u>	<u>\$ 1,425,760</u>	<u>\$ 921,990</u>	<u>\$ 27,673</u>	<u>\$ 2,375,423</u>

**CITY OF LA MARQUE, TEXAS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<b>Hotel/Motel Occupancy Tax</b>	<b>Section 8 Fund</b>	<b>Drug Seizure</b>	<b>Home Grant</b>	<b>Homeland Security Grant</b>
<b><u>REVENUES</u></b>					
<i>Taxes:</i>					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Other	50,222	-	-	-	-
Intergovernmental revenue	-	285,909	-	21	-
Investment earnings	46,284	-	-	-	-
Other revenue	-	6,919	1,603	-	-
<b>Total revenues</b>	<b>96,506</b>	<b>292,828</b>	<b>1,603</b>	<b>21</b>	<b>-</b>
<b><u>EXPENDITURES</u></b>					
<i>Current:</i>					
General government:	46,000	36,036	-	-	-
Public safety	-	-	1,000	-	-
Public works	-	-	-	21	-
Urban rehabilitation and housing	-	257,455	-	-	-
<i>Debt service:</i>					
Principal on long-term debt	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>46,000</b>	<b>293,491</b>	<b>1,000</b>	<b>21</b>	<b>-</b>
Excess (Deficiency) of revenues over (under) expenditures	50,506	(663)	603	-	-
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfer in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>50,506</b>	<b>(663)</b>	<b>603</b>	<b>-</b>	<b>-</b>
Fund balances - October 1 (Beginning)	500,054	42,888	4,411	-	-
<b>Fund balances - September 30 (Ending)</b>	<b>\$ 550,560</b>	<b>\$ 42,225</b>	<b>\$ 5,014</b>	<b>\$ -</b>	<b>\$ -</b>

<u>Public Improvement District</u>	<u>Community Development Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 7,347	\$ -	\$ 7,347	\$ 439,431	\$ -	\$ 446,778
-	-	50,222	-	-	50,222
-	-	285,930	-	-	285,930
-	-	46,284	35,705	-	81,989
-	-	8,522	57,056	-	65,578
<u>7,347</u>	<u>-</u>	<u>398,305</u>	<u>532,192</u>	<u>-</u>	<u>930,497</u>
-	-	82,036	-	-	82,036
-	-	1,000	-	-	1,000
975	-	996	-	-	996
-	-	257,455	-	-	257,455
-	-	-	292,054	-	292,054
-	-	-	212,520	-	212,520
<u>975</u>	<u>-</u>	<u>341,487</u>	<u>504,574</u>	<u>-</u>	<u>846,061</u>
<u>6,372</u>	<u>-</u>	<u>56,818</u>	<u>27,618</u>	<u>-</u>	<u>84,436</u>
-	-	-	-	-	-
-	-	-	(19,501)	-	(19,501)
-	-	-	(19,501)	-	(19,501)
6,372	-	56,818	8,117	-	64,935
-	-	547,353	418,911	27,673	993,937
<u>\$ 6,372</u>	<u>\$ -</u>	<u>\$ 604,171</u>	<u>\$ 427,028</u>	<u>\$ 27,673</u>	<u>\$ 1,058,872</u>

**CITY OF LA MARQUE, TEXAS  
HOTEL/MOTEL ROOM OCCUPANCY TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT G-3**

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>REVENUES</u></b>				
<i>Taxes:</i>				
Other	\$ 25,000	\$ 25,000	\$ 50,222	\$ 25,222
Investment earnings	7,500	7,500	46,284	38,784
Total revenues	<u>32,500</u>	<u>32,500</u>	<u>96,506</u>	<u>64,006</u>
<b><u>EXPENDITURES</u></b>				
<i>Current:</i>				
General government	<u>66,000</u>	<u>66,000</u>	<u>46,000</u>	<u>20,000</u>
Total expenditures	<u>66,000</u>	<u>66,000</u>	<u>46,000</u>	<u>20,000</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(33,500)</u>	<u>(33,500)</u>	<u>50,506</u>	<u>84,006</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(33,500)	(33,500)	50,506	84,006
Fund balances - Beginning	<u>500,054</u>	<u>500,054</u>	<u>500,054</u>	<u>-</u>
Fund balances - Ending	<u>\$ 466,554</u>	<u>\$ 466,554</u>	<u>\$ 550,560</u>	<u>\$ 84,006</u>

**CITY OF LA MARQUE, TEXAS  
SECTION 8 FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT G-4**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>REVENUES</u></b>				
Intergovernmental revenue	\$ 397,080	\$ 397,080	\$ 285,909	\$ (111,171)
Other revenue	-	-	6,919	6,919
Total revenues	<u>397,080</u>	<u>397,080</u>	<u>292,828</u>	<u>(104,252)</u>
<b><u>EXPENDITURES</u></b>				
<i>Current:</i>				
General government	23,499	23,499	36,036	(12,537)
Urban rehabilitation and housing	368,640	368,640	257,455	111,185
Total expenditures	<u>392,139</u>	<u>392,139</u>	<u>293,491</u>	<u>98,648</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>4,941</u>	<u>4,941</u>	<u>(663)</u>	<u>(5,604)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,941	4,941	(663)	(5,604)
Fund balances - Beginning	<u>42,888</u>	<u>42,888</u>	<u>42,888</u>	<u>-</u>
Fund balances - Ending	<u>\$ 47,829</u>	<u>\$ 47,829</u>	<u>\$ 42,225</u>	<u>\$ (5,604)</u>



**CITY OF LA MARQUE, TEXAS  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT G-5**

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>REVENUES</u></b>				
<i>Taxes:</i>				
Property	\$ 416,280	\$ 416,280	\$ 439,431	\$ 23,151
Investment earnings	6,000	6,000	35,705	29,705
Other revenue	-	-	57,056	57,056
Total revenues	<u>422,280</u>	<u>422,280</u>	<u>532,192</u>	<u>109,912</u>
<b><u>EXPENDITURES</u></b>				
<i>Debt service:</i>				
Principal on long-term debt	288,250	288,250	292,054	(3,804)
Interest and fiscal charges	216,138	216,138	212,520	3,618
Total expenditures	<u>504,388</u>	<u>504,388</u>	<u>504,574</u>	<u>(186)</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(82,108)</u>	<u>(82,108)</u>	<u>27,618</u>	<u>109,726</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer in	10,500	67,550	-	(67,550)
Transfers (out)	(19,501)	(19,501)	(19,501)	-
Total other financing sources (uses)	<u>(9,001)</u>	<u>48,049</u>	<u>(19,501)</u>	<u>(67,550)</u>
Net change in fund balances	(91,109)	(34,059)	8,117	42,176
Fund balances - Beginning	<u>418,911</u>	<u>418,911</u>	<u>418,911</u>	<u>-</u>
Fund balances - Ending	<u>\$ 327,802</u>	<u>\$ 384,852</u>	<u>\$ 427,028</u>	<u>\$ 42,176</u>

### **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Equipment Replacement** - to account for the internal cash funding for equipment replacement costs as needed by City departments.

**Equipment Maintenance Insurance** - to account for the internal cash funding for equipment maintenance insurance costs as needed by City departments.

**CITY OF LA MARQUE, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

**EXHIBIT H-1**

	<u>Equipment Replacement</u>	<u>Equipment Maintenance Insurance</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current assets:			
Unrestricted:			
Investments	\$ 1,755,278	\$ -	\$ 1,755,278
Due from other funds	132,198	-	132,198
Total current assets	<u>1,887,476</u>	<u>-</u>	<u>1,887,476</u>
Total assets	<u>1,887,476</u>	<u>-</u>	<u>1,887,476</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ -	\$ 532	\$ 532
Due to other funds	437,332	20,260	457,592
Total current liabilities	<u>437,332</u>	<u>20,792</u>	<u>458,124</u>
Total liabilities	<u>437,332</u>	<u>20,792</u>	<u>458,124</u>
<b><u>NET ASSETS</u></b>			
Unrestricted	1,450,144	(20,792)	1,429,352
Total net assets	<u>\$ 1,450,144</u>	<u>\$ (20,792)</u>	<u>\$ 1,429,352</u>

**CITY OF LA MARQUE, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT H-2**

	<b>Equipment Replacement</b>	<b>Equipment Maintenance Insurance</b>	<b>Total</b>
<b><u>Operating revenues</u></b>			
Charges for services	\$ -	\$ -	\$ -
Total operating revenues	-	-	-
<b><u>Operating expenses</u></b>			
Miscellaneous services	-	18,882	18,882
Total operating expenses	-	18,882	18,882
Operating income	-	(18,882)	(18,882)
<b><u>Non-operating revenues (expenses)</u></b>			
Miscellaneous revenue	-	2,199	2,199
Investment earnings	76,083	-	76,083
Total non-operating revenues (expenses)	76,083	2,199	78,282
Income before contributions and transfers	76,083	(16,683)	59,400
<b><u>Contributions and transfers</u></b>			
Transfer in	82,990	23,320	106,310
Total contributions and transfers	82,990	23,320	106,310
Change in net assets	159,073	6,637	165,710
Total net assets - Beginning	1,291,071	(27,429)	1,263,642
Total net assets - Ending	\$ 1,450,144	\$ (20,792)	\$ 1,429,352

**CITY OF LA MARQUE, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<b>Equipment Replacement</b>	<b>Equipment Maintenance Insurance</b>	<b>Total</b>
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ 2,199	\$ 2,199
Cash paid to suppliers for goods and services	-	(18,350)	(18,350)
Net cash provided by operating activities	<u>-</u>	<u>(16,151)</u>	<u>(16,151)</u>
Cash flows from non-capital financing activities:			
Transfers in	82,990	23,320	106,310
Interfund cash payments	-	(7,169)	(7,169)
Interfund cash receipts	196,889	-	196,889
Net cash used for non-capital financing activities	<u>279,879</u>	<u>16,151</u>	<u>296,030</u>
Cash flows from investing activities:			
Purchase of investments	(281,521)	-	(281,521)
Proceeds - sale and maturity of investments	-	-	-
Interest received from investments	1,642	-	1,642
Net cash from investing activities	<u>(279,879)</u>	<u>-</u>	<u>(279,879)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Equipment Replacement</u>	<u>Equipment Maintenance Insurance</u>	<u>Total</u>
Reconciliation of net operating income to net cash provided by operating activities:			
Net operating income (loss)	\$ -	\$ (18,882)	\$ (18,882)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Non-operating income (expense)	-	2,199	2,199
Change in assets and liabilities:			
Increase (decrease) in accounts payable	-	532	532
Total adjustments	-	2,731	2,731
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ (16,151)</u>	<u>\$ (16,151)</u>



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### **FIDUCIARY FUNDS**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

### **PRIVATE-PURPOSE TRUST FUNDS**

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund or an investment trust fund under which principal and income benefit individuals, private organizations, or other governments.

**Library Memorial** – to account for contributions legally held in trust for the purchase of library books.

**Tax Increment Zone #1** – to account for captured tax receipts of taxing entities in the zone and to account for expenditures to expand the public infrastructure in the zone.



**CITY OF LA MARQUE, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2006**

**EXHIBIT I-1**

	<u>Library Memorial</u>	<u>Tax Increment Zone #1</u>	<u>Total Private Purpose Trust Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 664	\$ -	\$ 664
Total assets	<u>664</u>	<u>-</u>	<u>664</u>
<b><u>NET ASSETS</u></b>			
Unreserved	664	-	664
Total net assets	<u>\$ 664</u>	<u>\$ -</u>	<u>\$ 664</u>

**CITY OF LA MARQUE, TEXAS  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT I-2**

	<u>Library Memorial</u>	<u>Tax Increment Zone #1</u>	<u>Total Private Purpose Trust Funds</u>
<b><u>ADDITIONS</u></b>			
Contributions from the public	\$ 665	\$ -	\$ 665
Total additions	<u>665</u>	<u>-</u>	<u>665</u>
<b><u>DEDUCTIONS</u></b>			
Purchase of library books	1,010	-	1,010
Other deductions	-	57,056	57,056
Total deductions	<u>1,010</u>	<u>57,056</u>	<u>58,066</u>
Change in net assets	(345)	(57,056)	(57,401)
Net assets - Beginning	<u>1,009</u>	<u>57,056</u>	<u>58,065</u>
Net assets - Ending	<u>\$ 664</u>	<u>\$ -</u>	<u>\$ 664</u>



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## **SUPPLEMENTAL SCHEDULES**

**CITY OF LA MARQUE, TEXAS  
 COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS  
 SEPTEMBER 30, 2006**

Description	Account Number	Interest Rate	Maturity Date	Book Value	Fair Value
<b>General fund</b>					
Texpool	12640-00002	5.26	N/A	\$ 621,009	\$ 621,009
Texpool	12640-00001	5.26	N/A	473,704	473,704
Logic	746012995-01	5.32	N/A	46,355	46,355
ICT	654-0001279	5.13	N/A	140,915	140,915
Total general fund				<u>1,281,983</u>	<u>1,281,983</u>
<b>Special revenue fund</b>					
<i>Hotel / Motel Occupance Tax fund</i>					
Texpool	12640-00001	5.26	N/A	604,801	601,801
Logic	746012995-01	5.32	N/A	522,572	522,572
Total Hotel / Motel Occupancy Tax fund				<u>1,127,373</u>	<u>1,124,373</u>
Total special revenue fund				<u>1,127,373</u>	<u>1,124,373</u>
<b>Debt service fund</b>					
Texpool	12640-00001	5.26	N/A	97,497	97,497
Logic	746012995-01	5.32	N/A	105,069	105,069
ICT	654-0001279	5.13	N/A	84,288	84,288
Wachovia money market	2036-3475	4.19	N/A	503,664	503,664
Wachovia mutual fund	2036-3475	5.27	N/A	21,571	21,571
Total debt service fund				<u>812,089</u>	<u>812,089</u>
<b>Capital projects - 2005 streets and drainage</b>					
Texpool	12640-00002	5.26	N/A	3,694,659	3,694,659
Total capital projects - 2005 streets and drainage				<u>3,694,659</u>	<u>3,694,659</u>
<b>Enterprise funds</b>					
<i>Utility fund</i>					
<u>Restricted investments:</u>					
Revenue bond debt service					
Certificate of deposit	74-0068338	5.26	2007	18,500	18,500
Certificate of deposit	74-0068338	4.94	2007	12,700	12,700
Certificate of deposit	74-0068338	5.17	2007	10,000	10,000
Certificate of deposit	74-0068338	5.17	2007	15,000	15,000
Certificate of deposit	74-0068346	5.18	2007	295,580	295,580
Certificate of deposit	74-0068353	4.94	2006	56,510	56,510
Certificate of deposit	74-0068353	4.91	2006	33,000	33,000
Certificate of deposit	74-0068353	5.13	2007	25,100	25,100
Certificate of deposit	74-0068353	5.19	2007	25,000	25,000
Certificate of deposit	74-0068353	4.74	2006	24,900	24,900
				<u>516,290</u>	<u>516,290</u>
Plant and lines reserve					
Logic	746012995-01	5.32	N/A	399,844	399,844
				<u>399,844</u>	<u>399,844</u>
Meter replacement reserve					
ICT	654-0001279	5.13	N/A	372,979	372,979
Certificate of deposit - Texas First Bank	141025	2.55		100,000	100,000
				<u>472,979</u>	<u>472,979</u>
Total restricted investments				<u>1,389,113</u>	<u>1,389,113</u>
<u>Unrestricted investments:</u>					
Texpool	12640-00001	5.26	N/A	79,335	79,335
Logic	746012995-01	5.32	N/A	361,780	361,780
ICT	654-0001279	5.13	N/A	91,932	91,932
Total unrestricted investments				<u>533,047</u>	<u>533,047</u>
Total utility fund				<u>1,922,160</u>	<u>1,922,160</u>

<u>Description</u>	<u>Account Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Fair Value</u>
<b>Enterprise funds (Continued)</b>					
<i>Waterworks and sewer system fund</i>					
<u>Restricted investments:</u>					
ICT	654-000-1312	5.13	N/A	1,412,951	1,412,951
Total restricted investments				<u>1,412,951</u>	<u>1,412,951</u>
Total waterworks and sewer system fund				<u>1,412,951</u>	<u>1,412,951</u>
Total enterprise funds				<u>3,335,111</u>	<u>3,335,111</u>
<b>Internal service funds</b>					
<i>Equipment replacement fund</i>					
Texpool	12640-00001	5.26	N/A	491,877	491,877
ICT	654-0001279	5.13	N/A	570,069	570,069
Logic	746012995-01	5.32	N/A	693,332	693,332
Total Hotel / Motel Occupancy Tax fund				<u>1,755,278</u>	<u>1,755,278</u>
Total internal service fund				<u>1,755,278</u>	<u>1,755,278</u>
<b>Total - all funds</b>				<u>\$ 12,006,493</u>	<u>\$ 12,003,493</u>



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**CITY OF LA MARQUE, TEXAS  
 SCHEDULE OF CHANGES IN TAXES RECEIVABLE  
 FISCAL YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT J-2**

<i>Taxes to account for:</i>	
Delinquent taxes, October 1, 2005	\$ 565,978
Additions and deletions, net	<u>(14,285)</u>
Delinquent taxes, October 1, 2005	\$ 551,693
Current taxes levied, per 2005 tax roll	2,754,742
Total taxes to account for	<u>\$ 3,306,435</u>
 <i>Less collections:</i>	
Current taxes	2,597,962
delinquent taxes	130,840
Total collections	<u>2,728,802</u>
<b>Ending balance to account for</b>	<b><u>\$ 577,633</u></b>
 <i>Accounted for by:</i>	
Delinquent taxes, from 2005 tax roll	\$ 156,780
Delinquent taxes receivable, all previous years	<u>420,853</u>
<b>Delinquent taxes receivable, September 30, 2006</b>	<b><u>\$ 577,633</u></b>

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<i>Collection rates:</i>						
Current year levy	94.31%	94.47%	94.22%	94.12%	92.58%	92.91%
Prior year levies	23.72%	18.59%	20.30%	26.29%	22.58%	25.57%

Note: See Table 7 for assessed taxable value information and Table 8 for tax rate information.



**CITY OF LA MARQUE, TEXAS  
 COMBINED SCHEDULE OF BONDS AND OTHER  
 LONG-TERM INDEBTEDNESS  
 SEPTEMBER 30, 2006**

<b>Description</b>	<b>Interest Rates</b>	<b>Interest Dates</b>	<b>Issue Date</b>	<b>Final Maturity Date</b>
<b>Revenue bonds</b>				
Water and sewer revenue bonds - Series 1996	3.00% to 4.55%	3/1; 9/1	9/26/1996	9/1/2016
Water and sewer revenue bonds - Series 1998	2.50% to 3.65%	3/1; 9/1	7/15/1998	9/1/2018
<b>Total revenue bonds</b>				
<b>Long-term contracts payable</b>				
Water system contract revenue bonds - Series 1998D	4.15% to 5.00%	2/15; 8/15	7/1/1998	8/15/2022
<b>Total long-term contracts payable</b>				
<b>Certificates of obligation</b>				
Series 1993	5.00% to 6.7%	3/1; 9/1	3/1/1993	9/1/2008
Series 2005	4.00% to 5.00%	3/1; 9/1	6/1/2005	9/1/2029
<b>Total revenue bonds</b>				

<u>Authorized and Issued</u>	<u>Outstanding, September 30, 2006</u>	<u>2006 - 2007 Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 4,440,000	\$ 3,230,000	\$ 260,000	\$ 141,315	\$ 401,315
<u>4,600,000</u>	<u>3,835,000</u>	<u>235,000</u>	<u>131,223</u>	<u>366,223</u>
<u>\$ 9,040,000</u>	<u>\$ 7,065,000</u>	<u>\$ 495,000</u>	<u>\$ 272,538</u>	<u>\$ 767,538</u>
<u>3,040,000</u>	<u>2,860,000</u>	<u>40,000</u>	<u>181,365</u>	<u>221,365</u>
<u>\$ 3,040,000</u>	<u>\$ 2,860,000</u>	<u>\$ 40,000</u>	<u>\$ 181,365</u>	<u>\$ 221,365</u>
\$ 925,000	\$ 160,000	\$ 80,000	\$ 8,000	\$ 88,000
<u>3,490,000</u>	<u>3,465,000</u>	<u>240,000</u>	<u>152,480</u>	<u>392,480</u>
<u>\$ 4,415,000</u>	<u>\$ 3,625,000</u>	<u>\$ 320,000</u>	<u>\$ 160,480</u>	<u>\$ 480,480</u>

**CITY OF LA MARQUE, TEXAS  
DEBT SERVICE REQUIREMENTS TO MATURITY  
WATER AND SEWER REVENUE BONDS, SERIES 1996  
SEPTEMBER 30, 2006**

**EXHIBIT J-4**

WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 1996, dated September 26, 1996, issued for the purpose of improving and extending the City's waterworks and sanitary sewer system, issued in denominations of \$5,000 each, aggregating \$4,440,000, bearing interest at the respective rates per annum shown below, interest payable on March 1 and September 1 of each year until maturity or prior redemption as follows:

<b>Due During Fiscal Year</b>	<b>Interest Rate</b>	<b>Maturities</b>		
		<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	4.05%	\$ 260,000	\$ 141,315	\$ 401,315
2008	4.15	275,000	130,785	405,785
2009	4.25	285,000	119,373	404,373
2010	4.30	300,000	107,260	407,260
2011	4.35	315,000	94,360	409,360
2012	4.40	330,000	80,657	410,657
2013	4.45	340,000	66,138	406,138
2014	4.50	360,000	51,007	411,007
2015	4.55	375,000	34,808	409,808
2016	4.55	390,000	17,745	407,745
		<u>\$ 3,230,000</u>	<u>\$ 843,448</u>	<u>\$ 4,073,448</u>

**CITY OF LA MARQUE, TEXAS  
DEBT SERVICE REQUIREMENTS TO MATURITY  
WATER AND SEWER REVENUE BONDS, SERIES 1998  
SEPTEMBER 30, 2006**

**EXHIBIT J-5**

WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 1998, dated July 15, 1998, issued for the purpose of constructing improvements and extending the City's sanitary sewer system, issued in denominations of \$5,000 each, aggregating \$4,600,000, bearing interest at the respective rates per annum shown below, interest payable on March 1 and September 1 of each year until maturity or prior redemption as follows:

<u>Due During Fiscal Year</u>	<u>Interest Rate</u>	<u>Maturities</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	2.95%	\$ 235,000	\$ 131,223	\$ 366,223
2008	3.00	240,000	124,290	364,290
2009	3.10	250,000	117,090	367,090
2010	3.20	255,000	109,340	364,340
2011	3.30	260,000	101,180	361,180
2012	3.40	270,000	92,600	362,600
2013	3.45	280,000	83,420	363,420
2014	3.50	285,000	73,760	358,760
2015	3.55	300,000	63,785	363,785
2016	3.60	310,000	53,135	363,135
2017	3.65	575,000	41,975	616,975
2018	3.65	575,000	20,987	595,987
		<u>\$ 3,835,000</u>	<u>\$ 1,012,785</u>	<u>\$ 4,847,785</u>

**CITY OF LA MARQUE, TEXAS  
DEBT SERVICE REQUIREMENTS TO MATURITY  
ALL WATER AND SEWER REVENUE BONDS  
SEPTEMBER 30, 2006**

**EXHIBIT J-6**

<b>Due During Fiscal Year</b>	<b>Net Debt Outstanding, September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2007	\$ 6,570,000	\$ 495,000	\$ 272,538	\$ 767,538
2008	6,055,000	515,000	255,075	770,075
2009	5,520,000	535,000	236,463	771,463
2010	4,965,000	555,000	216,600	771,600
2011	4,390,000	575,000	195,540	770,540
2012	3,790,000	600,000	173,257	773,257
2013	3,170,000	620,000	149,558	769,558
2014	2,525,000	645,000	124,767	769,767
2015	1,850,000	675,000	98,593	773,593
2016	1,150,000	700,000	70,880	770,880
2017	575,000	575,000	41,975	616,975
2018	-	575,000	20,987	595,987
		<u>\$ 7,065,000</u>	<u>\$ 1,856,233</u>	<u>\$ 8,921,233</u>

**CITY OF LA MARQUE, TEXAS  
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY  
SEPTEMBER 30, 2006**

**EXHIBIT J-7**

<u>Due During Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Certificates of Obligation</u>	<u>Water Contract Revenue Bonds</u>	<u>Total Requirements</u>
2007	\$ 767,538	\$ 480,480	\$ 181,365	\$ 1,429,383
2008	770,075	239,480	179,565	1,189,120
2009	771,463	234,730	282,725	1,288,918
2010	771,600	229,980	280,983	1,282,563
2011	770,540	230,230	278,858	1,279,628
2012	773,257	230,230	276,340	1,279,827
2013	769,558	229,980	278,500	1,278,038
2014	769,767	230,305	280,000	1,280,072
2015	773,593	230,705	276,000	1,280,298
2016	770,880	235,905	276,750	1,283,535
2017	616,975	235,705	277,000	1,129,680
2018	595,987	235,237	276,750	1,107,974
2019	-	234,567	276,000	510,567
2020	-	238,550	279,750	518,300
2021	-	237,117	277,750	514,867
2022	-	240,317	320,250	560,567
2023	-	238,093	-	238,093
2024	-	240,480	-	240,480
2025	-	242,433	-	242,433
2026	-	243,950	-	243,950
2027	-	244,930	-	244,930
2028	-	245,470	-	245,470
2029	-	245,458	-	245,458
	<u>\$ 8,921,233</u>	<u>\$ 5,694,332</u>	<u>\$ 4,298,586</u>	<u>\$ 18,914,151</u>



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## STATISTICAL SECTION

This part of the City of La Marque's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
<u><i>Financial Trends</i></u>	116
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<u><i>Revenue Capacity</i></u>	128
These schedules contain information to help the reader access the government's most significant local revenue source, the property tax.	
<u><i>Debt Capacity</i></u>	134
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.	
<u><i>Demographic and Economic Information</i></u>	141
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<u><i>Operating Information</i></u>	144
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.	

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



**CITY OF LA MARQUE, TEXAS  
NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Governmental activities:</b>				
Invested in capital assets, net of related debt	\$ 3,072,404	\$ 2,726,395	\$ 2,690,543	\$ 2,279,987
Restricted	3,621,242	418,911	387,551	374,052
Unrestricted	983,738	3,217,289	3,064,707	2,744,373
Total governmental activities net assets	<u>\$ 7,677,384</u>	<u>\$ 6,362,595</u>	<u>\$ 6,142,801</u>	<u>\$ 5,398,412</u>
<b>Business-type activities:</b>				
Invested in capital assets, net of related debt	\$ 7,656,487	\$ 8,253,056	\$ 8,285,324	\$ 8,689,599
Restricted	297,404	297,191	301,553	752,129
Unrestricted	4,067,153	3,629,381	3,536,111	3,064,490
Total business-type activities net assets	<u>\$ 12,021,044</u>	<u>\$ 12,179,628</u>	<u>\$ 12,122,988</u>	<u>\$ 12,506,218</u>
<b>Primary government:</b>				
Invested in capital assets, net of related debt	\$ 10,728,891	\$ 10,979,451	\$ 10,975,867	\$ 10,969,586
Restricted	3,918,646	716,102	689,104	1,126,181
Unrestricted	5,050,891	6,846,670	6,600,818	5,808,863
Total primary government net assets	<u>\$ 19,698,428</u>	<u>\$ 18,542,223</u>	<u>\$ 18,265,789</u>	<u>\$ 17,904,630</u>

Note:

Governmental Accounting Standards Board Statement No. 34 implemented during the fiscal year ended September, 30, 2003, therefore no government-wide information is presented prior to that date.

Table 1

2002	2001	2000	1999	1998	1997
\$ . . .	\$ . . .	\$ . . .	\$ . . .	\$ . . .	\$ . . .
<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>
\$ . . .	\$ . . .	\$ . . .	\$ . . .	\$ . . .	\$ . . .
<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>
\$ . . .	\$ . . .	\$ . . .	\$ . . .	\$ . . .	\$ . . .
<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>	<u>\$ . . .</u>

**CITY OF LA MARQUE, TEXAS**  
**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Expenses:</b>			
<i>Governmental activities:</i>			
General government	\$ 1,278,647	\$ 1,648,150	\$ 1,129,942
Public safety	4,645,576	4,013,207	3,559,871
Public works	1,338,798	1,455,906	1,461,246
Sanitation	968,143	949,185	908,298
Urban rehabilitation and housing	257,455	334,786	342,723
Interest on long-term debt	181,040	87,263	52,032
Total governmental activities expenses	<u>8,669,659</u>	<u>8,488,497</u>	<u>7,454,112</u>
<i>Business-type activities:</i>			
Utility	4,130,361	3,635,149	3,537,456
Water and sewer	302,266	312,753	319,698
Total business-type activities expenses	<u>4,432,627</u>	<u>3,947,902</u>	<u>3,857,154</u>
Total primary government expenses	<u>\$ 13,102,286</u>	<u>\$ 12,436,399</u>	<u>\$ 11,311,266</u>
<b>Program revenues:</b>			
<i>Governmental activities:</i>			
Charges for services			
General government	\$ 30,382	\$ 89,357	\$ 59,007
Public safety	1,072,680	808,234	726,167
Public works	12,833	3,430	3,400
Sanitation	1,279,813	1,216,847	1,151,260
Operating grants and contributions	696,743	684,501	465,416
Total governmental activities program revenues	<u>3,092,451</u>	<u>2,802,369</u>	<u>2,405,250</u>
<i>Business-type activities:</i>			
Charges for services			
Utility	4,233,425	3,957,986	3,451,286
Water and sewer	-	-	-
Total business-type activities program revenues	<u>4,233,425</u>	<u>3,957,986</u>	<u>3,451,286</u>
Total primary government program revenues	<u>\$ 7,325,876</u>	<u>\$ 6,760,355</u>	<u>\$ 5,856,536</u>
<b>Net (expense) revenue:</b>			
<i>Governmental activities:</i>	\$ (5,577,208)	\$ (5,686,128)	\$ (5,048,862)
<i>Business-type activities:</i>	(199,202)	10,084	(405,868)
Total primary government net (expense) revenue	<u>\$ (5,776,410)</u>	<u>\$ (5,676,044)</u>	<u>\$ (5,454,730)</u>

Note:

Governmental Accounting Standards Board Statement No. 34 implemented during the fiscal year ended September, 30, 2003, therefore no government-wide information is presented prior to that date.

Table 2

2003	2002	2001	2000	1999	1998	1997
\$ 997,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,319,003	-	-	-	-	-	-
1,416,337	-	-	-	-	-	-
860,492	-	-	-	-	-	-
294,493	-	-	-	-	-	-
65,367	-	-	-	-	-	-
<u>6,952,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,561,305	-	-	-	-	-	-
298,928	-	-	-	-	-	-
<u>3,860,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 10,813,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 59,911	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
583,627	-	-	-	-	-	-
2,029	-	-	-	-	-	-
1,110,206	-	-	-	-	-	-
396,030	-	-	-	-	-	-
<u>2,151,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,428,313	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,428,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,580,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (4,801,149)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(431,920)	-	-	-	-	-	-
<u>\$ (5,233,069)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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**CITY OF LA MARQUE, TEXAS**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

**Table 3**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Gross Receipts Tax</b>	<b>Hotel / Motel Tax</b>	<b>Other Tax</b>	<b>Total</b>
1997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1998	-	-	-	-	-	-
1999	-	-	-	-	-	-
2000	-	-	-	-	-	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	2,211,075	1,589,965	792,836	28,434	91,927	4,714,237
2004	2,245,048	2,217,799	812,450	27,095	80,147	5,382,539
2005	2,461,204	2,230,748	824,016	55,734	78,420	5,650,122
2006	2,840,318	2,461,681	824,017	50,222	68,803	6,245,041

Note:

Governmental Accounting Standards Board Statement No. 34 implemented during the fiscal year ended September, 30, 2003, therefore no government-wide information is presented prior to that date.

**CITY OF LA MARQUE, TEXAS**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>General fund:</b>				
Reserved	\$ 185,556	\$ 167,446	\$ 238,891	\$ 191,810
Unreserved	2,274,188	1,674,720	1,458,327	993,291
Total general fund	<u>\$ 2,459,744</u>	<u>\$ 1,842,166</u>	<u>\$ 1,697,218</u>	<u>\$ 1,185,101</u>
<b>All other governmental funds:</b>				
Reserved	\$ 3,766,692	\$ 3,878,009	\$ 415,224	\$ 375,537
Unreserved	583,247	540,843	532,913	623,873
Total all other governmental funds	<u>\$ 4,349,939</u>	<u>\$ 4,418,852</u>	<u>\$ 948,137</u>	<u>\$ 999,410</u>

Note:

Certificates of obligation totalling \$3,432,853 were issued in the year ended September 30, 2005.  
The proceeds are to be used for street and drainage improvements

**Table 4**

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 188,788	\$ 252,612	\$ 310,508	\$ 269,372	\$ 67,971	\$ 92,336
595,053	711,821	573,894	760,320	871,772	710,404
<u>\$ 783,841</u>	<u>\$ 964,433</u>	<u>\$ 884,402</u>	<u>\$ 1,029,692</u>	<u>\$ 939,743</u>	<u>\$ 802,740</u>
\$ 267,843	\$ 155,740	\$ 163,705	\$ 131,586	\$ 138,860	\$ 245,223
625,983	688,897	683,616	808,629	812,223	726,825
<u>\$ 893,826</u>	<u>\$ 844,637</u>	<u>\$ 847,321</u>	<u>\$ 940,215</u>	<u>\$ 951,083</u>	<u>\$ 972,048</u>



**CITY OF LA MARQUE, TEXAS**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Revenues:</b>				
Taxes				
Property	\$ 2,925,715	\$ 2,474,554	\$ 2,237,288	\$ 2,253,635
Sales	2,461,681	2,230,748	2,217,799	1,589,965
Gross receipts	824,017	824,016	812,450	792,836
Other	119,025	134,154	107,242	120,361
Licenses and permits	203,605	158,350	140,755	113,615
Intergovernmental revenue	488,268	502,684	435,500	365,912
Charges for services	1,583,328	1,224,084	1,151,260	1,110,206
Fines and forfeitures	588,903	649,884	585,412	470,012
Investment earnings	303,105	97,101	26,350	34,658
Reimbursement from component unit	82,816	89,357	59,007	59,911
Other revenue	292,152	244,133	97,638	56,664
Total revenues	<u>9,872,615</u>	<u>8,629,065</u>	<u>7,870,701</u>	<u>6,967,775</u>
<b>Expenditures:</b>				
<i>Current:</i>				
General government:	1,242,516	1,527,317	1,088,775	918,144
Public safety	4,511,025	3,859,833	3,381,168	3,107,561
Public works	1,243,538	1,346,103	1,347,499	1,243,217
Sanitation	958,372	949,185	908,298	860,492
Urban rehabilitation and housing	257,455	334,786	342,723	294,493
<i>Debt service:</i>				
Principal on long-term debt	292,054	244,275	224,769	216,383
Interest and fiscal charges	214,161	39,690	53,984	66,291
<i>Capital outlay:</i>				
General government	-	9,737	-	31,385
Public safety	285,840	39,415	32,409	235,131
Public works	335,429	74,024	123,339	117,718
Sanitation	-	-	-	-
Total expenditures	<u>9,340,390</u>	<u>8,424,365</u>	<u>7,502,964</u>	<u>7,090,815</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>532,225</u>	<u>204,700</u>	<u>367,737</u>	<u>(123,040)</u>
<b>Other financing sources (uses)</b>				
Transfer in	71,101	51,729	198,250	309,496
Transfers (out)	(55,681)	(73,619)	(85,630)	(55,000)
Proceeds from the disposal of assets	1,020	-	-	-
Proceeds from issuance of long-term debt, net	-	3,432,853	-	-
Total other financing sources (uses)	<u>16,440</u>	<u>3,410,963</u>	<u>112,620</u>	<u>254,496</u>
Net change in fund balances	<u>\$ 548,665</u>	<u>\$ 3,615,663</u>	<u>\$ 480,357</u>	<u>\$ 131,456</u>
Debt service as a percentage of noncapital expenditures	5.8%	3.4%	3.8%	4.2%

Table 5

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 2,138,063	\$ 2,065,128	\$ 1,980,710	\$ 1,947,710	\$ 1,903,247	\$ 1,879,497
1,172,970	1,206,633	1,226,579	1,224,439	1,238,785	1,206,244
793,618	790,649	731,792	745,031	746,782	717,992
127,368	156,394	175,369	175,541	267,278	262,643
90,605	47,280	74,195	57,806	91,220	42,864
378,653	385,798	464,606	707,476	581,298	708,601
1,091,164	1,047,684	1,070,856	987,559	988,262	1,049,192
316,370	389,849	285,010	301,346	248,891	283,430
38,181	96,220	97,446	101,664	90,784	84,883
50,737	41,914	58,043	38,902	36,895	44,735
107,878	73,854	112,619	90,979	68,462	76,602
<u>6,305,607</u>	<u>6,301,403</u>	<u>6,277,225</u>	<u>6,378,453</u>	<u>6,261,904</u>	<u>6,356,683</u>
881,701	846,718	964,507	845,071	899,887	743,672
2,797,286	2,476,738	2,501,253	2,448,073	2,315,277	2,382,662
1,305,363	1,136,505	1,099,941	1,069,704	1,095,057	1,035,443
787,813	798,300	818,648	779,101	765,194	781,514
278,919	279,565	314,872	327,210	288,075	274,560
251,856	274,520	288,260	303,937	264,465	281,714
79,317	94,203	107,442	126,523	134,412	138,797
-	16,822	17,653	32,773	18,500	20,397
-	78,144	185,321	169,169	147,803	193,000
-	448,578	447,421	350,925	509,702	646,133
-	-	-	-	-	-
<u>6,382,255</u>	<u>6,450,093</u>	<u>6,745,318</u>	<u>6,452,486</u>	<u>6,438,372</u>	<u>6,497,892</u>
<u>(76,648)</u>	<u>(148,690)</u>	<u>(468,093)</u>	<u>(74,033)</u>	<u>(176,468)</u>	<u>(141,209)</u>
-	401,913	452,579	470,495	274,456	392,252
(22,930)	(189,650)	(222,670)	(337,190)	(281,950)	(409,632)
-	-	-	15,000	-	-
-	-	-	-	300,000	-
<u>(22,930)</u>	<u>212,263</u>	<u>229,909</u>	<u>148,305</u>	<u>292,506</u>	<u>(17,380)</u>
<u>\$ (99,578)</u>	<u>\$ 63,573</u>	<u>\$ (238,184)</u>	<u>\$ 74,272</u>	<u>\$ 116,038</u>	<u>\$ (158,589)</u>
5.2%	6.2%	6.5%	7.3%	6.9%	7.5%



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**CITY OF LA MARQUE, TEXAS**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

**Table 6**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Gross Receipts Tax</b>	<b>Hotel / Motel Tax</b>	<b>Other Tax</b>	<b>Total</b>
1997	\$ 1,879,497	\$ 1,206,244	\$ 717,992	\$ 97,020	\$ 165,623	\$ 4,066,376
1998	1,903,247	1,238,785	746,782	118,456	148,822	4,156,092
1999	1,947,710	1,224,439	745,031	48,185	127,356	4,092,721
2000	1,980,710	1,226,579	731,792	51,811	123,558	4,114,450
2001	2,065,128	1,206,633	790,649	45,558	110,836	4,218,804
2002	2,138,063	1,172,970	793,618	28,052	99,316	4,232,019
2003	2,253,635	1,589,965	792,836	28,434	91,927	4,756,797
2004	2,237,288	2,217,799	812,450	27,095	80,147	5,374,779
2005	2,474,554	2,230,748	824,016	55,734	78,420	5,663,472
2006	2,925,715	2,461,681	824,017	50,222	68,803	6,330,438

**CITY OF LA MARQUE, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value
	Land	Improvements			
1997	\$ 88,168,920	\$ 314,919,400	\$ 71,417,873	\$ (108,402,769)	\$ 366,103,424
1998	87,461,330	310,712,895	68,130,781	(106,044,394)	360,260,612
1999	86,736,510	305,654,699	67,255,837	(106,432,224)	353,214,822
2000	86,665,940	318,643,507	65,401,355	(107,221,892)	363,488,910
2001	89,660,343	324,370,831	65,480,826	(108,527,922)	370,984,078
2002	90,916,033	341,366,524	68,934,587	(109,962,540)	391,254,604
2003	96,715,143	346,678,679	63,940,950	(110,837,373)	396,497,399
2004	100,372,893	380,697,869	64,691,455	(117,174,189)	428,588,028
2005	106,094,630	392,875,009	83,523,116	(108,425,181)	474,067,574
2006	116,928,330	418,733,999	74,636,095	(112,466,032)	497,832,392

(1) Tax rates are per \$100 of taxable assessed value.

Source: Galveston Central Appraisal District.

Table 7

<u>Total Direct Tax Rate (1)</u>	<u>Estimated Actual Taxable Value</u>	<u>Assess Value as a Percentage of Actual Value</u>
\$ 0.5050	\$ 366,103,424	100%
0.52300	360,260,612	100%
0.53300	353,214,822	100%
0.52300	363,488,910	100%
0.54610	370,984,078	100%
0.53610	391,254,604	100%
0.53610	396,497,399	100%
0.51034	428,588,028	100%
0.51030	474,067,574	100%
0.55330	497,832,392	100%

**CITY OF LA MARQUE, TEXAS  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Taxing Authority	2006	2005	2004	2003
<b><u>Overlapping Rates:</u></b>				
La Marque Independent School District	\$ 1.724000	\$ 1.743000	\$ 1.730000	\$ 1.650000
Dickinson Independent School District	1.751000	1.748000	1.743000	1.764000
Hitchcock Independent School District	1.695000	1.710000	1.710000	1.710000
Santa Fe Independent School District	1.565000	1.570000	1.570000	1.570000
College of the Mainland	0.243020	0.245250	0.263060	0.231870
County of Galveston	0.628750	0.638750	0.640000	0.606300
Public Improvement District No. 1	1.000045 <sup>(1)</sup>	-	-	-
Galveston County Drainage District No. 2	0.055200	0.058800	0.058800	0.058800
Total	\$ 8.662015	\$ 7.713800	\$ 7.714860	\$ 7.590970
<b><u>District Direct Rates:</u></b>				
Maintenance and Operations	\$ 0.473000	\$ 0.440000	\$ 0.432400	\$ 0.427500
Debt Service	0.080300	0.070300	0.077940	0.108600
Total District Direct Rates	\$ 0.553300	\$ 0.510300	\$ 0.510340	\$ 0.536100

\* Overlapping rates are those of local and county governments that apply to property owners within the City of La Marque, Texas. Not all overlapping rates apply to all City of La Marque, Texas property owners (e.g. the rates of special districts apply only to the portion of the government's property owners whose property is located within the geographic boundaries of the special district.

(1) Newly created special district.

Note:  
All tax rates are per \$100 assessed valuation.

Source: Galveston Central Appraisal District

Table 8

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 1.625005	\$ 1.625010	\$ 1.615959	\$ 1.644100	\$ 1.644100	\$ 1.644400
1.747000	1.754000	1.751000	1.710000	1.710000	1.711800
1.710000	1.663600	1.705900	1.710000	1.693500	1.693500
1.510000	1.422000	1.367000	1.494000	1.444000	1.370000
0.218000	0.218000	0.215762	0.198815	0.198815	0.188175
0.553000	0.545000	0.545000	0.520000	0.520000	0.520000
-	-	-	-	-	-
0.588000	0.056273	0.054294	0.054419	0.052586	0.050825
<u>\$ 7.951005</u>	<u>\$ 7.283883</u>	<u>\$ 7.254915</u>	<u>\$ 7.331334</u>	<u>\$ 7.263001</u>	<u>\$ 7.178700</u>
\$ 0.427500	\$ 0.430080	\$ 0.410000	\$ 0.405081	\$ 0.392231	\$ 0.373699
0.108600	0.116020	0.113000	0.127919	0.130769	0.131301
<u>\$ 0.536100</u>	<u>\$ 0.546100</u>	<u>\$ 0.523000</u>	<u>\$ 0.533000</u>	<u>\$ 0.523000</u>	<u>\$ 0.505000</u>



**CITY OF LA MARQUE, TEXAS  
PRINCIPAL PROPERTY TAXPAYERS  
SEPTEMBER 30, 2006**

**Table 9**

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-mart Stores East, Inc.	\$ 13,698,410	1	2.75%	\$ -		0.00%
Gulf Greyhound Partners, Ltd.	10,350,000	2	2.08%	29,850,000	1	8.15%
Wal-mart Stores Texas, LP	8,456,020	3	1.70%	-		0.00%
Texas-New Mexico Power Co.	6,700,510	4	1.35%	7,203,770	4	1.97%
Shouthwestern Bell Telephone Co.	6,144,270	5	1.23%	11,270,230	2	3.08%
HLL Land Acquisitions	5,092,520	6	1.02%	-		0.00%
Univest - La Marque Center, LLP	4,824,270	7	0.97%	-		0.00%
Texas and Kansas City Cable Ptrs.	4,194,390	8	0.84%	-		0.00%
La Marque Outlet Dev. LP	3,483,080	9	0.70%	-		0.00%
Centerpoint Energy, Inc.	3,434,240	10	0.69%	2,330,330	9	0.64%
F.S.A. Properties, Inc.	-		0.00%	9,108,960	3	2.49%
The Daniels Corporation	-		0.00%	3,574,080	5	0.98%
Triconex	-		0.00%	3,425,080	6	0.94%
Stewart, Maco	-		0.00%	2,616,000	7	0.71%
La Quinta Development Partners, L.P.	-		0.00%	2,442,260	8	0.67%
Private Mini Storage	-		0.00%	2,143,960	10	0.59%
	<u>\$ 66,377,710</u>		<u>13.33%</u>	<u>\$ 73,964,670</u>		<u>20.20%</u>

(1) Taxpayer either did not exist or merged with another taxpayer, therefore taxable assessed values and ranking is not available.

(2) Taxpayer was not ranked in the top 10 of all District taxpayers.

Source: Galveston Central Appraisal District

**CITY OF LA MARQUE, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

**Table 10**

Fiscal Year Ended September 30,	Total Tax Levy for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date (2)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 1,839,236	\$ 1,737,600	94.47%	\$ 101,636	\$ 1,839,236	100.00%
1998	1,884,429	1,750,988	92.92%	113,368	1,864,356	98.93%
1999	1,878,272	1,756,321	93.51%	98,040	1,854,361	98.73%
2000	1,898,380	1,766,278	93.04%	108,863	1,875,141	98.78%
2001	2,026,928	1,876,529	92.58%	120,568	1,997,097	98.53%
2002	2,096,511	1,941,944	92.63%	120,044	2,061,988	98.35%
2003	2,122,616	2,001,305	94.28%	85,022	2,086,327	98.29%
2004	2,183,451	2,061,779	94.43%	75,107	2,136,886	97.87%
2005	2,418,315	2,286,462	94.55%	59,585	2,346,047	97.01%
2006	2,754,742	2,597,962	94.31%	-	2,597,962	94.31%

(1) Appraised value less exemptions equal taxable assessed value. The beginning taxable value net of adjustments times the tax rate set by City Council each fall equals the total net tax levy. The net tax levy for prior years reflects ongoing adjustments applied to that year's tax levy.

(2) Excludes the subsequent 60 days tax collections recorded as revenue in the fund financial statements in accordance with the modified accrual basis of accounting.

**CITY OF LA MARQUE, TEXAS  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

**Table 11**

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Revenue Bonds	Capital Leases			
1997	\$ -	\$ 2,019,625	\$ -	\$ 6,380,000	\$ -	\$ 8,399,625	4.44%	\$ 595
1998	-	2,072,275	-	13,705,000	-	15,777,275	7.35%	1,130
1999	-	1,792,425	-	13,380,000	-	15,172,425	7.07%	1,087
2000	-	1,527,500	-	12,975,000	-	14,502,500	6.68%	1,027
2001	-	1,277,500	-	12,550,000	-	13,827,500	6.58%	1,011
2002	-	1,050,000	-	12,060,000	-	13,110,000	5.47%	958
2003	-	850,000	-	11,540,000	-	12,390,000	5.17%	906
2004	-	635,000	-	11,000,000	-	11,635,000	4.85%	850
2005	-	3,895,000	-	10,440,000	-	14,335,000	5.98%	1,048
2006	-	3,625,000	-	9,925,000	-	13,550,000	5.65%	990

(1) See Table 16 for population data and personal income.

**CITY OF LA MARQUE, TEXAS  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

**Table 12**

<b>Fiscal Year</b>	<b>Certificates of Obligation</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
1997	\$ 2,019,625	\$ 106,783	\$ 1,912,842	0.52%	\$ 135
1998	2,072,275	112,258	1,960,017	0.54%	140
1999	1,792,425	104,984	1,687,441	0.48%	121
2000	1,527,500	136,661	1,390,839	0.38%	99
2001	1,277,500	128,298	1,149,202	0.31%	84
2002	1,050,000	240,216	809,784	0.21%	59
2003	850,000	369,339	480,661	0.12%	35
2004	635,000	387,551	247,449	0.06%	18
2005	3,895,000	418,911	3,476,089	0.73%	254
2006	3,625,000	427,028	3,197,972	0.64%	234

(1) See Table 7 for assessed value information.

(2) See Table 16 for population data.



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**CITY OF LA MARQUE, TEXAS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF SEPTEMBER 30, 2006**

**Table 13**

Governmental Unit	Net Debt			Amount of Overlapping Debt
	Amount	As Of	Percentage Overlapping	
La Marque Independent School District	\$ 34,043,806	8/31/2006	82.47%	\$ 28,075,927
Dickinson Independent School District	142,514,703	8/31/2006	23.21%	33,077,663
Hitchcock Independent School District	7,688,696	8/31/2006	1.79%	137,628
Santa Fe Independent School District	19,018,296	8/31/2006	18.00%	3,423,293
College of the Mainland	2,670,000	8/31/2006	56.69%	1,513,623
County of Galveston	199,288,536	9/30/2006	39.24%	78,200,822
Public Improvement District No. 1	-	9/30/2006	100.00%	-
Galveston County Drainage District No. 2	-	9/30/2006	100.00%	-
		Subtotal, overlapping debt		144,428,955
		City of La Marque Direct Debt		<u>13,550,000</u>
		Total Direct and Overlapping Debt		<u><u>\$ 157,978,955</u></u>

Sources:

Amounts of debt outstanding were obtained from each of the governmental entities.

Estimation of percent overlapping derived from various sources, including information contained in "Texas Municipal Reports", published by the Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of La Marque, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for paying the debt, of each overlapping government.

**CITY OF LA MARQUE, TEXAS  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt Limit	\$ 61,029,842	\$ 47,428,807	\$ 42,877,513	\$ 39,664,279
Total Net Debt Applicable to Limit	<u>3,197,972</u>	<u>(3,476,089)</u>	<u>(247,449)</u>	<u>(475,727)</u>
Legal Debt Margin	<u>\$ 57,831,870</u>	<u>\$ 50,904,896</u>	<u>\$ 43,124,962</u>	<u>\$ 40,140,006</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	-5.24%	7.33%	0.58%	1.20%

**Legal debt margin calculation for fiscal year 2006**

Assessed taxable value	\$ 497,832,392
Add back:	
Exempt real property	<u>112,466,032</u>
Total assessed value	610,298,424
Debt Limit (10% of total assessed value)	61,029,842
Debt applicable to limit:	
Total bonded debt	3,625,000
Less: Amount set aside for repayment of bonds	<u>427,028</u>
Total net debt applicable to limit	<u>3,197,972</u>
Legal debt margin	<u>\$ 57,831,870</u>

Note: Although there is no legal debt limit in the State of Texas, most municipal finance officers in the State hold the opinion that the opinion that the Attorney General would not approve bonded indebtedness on excess of 10 percent of assessed value.

**Table 14**

<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
\$ 39,125,460	\$ 37,098,408	\$ 36,348,891	\$ 35,321,482	\$ 36,026,061	\$ 36,610,342
(361,758)	(330,491)	(234,578)	(207,310)	(191,178)	(159,975)
<u>\$ 39,487,218</u>	<u>\$ 37,428,899</u>	<u>\$ 36,583,469</u>	<u>\$ 35,528,792</u>	<u>\$ 36,217,239</u>	<u>\$ 36,770,317</u>
0.92%	0.89%	0.65%	0.59%	0.53%	0.44%



**CITY OF LA MARQUE, TEXAS  
 PLEDGED-REVENUE COVERAGE  
 LAST TEN FISCAL YEARS**

**Table 15**

Fiscal Year	Gross Operating Revenue	Operating Expenses (1)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997	\$ 3,550,130	\$ 2,167,504	\$ 1,382,626	\$ - <sup>(2)</sup>	\$ 171,955	8.04
1998	3,428,286	2,222,000	1,206,286	105,000	184,787	4.16
1999	3,829,059	2,149,459	1,679,600	110,000	341,661	3.72
2000	4,219,178	2,344,330	1,874,848	185,000	330,521	3.64
2001	3,763,480	2,176,059	1,587,421	190,000	324,960	3.08
2002	3,778,051	2,188,502	1,589,549	210,000	319,043	3.00
2003	3,419,284	2,324,236	1,095,048	225,000	312,353	2.04
2004	3,443,461	2,348,941	1,094,520	235,000	305,040	2.03
2005	3,952,248	2,449,694	1,502,554	240,000	295,389	2.81
2006	4,211,225	2,801,233	1,409,992	475,000	288,938	1.85

(1) Details regarding the City's outstanding debt can be found in the notes to financial statements. Gross operating revenue does not include investment earnings. Operating expenses do not include interest or depreciation.

(2) No principal payments were scheduled in the period in which the debt was issued.

**CITY OF LA MARQUE, TEXAS  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

**Table 16**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Median Age</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
1997	14,120	\$189,137,400	\$13,395	34.4 (2)	4,631	10.8%
1998	13,960	214,565,200	15,370	34.4 (2)	4,297	9.0%
1999	13,960	214,565,200	15,370	34.0 (2)	4,119	8.2%
2000	14,120	217,024,400	15,370	37.7 (1)	4,090	8.2%
2001	13,682	210,292,340	15,370	37.7 (1)	4,003	8.6%
2002	13,682	239,681,276	17,518	37.7 (1)	3,915	10.0%
2003	13,682	239,681,276	17,518	37.7 (1)	3,748	11.2%
2004	13,682	239,681,276	17,518	37.7 (1)	3,750	10.2%
2005	13,682	239,681,276	17,518	37.7 (1)	3,105	10.2%
2006	13,682	239,681,276	17,518	37.1 (1)	3,750	10.2%

(1) Population and median age statistics are compiled from census taken every 10 years.

(2) Estimated by the Tax Payers' Research Council and the Texas City - La Marque Chamber of Commerce.

(3) Obtained from local school district.

(4) Obtained from the Texas Workforce Commission.



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**CITY OF LA MARQUE, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO**

**Table 17**

Taxpayer	2006			1997 (1)		
	Employees	Rank*	Percentage of Principal Employers	Employees	Rank*	Percentage of Principal Employers
Wal-mart	375	1	35.55%			
La Marque Independent School District	275	2	26.07%			
City of La Marque	125	3	11.85%			
Gulf Greyhound Park	95	4	9.00%			
Conhagen	55	5	5.21%			
Associated Credit Union	45	6	4.27%			
Allied Waste Services	35	7	3.32%			
A & A Machine	35	8	3.32%			
Boo's Pump Rental	15	9	1.42%			

(1) Information not readily available, due to companies not willing or able to provide this information from nine years ago.

\* Ranking is optional

Source: La Marque Economic Development Corporation

**CITY OF LA MARQUE, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS**

<b>Function</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>General government</b>	21	21	18	18	18
<b>Public Safety</b>					
<i>Police</i>					
Officers	28	28	28	28	28
Civilians	9	7	7	7	7
<i>Fire</i>					
Firefighters and officers	18	16	13	13	13
Civilians	1	0	0	0	0
<b>Public Works</b>	23	25	25	25	25
<b>Utility</b>	17	17	18	18	18
<b>Water and sewer</b>	8	9	9	9	9
<b>Total</b>	<b>125</b>	<b>123</b>	<b>118</b>	<b>118</b>	<b>118</b>

Source: Various city departments

**Table 18**

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
17	17	17	16	18
28	26	26	26	26
7	7	7	7	7
10	10	10	10	10
0	0	0	0	0
25	25	25	25	24
17	17	17	16	15
10	9	8	8	9
<u>114</u>	<u>111</u>	<u>110</u>	<u>108</u>	<u>109</u>

**CITY OF LA MARQUE, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Public safety</b>					
<i>Police</i>					
Physical arrests	1,809	1,645	1,595	1,789	1,400
Traffic violations	5,439	5,525	4,913	6,230	4,518
Parking violations	35	44	9	65	15
<i>Fire</i>					
Number of calls answered	1,935	1,450	1,250	1,385	1,350
Inspections *	100	100	125	100	100
<b>Public works</b>					
Street resurfacing (miles)	1.0	0.4	0.0	0.0	0.0
Potholes repaired	1,122	1,316	1,349	1,762	1,200
Community room rentals	47	58	69	5	-
Park pavillion rentals	13	17	27	-	-
<b>Water</b>					
New connections	129	53	51	28	32
Water main breaks	511	518	277	241	223
Average daily consumption (thousands of gallons)	1,827	1,614	1,641	1,374	1,504
<b>Wastewater</b>					
Average daily sewage treatment (thousands of gallons)	1,722	2,112	2,248	2,450	2,168

Source: Various city departments.

Note: Indicators are not available for the general government or urban rehabilitation and housing functions.

(1) Information not available

\* Estimated

Table 19

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
1,171	844	2,305	1,165	1,284
4,550	2,537	2,306	1,775	695
22	9	5	7	1
1,331	1,151	1,152	1,193	1,098
100	100	75	75	50
1.4	2.4	(1)	(1)	(1)
1,448	1,673	(1)	(1)	(1)
-	-	-	-	-
-	-	-	-	-
23	33	(1)	(1)	(1)
399	370	(1)	(1)	(1)
1,745	2,001	(1)	(1)	(1)
2,312	1,376	(1)	(1)	(1)



**CITY OF LA MARQUE, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Public safety</b>					
<i>Police</i>					
Stations	1	1	1	1	1
Patrol units	24	26	28	28	28
<i>Fire</i>					
Stations	1	1	1	1	1
Fire trucks	4	4	4	4	4
Ambulances *	2	-	-	-	-
<b>Public works</b>					
Streets (miles)	90.21	85.21	85.21	80.21	80.21
Traffic signals	12	12	12	12	12
<b>Water</b>					
Water mains (miles)	180	175	175	170	170
Fire hydrants	422	422	422	408	400
Maximum daily capacity (thousands of gallons)	2,041	1,886	1,917	1,626	1,601
<b>Wastewater</b>					
Sanitary sewers (miles)	76	71	71	66	66
Maximum daily treatment capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000

Source: Various city departments.

Note: No capital asset indicators are available for the general government or urban rehabilitation and housing functions.

\* City of La Marque assumed responsibility for EMS transport during the year ended September 30, 2006.

(1) Information not available

Table 20

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
1	1	1	1
28	26	26	26
1	1	1	1
4	4	4	4
-	-	-	-
78.21	78.21	78.21	78.21
12	12	12	12
170	170	167	167
398	398	395	395
2,093	2,397	(1)	(1)
66	66	65	65
3,000	3,000	3,000	3,000



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