

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**CITY OF LA MARQUE, TEXAS**

**FOR THE FISCAL YEAR ENDED**

**SEPTEMBER 30, 2009**

**PREPARED BY**

**THE DEPARTMENT OF FINANCE**

**CITY OF LA MARQUE, TEXAS**



**CITY OF LA MARQUE, TEXAS**  
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## **Introductory Section**

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November 5, 2010

Honorable Mayor and  
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, 2009.

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, 2009 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, 2009, are fairly presented in conformity with accounting principles generally accepted in the United States of America. 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 principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.

Honorable Mayor and  
Members of the City Council

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.

Honorable Mayor and  
Members of the City Council

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**

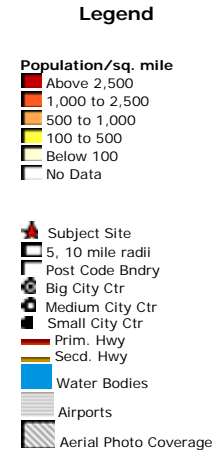
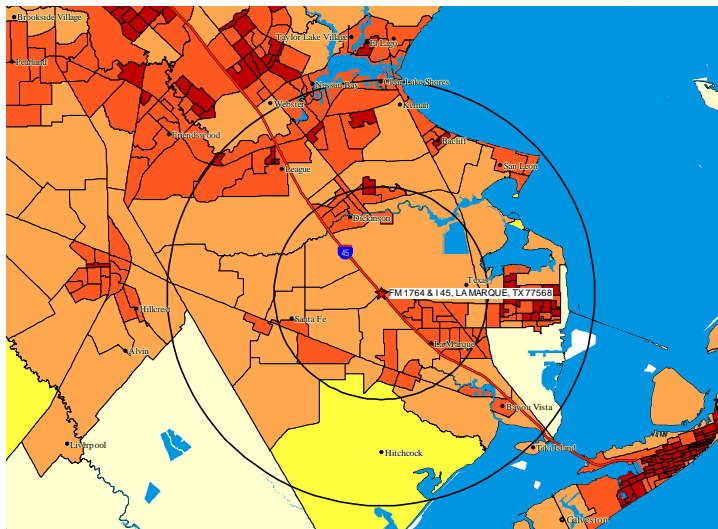
La Marque is located on the upper Texas coast of the Gulf of Mexico along the Interstate 45 corridor in south central Galveston County. La Marque is twenty minutes south of the city of Houston and 15 minutes north of Galveston Island. The City has traditionally been a bedroom community, but is now experiencing tremendous growth in both residential and commercial areas. The educational system includes four college-level institutions: The University of Texas Medical Branch at Galveston, College of the Mainland of Texas City, Galveston Community College at Galveston, and the Texas A & M Marine Institute at Galveston. The City is also home to Kay Bailey Hutchinson, the first woman to serve as a United States Senator from Texas.

### **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.



Honorable Mayor and  
Members of the City Council



Source: Applied Geographic Solutions © 2005.



### **Future Economic Outlook**

The total number of new subdivision lots platted in La Marque topped off at 2,450 in seven subdivisions with home prices ranging from \$115,000 to \$215,000.

Additionally, the 2010 county population is expected to increase by 7.7% over the 2000 census. 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.

Specifically, La Marque's percentage of owner occupied housing units is 73%, which is 6.8% greater than Galveston County as a whole.

### **Long-term Financial Planning**

The City of La Marque's growth has been steady over the past several years. It is anticipated that La Marque will expand rapidly when the housing market recovers from the current economic downturn.

La Marque's large amount of developable acreage and the commercial developments that continue to move south will soon converge creating an economic jolt. The City also anticipates a continued natural progression of movement from Galveston Island as the recovery process moves forward. La Marque will also be getting the "Tejas" building back on the tax roll when it changes from public to private ownership.

Street improvements and public transit are on the horizon as well. The Cedar Drive project is ongoing from I-45 to City Hall. Effective June 15, 2009, La Marque Connect began operation in La Marque. Connect Transit is a bus service that will stop at various retail stores, City Hall, and the Galveston County Health District. This new transit service will create jobs with benefits, keep federal and state dollars in the community, and continue opportunities for infrastructure improvements.

La Marque will also continue to improve and repair sewer lines. During the Cedar Drive project a new 12" trunk line for water will be installed. With these types of major improvements to the infrastructure, La Marque is setting the table to handle the anticipated growth for years to come.

Honorable Mayor and  
Members of the City Council

### **Cash Management Policies and Practices**

Cash temporarily idle during the year was invested in certificates of deposit, U.S. Agency securities, mutual funds and investment pools. Maturities of these investments range from one day to twelve months. Interest rates on these investments range from 1.35% to 3.90%. 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**

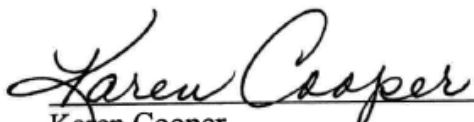
This report has been prepared in accordance with guidelines established by the Government Finance Officers Association (GFOA) for its Certificate of Achievement for Excellence in Financial Reporting. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2008. This was the fifteenth 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.

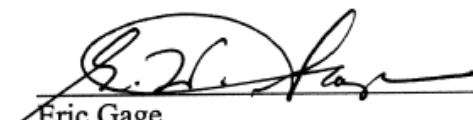
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The preparation of the CAFR 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,

  
Karen Cooper  
Director of Finance

  
Eric Gage  
City Manager

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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, 2008

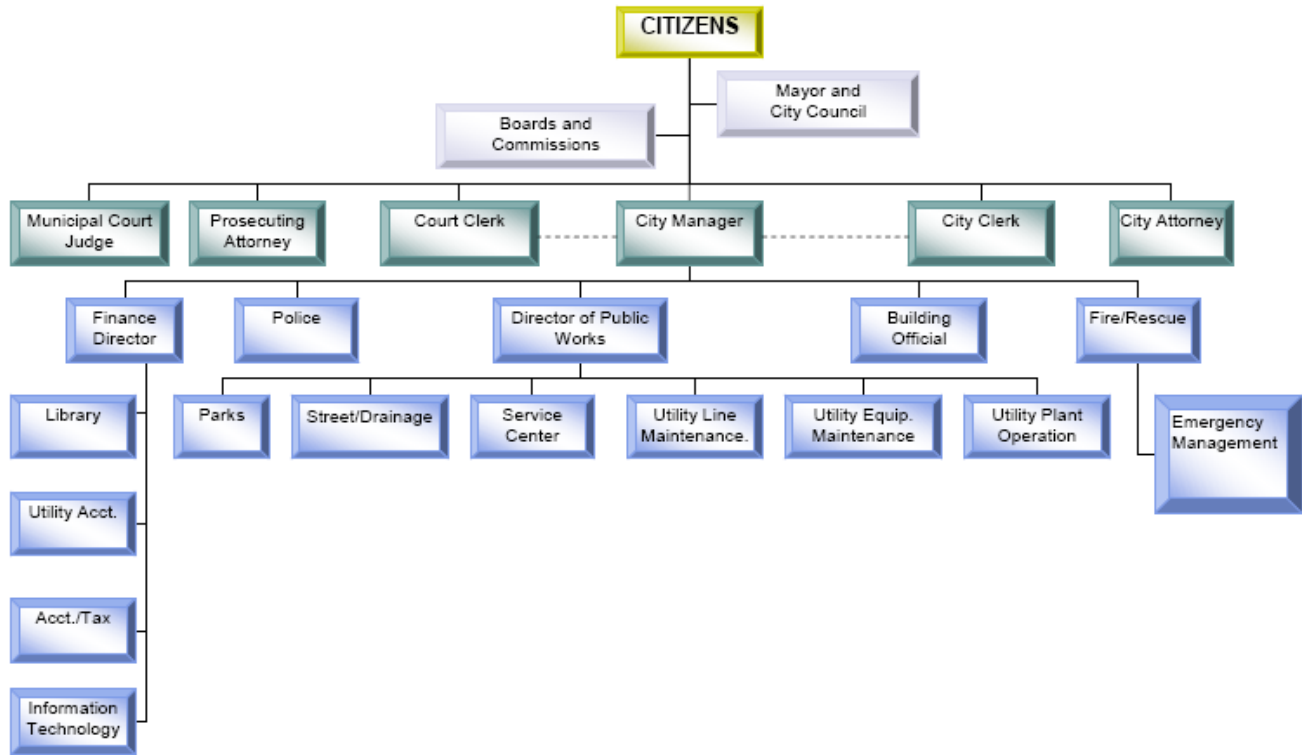
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of La Marque Organizational Chart



Revised: July 2010



# CITY COUNCIL

**GERALDINE SAM**  
Mayor

**KEITH BELL**  
Mayor Pro-Tem

**DEANIE BARRETT**  
Councilwoman



*Set your sites on La Marque.*

**LARRY MANN**  
Councilman

**CONNIE TRUBE**  
Councilwoman

**ERIC GAGE**  
City Manager

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## **Financial Section**

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## Independent Auditors' Report

The Honorable Mayor and  
Members of the City Council  
1111 Bayou Road  
La Marque, Texas 77568-4299

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 (the "City") as of and for the year ended September 30, 2009, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 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, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the schedule of funding progress as listed in the table of contents, 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 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 are presented for purposes of additional analysis and are not a required part of the basic financial statement of the City of La Marque. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the basic financial statements of the City. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections listed in the foregoing table of contents 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.

A handwritten signature in black ink that reads "Null-Lairson, PC". The signature is written in a cursive, flowing style.

**Null-Lairson, PC**  
Texas City, Texas  
November 5, 2010

## **Management's Discussion and Analysis**

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**CITY OF LA MARQUE, TEXAS**  
**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, 2009. 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 \$24,491,122 (*net assets*). Of this amount, \$7,363,674 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets decreased by \$866,858 as a result of this year's operations.
- During the year, the City's government funds had expenses that were \$62,048 more than the \$13,408,401 generated in tax and other revenues for governmental programs (before special items). This compares to last year when expenses exceeded revenues by \$105,074. The current year expenses in excess of revenues were due primarily to expenditures in the capital projects fund as well as capital outlay expenditures in the general fund for public safety and public works.
- As of the close of the current fiscal year, the City of La Marque's governmental funds reported combined ending fund balances of \$8,569,805, an increase of \$138,499 in comparison with the prior year.
- The General Fund ended the year with a fund balance of \$2,782,838, which is \$70,546 more than the prior year.
- The resources available for appropriation were \$390,712 less 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).

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

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, sanitation and Urban Housing and Rehabilitation. The business-type activities of the City of La Marque include the Utility fund, Water and Sewer System Revenue fund and the Community Development Block Grant fund. 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 fifteen 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 fund which are considered to be major funds. Data from the other thirteen 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.

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

**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, Water and Sewer System Revenue fund, and Community Development Block Grant fund.. *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 one fiduciary fund, the Library Memorial Fund.

**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 \$24,491,122 at the close of the most recent fiscal year.

By far the largest portion of the City of La Marque's net assets (49 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, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>						
Current and other assets	\$ 11,147,937	\$ 11,208,532	\$ 4,900,944	\$ 4,681,938	\$ 16,048,881	\$ 15,890,470
Capital assets	11,798,146	12,357,906	14,907,119	15,832,618	26,705,265	28,190,524
<b>Total assets</b>	<u>22,946,083</u>	<u>23,566,438</u>	<u>19,808,063</u>	<u>20,514,556</u>	<u>42,754,146</u>	<u>44,080,994</u>
<b>Liabilities</b>						
Long-term liabilities	8,028,256	8,061,715	8,558,152	8,966,648	16,586,408	17,028,363
Other liabilities	1,018,046	962,314	658,570	732,357	1,676,616	1,694,671
<b>Total liabilities</b>	<u>9,046,302</u>	<u>9,024,029</u>	<u>9,216,722</u>	<u>9,699,005</u>	<u>18,263,024</u>	<u>18,723,034</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	5,092,044	5,852,966	6,911,560	7,175,278	12,003,604	13,028,244
Restricted	4,845,965	5,147,167	277,879	336,366	5,123,844	5,483,533
Unrestricted	3,961,772	3,542,296	3,401,902	3,303,907	7,363,674	6,846,203
<b>Total net assets</b>	<u>\$ 13,899,781</u>	<u>\$ 14,542,429</u>	<u>\$ 10,591,341</u>	<u>\$ 10,815,551</u>	<u>\$ 24,491,122</u>	<u>\$ 25,357,980</u>

An additional portion of the City of La Marque's net assets (20.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$7,363,674) 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 had 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 a decrease of \$58,487 in restricted net assets reported in connection with the City of La Marque's business-type activities resulting from a reduction in transfers in from the Utility Fund to cover revenue bond debt service payments.

The government's net assets decreased by \$866,858 during the current fiscal year due primarily to recognition of post employment benefits obligation in the amount of \$266,195. as well as a decrease in other taxes collected of \$291,406.

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

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

	City of La Marque's Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 3,081,359	\$ 2,588,163	\$ 4,398,458	\$ 4,012,609	\$ 7,479,817	\$ 6,600,772
Operating grants and contributions	1,975,646	1,632,953		487,761	1,975,646	2,120,714
Capital grants and contributions						
<b>General revenues:</b>						
Property taxes	3,401,897	3,197,668			3,401,897	3,197,668
Other taxes	4,058,745	3,439,431			4,058,745	3,439,431
Unrestricted grants and contributions	4,074				4,074	
Special item						
Unrestricted investment earnings	78,228	295,480	42,074	110,753	120,302	406,233
Other revenue	692,328	408,795	696	11,075	693,024	419,870
<b>Total revenues</b>	<u>13,292,277</u>	<u>11,562,490</u>	<u>4,441,228</u>	<u>4,622,198</u>	<u>17,733,505</u>	<u>16,184,688</u>
<b>Expenses</b>						
General government	1,738,775	1,442,025			1,738,775	1,442,025
Public safety	5,739,176	5,752,724			5,739,176	5,752,724
Public works	4,508,388	2,469,011			4,508,388	2,469,011
Sanitation	1,321,865	1,348,961			1,321,865	1,348,961
Urban housing and rehabilitation	395,837	368,902			395,837	368,902
Interest on long-term debt	298,449	342,517			298,449	342,517
Business-type activity - Utility			4,313,755	4,635,935	4,313,755	4,635,935
Business-type activity - Water & sewer			284,118	292,025	284,118	292,025
Business-type activity - C.D.B.G.						
<b>Total expenses</b>	<u>14,002,490</u>	<u>11,724,140</u>	<u>4,597,873</u>	<u>4,927,960</u>	<u>18,600,363</u>	<u>16,652,100</u>
Increase (decrease) in net assets						
before transfers	(710,213)	(161,650)	(156,645)	(305,762)	(866,858)	(467,412)
Transfers	67,565	102,890	(67,565)	(521,474)		(418,584)
Increase (decrease) in net assets	(642,648)	(58,760)	(224,210)	(827,236)	(866,858)	(885,996)
<b>Net assets - October 1 (beginning)</b>	14,542,429	14,574,682	10,815,551	11,642,787	25,357,980	26,217,469
Prior period adjustment		26,507				26,507
<b>Net assets - Beginning (As restated)</b>	<u>14,542,429</u>	<u>14,601,189</u>	<u>10,815,551</u>	<u>11,642,787</u>	<u>25,357,980</u>	<u>26,243,976</u>
<b>Net assets - September 30 (ending)</b>	<u>\$ 13,899,781</u>	<u>\$ 14,542,429</u>	<u>\$ 10,591,341</u>	<u>\$ 10,815,551</u>	<u>\$ 24,491,122</u>	<u>\$ 25,357,980</u>

**Governmental Activities.** Governmental activities decreased the City of La Marque's net assets by \$642,648. Business-type activities generated a decrease of \$224,210 resulting in a combined net decrease of \$866,858. Key elements of this decrease are as follows:

- General government expenses increased \$296,750 (20.58 percent) due primarily to recognition of post employment benefits obligation.
- Investment earnings decreased \$217,252 as compared to the prior year.
- Public works expenses increased \$2,039,377 (82.6 percent) due to cleanup costs resulting from Hurricane Ike. However, these costs were reimbursed by FEMA.

**Business-type Activities.** Business-type activities decreased the City of La Marque's net assets by \$224,210. Key elements of this decrease are as follows:

- Charges for services for business-type activities were sufficient to cover operating expenses excluding depreciation of \$1,243,513. Although rates are appropriate to generate sufficient cash flow; an increase in purchased water of \$136,491 contributed to the current year net loss.
- Operating grants and contributions decreased from the prior year by \$487,761.

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

- Investment earnings decreased \$68,679.
- The compensated absences expense increased \$18,272 and depreciation expense increased \$31,937 as compared to the prior year.

**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 \$8,569,805, an increase of \$138,499 as compared to the prior year. *Unreserved fund balance*, which is available for spending at the government's discretion, totaled \$3,585,040. 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 (\$536,546), 2) for capital projects (\$4,238,228), 3) for prepaid expenditures (\$2,338), 4) invested in inventory (\$24,768), and 5) for special revenue fund expenditures (\$182,885) .

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 \$2,754,701 , while total fund balance amounted to \$2,782,838. 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 22.8 percent of total general fund expenditures, while total fund balance represents 23 percent of that same amount.

The fund balance of the City of La Marque's general fund increased by \$70,546 during the current fiscal year. Key factors in this growth are as follows:

- Intergovernmental revenue increased \$342,078 attributable to additional FEMA grant reimbursements in the amount of \$1,669,429 for damages sustained from Hurricane Ike; an increase of \$337,504 as compared to the prior year.
- An increase in sales tax revenue in the amount of \$548,125 over the previous fiscal year..

The capital projects fund ended the year with a fund balance of \$4,238,228, a decrease of \$92,167. This decrease is due to capital projects expenditures in excess of investment earnings.

The debt service fund has a total fund balance of \$536,546 , all of which is reserved for debt service. The net increase in fund balance during the current year in the debt service fund was \$97,595.

**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 \$3,512,185 and total net assets were \$10,165,932. The Water and Sewer System Revenue Fund net assets totaled \$425,409 and the Community Development Block Grant Fund ended the year with \$0 in net assets. The total change in net assets for these funds was an increase of \$58,878, a decrease of \$283,088, and an increase of \$0, 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.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$3,168,379 summarized as follows:

- \$145,650 in increases allocated to general government
- \$291,221 in increases allocated to public safety
- \$2,348,685 in increases allocated to public works
- \$382,823 in increases allocated to capital outlay

This increase was to be funded as follows:

- Intergovernmental revenue increase \$2,682,716
- Charges for services increase of \$14,186
- Other revenue of \$446,056
- Transfers in of \$23,000

During the year, however, revenues were less than budgetary estimates as explained below.

The general fund had a negative revenue variance of final budget to actual of \$1,048,616 due to FEMA grant reimbursements of \$1,331,925 for Hurricane Ike damages which were included in the prior fiscal year actual revenues.

The general fund had no negative expenditure variances of final budget to actual on a departmental level.

**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, 2009, amounts to \$26,705,265 (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 5.3 percent.

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

- Construction continued on the sanitary sewer rehabilitation manhole projects and various drainage improvements; construction in progress as of the close of the fiscal year totaled \$233,294.
- The Public Works office was refurbished at a cost of \$168,891.
- Police cars were purchased at a cost of \$76,877.

**CITY OF LA MARQUE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Land	\$ 210,370	\$ 210,370	\$ 209,774	\$ 209,774	\$ 420,144	\$ 420,144
Buildings and improvements	1,214,832	1,107,713	25,451	28,430	1,240,283	1,136,143
Improvements other than buildings	8,835,631	9,158,532	14,223,073	15,373,360	23,058,704	24,531,892
Vehicles	433,685	470,212	117,900	149,182	551,585	619,394
Machinery and equipment	638,549	721,937	96,921	71,872	735,470	793,809
Furniture and office equipment	108,665	159,115			108,665	159,115
Construction in progress	356,414	530,027			356,414	530,027
	<u>\$ 11,798,146</u>	<u>\$ 12,357,906</u>	<u>\$ 14,907,119</u>	<u>\$ 15,832,618</u>	<u>\$ 26,705,265</u>	<u>\$ 28,190,524</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 \$14,865,000. Of this amount, \$6,710,000 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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Certificates of obligation	\$ 6,710,000	\$ 6,910,000			\$ 6,710,000	\$ 6,910,000
Revenue bonds and long-term contracts			8,155,000	8,835,000	8,155,000	8,835,000
	<u>\$ 6,710,000</u>	<u>\$ 6,910,000</u>	<u>\$ 8,155,000</u>	<u>\$ 8,835,000</u>	<u>\$ 14,865,000</u>	<u>\$ 15,745,000</u>

The City of La Marque's total debt decreased by \$880,000 (5.6 percent) during the current fiscal year due to principal payments 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 \$76,320,436, 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.



***CITY OF LA MARQUE, TEXAS***  
***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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

- During the 2008/2009 fiscal year, the City of La Marque experienced an increase of 439% in revenue from building permits due, in large part, to repair and rebuilding after Hurricane Ike.
- The unemployment rate for the City of La Marque is 8.5 percent. This is slightly higher than the state's average unemployment rate of 8.1 percent but below the national average rate of 9.6 percent.
- Property tax collections for the governmental funds increased 10.2% in the current fiscal year.
- The La Marque Clean City Commission continues to make a positive difference throughout the City. Efforts are being made to hire additional Code Enforcement Officers to identify and ticket those who are not cleaning their yards, have structures in disrepair and other City code violations which detract from the City's inherent beauty.
- La Marque Economic Development Corporation finds the outlook of retail development is beginning to show signs of improvement. Developers and retailers are considering land acquisition or expansions in order to take advantage of depressed construction costs.

These factors were considered in preparing the City of La Marque's budget for the 2010 fiscal year.

The City of La Marque's tax rate for the 2010 fiscal year budget was maintained at the 2009 rate of \$.51436 per \$100 assessed value.

**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.



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## **Basic Financial Statements**



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**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF NET ASSETS**  
**For The Year Ended September 30, 2009**

*Exhibit A-1*

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	La Marque E.D.C.
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,620,790	\$ 1,133,646	\$ 3,754,436	\$ 2,211,384
Investments	6,849,832	2,471,619	9,321,451	2,604,936
Property taxes receivable, net of allowance for doubtful accounts	538,926		538,926	
Other taxes receivable	708,618		708,618	138,844
Customer receivables, net of allowance for doubtful accounts	242,540	492,810	735,350	
Other receivables	41,928	8,658	50,586	735
Internal balances	16,658	(16,658)		
Due from primary government				
Due from other governments				
Inventories	24,768		24,768	720,826
Prepaid items	2,338		2,338	
Deferred charges	101,539	192,998	294,537	
<b>Restricted assets:</b>				
Cash and cash equivalents		2,469	2,469	
Investments		615,402	615,402	
<b>Capital assets (net of accumulated depreciation):</b>				
Land	210,370	209,774	420,144	
Buildings and improvements	1,214,832	25,451	1,240,283	
Improvements other than buildings	8,835,631	14,223,073	23,058,704	
Vehicles	433,685	117,900	551,585	
Machinery and equipment	638,549	96,921	735,470	
Furniture and office equipment	108,665		108,665	
Equipment under capital lease		234,000	234,000	
Construction in progress	356,414		356,414	
<b>Total assets</b>	<b>22,946,083</b>	<b>19,808,063</b>	<b>42,754,146</b>	<b>5,676,725</b>
<b>Liabilities</b>				
Accounts payable	724,553	202,047	926,600	13,165
Accrued expenses	269,378	24,643	294,021	
Payable to component unit				
Interest payable	22,717	33,557	56,274	
Due to other governments				
Other current liabilities				
Unearned revenue	1,398		1,398	
Liabilities payable from restricted assets		398,323	398,323	
<b>Noncurrent liabilities:</b>				
Due within one year	602,870	787,181	1,390,051	
Due in more than one year	7,425,386	7,770,971	15,196,357	
<b>Total liabilities</b>	<b>9,046,302</b>	<b>9,216,722</b>	<b>18,263,024</b>	<b>13,165</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	5,092,044	6,911,560	12,003,604	
Restricted for capital projects	4,330,395		4,330,395	
Restricted for debt service	438,951	277,879	716,830	
Restricted for urban housing and rehabilitation	64,950		64,950	
Restricted for other purposes	11,669		11,669	
Unrestricted	3,961,772	3,401,902	7,363,674	5,663,559
<b>Total net assets</b>	<b>\$ 13,899,781</b>	<b>\$ 10,591,341</b>	<b>\$ 24,491,122</b>	<b>\$ 5,663,559</b>

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

**CITY OF LA MARQUE, TEXAS**

**STATEMENT OF ACTIVITIES**

*For The Year Ended September 30, 2009*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government</b>			
<b>Governmental activities:</b>			
General government	\$ 1,738,775	\$ 44,148	\$ 6,951
Public safety	5,739,176	1,564,906	
Public works	4,508,388	14,846	1,669,429
Sanitation	1,321,865	1,457,459	
Urban housing and rehabilitation	395,837		299,266
Interest on long-term debt	298,449		
<b>Total governmental activities</b>	<u>14,002,490</u>	<u>3,081,359</u>	<u>1,975,646</u>
<b>Business-type activities:</b>			
Enterprise fund - Utility	4,313,755	4,398,458	
Enterprise fund - Water and sewer	284,118		
Enterprise fund - C.D.B.G.			
<b>Total business-type activities</b>	<u>4,597,873</u>	<u>4,398,458</u>	
<b>Total primary government</b>	<u>\$ 18,600,363</u>	<u>\$ 7,479,817</u>	<u>\$ 1,975,646</u>
<b>Component Unit - La Marque E.D.C.</b>	<u>\$ 283,365</u>	<u>\$</u>	<u>\$</u>

**General revenues:**

- Property taxes levied for general purposes
- Property taxes levied for special purposes
- Sales taxes
- Gross receipts taxes
- Hotel/Motel taxes
- Other taxes
- Unrestricted grants and contributions
- Unrestricted investment earnings
- Other revenue

**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.

Exhibit A-2

Primary Government			Component Unit La Marque E.D.C.
Governmental Activities	Business-type Activities	Total	Total
\$ (1,687,676)	\$	\$ (1,687,676)	\$
(4,174,270)		(4,174,270)	
(2,824,113)		(2,824,113)	
135,594		135,594	
(96,571)		(96,571)	
(298,449)		(298,449)	
<u>(8,945,485)</u>		<u>(8,945,485)</u>	
	84,703	84,703	
	(284,118)	(284,118)	
	<u>(199,415)</u>	<u>(199,415)</u>	
<u>(8,945,485)</u>	<u>(199,415)</u>	<u>(9,144,900)</u>	<u>(283,365)</u>
2,654,367		2,654,367	
747,530		747,530	
2,936,594		2,936,594	984,198
848,707		848,707	
172,198		172,198	
101,246		101,246	
4,074		4,074	
78,228	42,074	120,302	45,540
692,328	696	693,024	55,967
67,565	(67,565)		
<u>8,302,837</u>	<u>(24,795)</u>	<u>8,278,042</u>	<u>1,085,705</u>
<u>(642,648)</u>	<u>(224,210)</u>	<u>(866,858)</u>	<u>802,340</u>
<u>14,542,429</u>	<u>10,815,551</u>	<u>25,357,980</u>	<u>4,861,220</u>
<u>\$ 13,899,781</u>	<u>\$ 10,591,341</u>	<u>\$ 24,491,122</u>	<u>\$ 5,663,560</u>

**CITY OF LA MARQUE, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2009**

*Exhibit B-1*

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,707,462	\$	\$ 618,569	\$ 2,326,031
Investments	640,464	4,344,091	904,526	5,889,081
Property taxes receivable, net	446,671		92,255	538,926
Other taxes receivable, net	693,657		14,961	708,618
Due from other funds	75,421			75,421
Due from other governments				
Due from customers, net	242,540			242,540
Other receivables, net	41,928			41,928
Inventories	24,768			24,768
Prepaid expenditures	2,338			2,338
Other assets				
<b>Total assets</b>	<u>\$ 3,875,249</u>	<u>\$ 4,344,091</u>	<u>\$ 1,630,311</u>	<u>\$ 9,849,651</u>
<b>Liabilities</b>				
Accounts payable	\$ 638,787	\$ 47,100	\$ 48,648	\$ 734,535
Accrued expenditures	247,673		4,695	252,368
Accrued interest payable				
Due to other funds		58,763		58,763
Deferred revenue	198,923		28,229	227,152
Bail bonds payable	7,028			7,028
<b>Total liabilities</b>	<u>1,092,411</u>	<u>105,863</u>	<u>81,572</u>	<u>1,279,846</u>
<b>Fund Balance</b>				
<b>Reserved for:</b>				
Debt service			536,546	536,546
Inventory	24,768			24,768
Capital projects		4,238,228		4,238,228
Prepaid expenditures	2,338			2,338
Special revenue funds	1,031		181,854	182,885
<b>Unreserved:</b>				
<b>Designated for:</b>				
<b>Self insurance:</b>				
Reported in the general fund	40,000			40,000
<b>Future expenditures:</b>				
Reported in the general fund	2,714,701			2,714,701
Reported in special revenue funds			830,339	830,339
<b>Total fund balance</b>	<u>2,782,838</u>	<u>4,238,228</u>	<u>1,548,739</u>	<u>8,569,805</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,875,249</u>	<u>\$ 4,344,091</u>	<u>\$ 1,630,311</u>	<u>\$ 9,849,651</u>

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



**CITY OF LA MARQUE, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET ASSETS**  
*September 30, 2009*

*Exhibit B-2*

<b>Total fund balances - Governmental funds</b>		\$ 8,569,805
<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.		1,255,510
<b>2</b> Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Fund Financial Statements, but are reported in the governmental activities of the Statement of Net Assets.		
Capital assets	\$ 29,264,649	
Accumulated depreciation	(17,466,503)	
	<u>\$ 11,798,146</u>	11,798,146
<b>3</b> Long-term liabilities are not due and payable in the current period and are not included in the Fund Financial Statements, but are included in the governmental activities of the Statement of Net Assets.		
General obligation bonds, certificates of obligation, etc.	\$ (6,710,000)	
Supplemental annuities payable	(79,354)	
Net OPEB payable	(266,195)	
Compensated absences payable	(972,707)	
	<u>\$ (8,028,256)</u>	(8,028,256)
<b>4</b> Accrued interest on debt in excess of the amount recorded in the debt service fund		(22,717)
<b>5</b> Deferred revenues recorded as revenue in the Statement of Net Assets		225,754
<b>6</b> Unamortized bond issuance costs, premiums and losses on refunding bonds, in the Statement of Net Assets not in the Fund Financial Statements		<u>101,539</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 13,899,781</u></u>

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

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*For the Year Ended September 30, 2009*

*Exhibit B-3*

	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
<b>Taxes:</b>				
Property	\$ 2,748,453	\$	\$ 781,805	\$ 3,530,258
Sales	2,936,594			2,936,594
Gross receipts	848,707			848,707
Other	101,246		172,198	273,444
Licenses and permits	255,882			255,882
Intergovernmental revenue	1,680,454		299,266	1,979,720
Charges for services	1,880,591			1,880,591
Fines and forfeitures	919,405			919,405
Investment earnings	13,091	35,442	16,953	65,486
Reimbursement from component unit	103,800			103,800
Other revenue	446,799		167,715	614,514
<b>Total revenues</b>	<b>11,935,022</b>	<b>35,442</b>	<b>1,437,937</b>	<b>13,408,401</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government:	1,364,216		139,153	1,503,369
Public safety	5,320,703		2,522	5,323,225
Public works	3,650,959		202,232	3,853,191
Sanitation	1,295,223			1,295,223
Urban rehabilitation and housing			395,837	395,837
<b>Debt service:</b>				
Principal on long-term debt			226,063	226,063
Interest and fiscal charges			294,306	294,306
<b>Capital outlay:</b>				
General government	1,337			1,337
Public safety	316,196			316,196
Public works	131,714	127,609	2,379	261,702
Sanitation				
<b>Total expenditures</b>	<b>12,080,348</b>	<b>127,609</b>	<b>1,262,492</b>	<b>13,470,449</b>
Excess (Deficiency) of revenues over (under) expenditures	(145,326)	(92,167)	175,445	(62,048)
<b>Other Financing Sources (Uses)</b>				
Transfer in	260,049		4,675	264,724
Transfers (out)	(44,177)		(20,000)	(64,177)
Proceeds from the disposal of assets				
<b>Total other financing sources (uses)</b>	<b>215,872</b>		<b>(15,325)</b>	<b>200,547</b>
Net change in fund balances	70,546	(92,167)	160,120	138,499
<b>Fund balances - October 1 (Beginning)</b>	<b>2,712,292</b>	<b>4,330,395</b>	<b>1,388,619</b>	<b>8,431,306</b>
<b>Fund balances - September 30 (Ending)</b>	<b>\$ 2,782,838</b>	<b>\$ 4,238,228</b>	<b>\$ 1,548,739</b>	<b>\$ 8,569,805</b>

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

**CITY OF LA MARQUE, TEXAS**

*Exhibit B-4*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

September 30, 2009

<b>Total net change in fund balances - Governmental funds</b>		\$ 138,499
<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 income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net assets.		(122,342)
<b>2</b> Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation.		
Capital outlays moved to capital asset additions	\$ 332,900	
Depreciation expense recorded for the year	<u>(870,321)</u>	
Net adjustment to increase (decrease) in governmental fund balances to arrive at the change in net assets for governmental activities	<u><u>\$ (537,421)</u></u>	(537,421)
<b>3</b> Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		
Property taxes net adjustment to the accrual basis		(128,361)
<b>4</b> Governmental funds report the repayment of principal on long-term debt as an expenditure. In contrast, the Statement of Activities treats such repayments as reductions in long-term liabilities.		
Principal payments on long-term debt (General Obligation Bonds, Certificates of Obligation, etc.)	\$ 200,000	
Payment of supplemental annuities for retirees	<u>26,063</u>	
	<u><u>\$ 226,063</u></u>	226,063
<b>5</b> Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in the Fund Financial Statements:		
Other post employment benefits		(266,195)
Book value of disposed assets		(22,339)
Change in accrued interest payable		780
Change in compensated absences payable		73,591
Amortization of issuance costs, premiums and refunding losses not recorded in the Fund Financial Statements but recorded in the Statement of Activities		<u>(4,923)</u>
<b>Change in net assets of governmental activities</b>		<u><u>\$ (642,648)</u></u>

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

**CITY OF LA MARQUE, TEXAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND**

**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

*For the Year Ended September 30, 2009*

*Exhibit B-5*

*Page 1 of 2*

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
<b>Taxes:</b>				
Property	\$ 2,771,474	\$ 2,771,474	\$ 2,748,453	\$ (23,021)
Sales	2,430,000	2,430,000	2,936,594	506,594
Gross receipts	840,300	840,300	848,707	8,407
Other	46,000	46,000	101,246	55,246
Licenses and permits	235,950	235,950	255,882	19,932
Intergovernmental revenue	46,354	2,729,070	1,680,454	(1,048,616)
Charges for services	1,883,376	1,897,562	1,880,591	(16,971)
Fines and forfeitures	755,187	755,187	919,405	164,218
Investment earnings	45,000	45,000	13,091	(31,909)
Reimbursement from component unit	103,800	103,800	103,800	
Other revenue	25,335	471,391	446,799	(24,592)
<b>Total revenues</b>	<u>9,182,776</u>	<u>12,325,734</u>	<u>11,935,022</u>	<u>(390,712)</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>General government:</b>				
General	363,466	480,709	377,582	103,127
City Manager	202,378	227,218	232,999	(5,781)
City Council	10,520	10,436	10,933	(497)
Finance and tax	377,345	379,545	357,400	22,145
Data processing	115,822	115,822	97,702	18,120
Library	263,047	263,998	256,042	7,956
Contingency	31,360	31,860	31,558	302
<b>Total general government</b>	<u>1,363,938</u>	<u>1,509,588</u>	<u>1,364,216</u>	<u>145,372</u>
<b>Public safety:</b>				
Police	2,868,029	2,842,738	2,748,955	93,783
Judicial	335,813	362,285	347,287	14,998
Fire	1,765,263	2,041,117	1,904,421	136,696
Inspection	365,601	365,601	236,589	129,012
Emergency management	14,830	29,016	20,998	8,018
Animal control	62,453	62,453	62,453	
<b>Total public safety</b>	<u>5,411,989</u>	<u>5,703,210</u>	<u>5,320,703</u>	<u>382,507</u>
<b>Public works:</b>				
Administration	62,254	64,511	65,664	(1,153)
Shop service facility	199,708	199,708	192,340	7,368
Streets and highways	1,042,332	3,353,742	3,256,459	97,283
Parks and recreation	140,308	175,326	136,496	38,830
<b>Total public works</b>	<u>1,444,602</u>	<u>3,793,287</u>	<u>3,650,959</u>	<u>142,328</u>
Sanitation	1,309,509	1,309,509	1,295,223	14,286

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

**CITY OF LA MARQUE, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

*Exhibit B-5*  
*Page 2 of 2*

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Expenditures (Continued)</b>				
<b>Debt service:</b>				
Interest and fiscal charges	\$ 390	\$ 390	\$	\$ 390
<b>Total debt service</b>	<u>390</u>	<u>390</u>		<u>390</u>
<b>Capital outlay:</b>				
General Government		1,337	1,337	
Public Safety	64,027	321,550	316,196	5,354
Public Works	32,931	156,894	131,714	25,180
<b>Total capital outlay</b>	<u>96,958</u>	<u>479,781</u>	<u>449,247</u>	<u>30,534</u>
<b>Total expenditures</b>	<u>9,627,386</u>	<u>12,795,765</u>	<u>12,080,348</u>	<u>715,417</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(444,610)</u>	<u>(470,031)</u>	<u>(145,326)</u>	<u>324,705</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	292,518	315,518	260,049	(55,469)
Transfers (out)	(15,000)	(15,000)	(44,177)	(29,177)
Proceeds from the disposal of assets				
<b>Total other financing sources (uses)</b>	<u>277,518</u>	<u>300,518</u>	<u>215,872</u>	<u>(84,646)</u>
Net change in fund balances	(167,092)	(169,513)	70,546	240,059
<b>Fund balances - Beginning</b>	<u>2,712,292</u>	<u>2,712,292</u>	<u>2,712,292</u>	
<b>Fund balances - Ending</b>	<u>\$ 2,545,200</u>	<u>\$ 2,542,779</u>	<u>\$ 2,782,838</u>	<u>\$ 240,059</u>

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2009

	<u>Utility</u> <u>Current Year</u>	<u>Utility</u> <u>Prior Year</u>	<u>Water and</u> <u>Sewer System</u> <u>Revenue</u> <u>Current Year</u>	<u>Water and</u> <u>Sewer System</u> <u>Revenue</u> <u>Prior Year</u>
<b>Assets</b>				
<b>Current assets:</b>				
<b>Unrestricted:</b>				
Cash and cash equivalents	\$ 735,323	\$ 9,963	\$	\$ 5,777
Investments	2,377,368	2,359,762		
Due from other funds	461,207	318,269		
Due from customers, net of allowance for doubtful accounts	492,810	700,873		
Interest receivable	52	841		
Miscellaneous receivables	8,606	11,191		
Prepaid items				
<b>Restricted:</b>				
<b>Cash and cash equivalents:</b>				
Customer deposits	398,323	374,563		
Revenue bond debt service	2,469	1,551		
Water and sewer system reserve				
<b>Investments:</b>				
Revenue bond debt service	447,531	428,449		
Water and sewer system reserve			255,000	250,000
<b>Total current assets</b>	<u>4,923,689</u>	<u>4,205,462</u>	<u>255,000</u>	<u>255,777</u>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
<b>Restricted investments:</b>				
Revenue bond debt service				
Water and sewer system reserve				
Plant and lines reserve	3,448	3,409		
Meter replacement reserve	3,674	3,651		
<b>Total restricted assets</b>	<u>7,122</u>	<u>7,060</u>		
Deferred charges, net of accumulated amortization	<u>133,051</u>	<u>146,873</u>	<u>59,947</u>	<u>66,766</u>
<b>Capital assets:</b>				
Land	209,774	209,774		
Buildings and structures	116,805	116,805		
Other improvements	29,084,910	29,084,910	4,824,765	4,824,765
Machinery and equipment	684,879	626,865		
Motor vehicles	1,169,987	1,169,987		
Leased assets under capital lease	260,000			
Less accumulated depreciation	<u>(20,213,668)</u>	<u>(19,130,980)</u>	<u>(1,230,333)</u>	<u>(1,069,508)</u>
<b>Total capital assets, net of accumulated depreciation</b>	<u>11,312,687</u>	<u>12,077,361</u>	<u>3,594,432</u>	<u>3,755,257</u>
<b>Total noncurrent assets</b>	<u>11,452,860</u>	<u>12,231,294</u>	<u>3,654,379</u>	<u>3,822,023</u>
<b>Total assets</b>	<u>16,376,549</u>	<u>16,436,756</u>	<u>3,909,379</u>	<u>4,077,800</u>

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

<u>Community Development Block Grant Current Year</u>	<u>Community Development Block Grant Prior Year</u>	<u>Total Proprietary Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$	\$	\$ 735,323	\$ 294,759
		2,377,368	960,751
		461,207	
		492,810	
		52	
		8,606	
		398,323	
		2,469	
		447,531	
		255,000	
		<u>5,178,689</u>	<u>1,255,510</u>
		3,448	
		3,674	
		<u>7,122</u>	
		192,998	
		209,774	
		116,805	
		33,909,675	
		684,879	
		1,169,987	
		260,000	
		<u>(21,444,001)</u>	
		<u>14,907,119</u>	
		<u>15,107,239</u>	
		<u>20,285,928</u>	<u>1,255,510</u>

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2009

	<u>Utility</u> <u>Current Year</u>	<u>Utility</u> <u>Prior Year</u>	<u>Water and</u> <u>Sewer System</u> <u>Revenue</u> <u>Current Year</u>	<u>Water and</u> <u>Sewer System</u> <u>Revenue</u> <u>Prior Year</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 202,047	\$ 296,506	\$	\$
Accrued expenses	24,643	25,309		
Interest payable	24,870	26,676	8,687	9,303
Accrued compensated absences	49,923	54,791		
Note payable - capital lease	32,258			
Due to other funds	112,582		365,283	
Deferred revenue				
	<u>446,323</u>	<u>403,282</u>	<u>373,970</u>	<u>9,303</u>
<b>Current liabilities payable from restricted assets:</b>				
Customer deposits payable	398,323	374,563		
Revenue bonds payable	450,000	430,000	255,000	250,000
	<u>848,323</u>	<u>804,563</u>	<u>255,000</u>	<u>250,000</u>
<b>Total current liabilities</b>	<u>1,294,646</u>	<u>1,207,845</u>	<u>628,970</u>	<u>259,303</u>
<b>Noncurrent liabilities:</b>				
Accrued compensated absences	108,634	76,857		
Revenue bonds payable	4,595,000	5,045,000	2,855,000	3,110,000
Note payable - capital lease	212,337			
<b>Total noncurrent liabilities</b>	<u>4,915,971</u>	<u>5,121,857</u>	<u>2,855,000</u>	<u>3,110,000</u>
<b>Total liabilities</b>	<u>6,210,617</u>	<u>6,329,702</u>	<u>3,483,970</u>	<u>3,369,303</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	6,375,868	6,722,558	535,692	452,720
Restricted for debt service	277,879	336,366		
Unrestricted	3,512,185	3,048,130	(110,283)	255,777
<b>Total net assets</b>	<u>\$ 10,165,932</u>	<u>\$ 10,107,054</u>	<u>\$ 425,409</u>	<u>\$ 708,497</u>

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



<b>Community Development Block Grant Current Year</b>	<b>Community Development Block Grant Prior Year</b>	<b>Total Proprietary Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
\$	\$	\$ 202,047	\$
		24,643	
		33,557	
		49,923	
		32,258	
		477,865	
		<u>820,293</u>	
		398,323	
		705,000	
		<u>1,103,323</u>	
		1,923,616	
		108,634	
		7,450,000	
		212,337	
		<u>7,770,971</u>	
		9,694,587	
		6,911,560	
		277,879	
		<u>3,401,902</u>	<u>1,255,510</u>
<u>\$</u>	<u>\$</u>	<u>\$ 10,591,341</u>	<u>\$ 1,255,510</u>

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For The Year Ended September 30, 2009

	<u>Utility</u> <u>Current Year</u>	<u>Utility</u> <u>Prior Year</u>	<u>Water and</u> <u>Sewer System</u> <u>Revenue</u> <u>Current Year</u>	<u>Water and</u> <u>Sewer System</u> <u>Revenue</u> <u>Prior Year</u>
<b>Operating revenues</b>				
Charges for services	\$ 4,382,458	\$ 3,995,241	\$	\$
<b>Total operating revenues</b>	<u>4,382,458</u>	<u>3,995,241</u>	<u></u>	<u></u>
<b>Operating expenses</b>				
Personnel services	992,734	1,028,146		
Supplies	157,910	264,449		
Maintenance and repairs	454,133	773,975		
Miscellaneous services	136,431	138,354		
Utilities	359,955	396,795		
Purchased water	821,804	685,313		
Depreciation	1,082,688	1,050,751	160,825	160,825
Compensated absences expense	26,909	8,637		
<b>Total operating expenses</b>	<u>4,032,564</u>	<u>4,346,420</u>	<u>160,825</u>	<u>160,825</u>
Operating income	<u>349,894</u>	<u>(351,179)</u>	<u>(160,825)</u>	<u>(160,825)</u>
<b>Non-operating revenues (expenses)</b>				
Intergovernmental revenue				
Miscellaneous revenue	16,696	28,443		
Investment earnings	41,044	104,699	1,030	6,054
Interest expense and fiscal charges	(266,530)	(274,853)	(116,474)	(124,381)
Amortization of deferred expenses	(13,821)	(13,822)	(6,819)	(6,819)
Contingencies	(840)	(840)		
<b>Total non-operating revenues (expenses)</b>	<u>(223,451)</u>	<u>(156,373)</u>	<u>(122,263)</u>	<u>(125,146)</u>
Income before contributions and transfers	<u>126,443</u>	<u>(507,552)</u>	<u>(283,088)</u>	<u>(285,971)</u>
<b>Contributions and transfers</b>				
Transfer in	217,615	297,601		460,877
Transfers (out)	(285,180)	(861,368)		
Capital Contributions		418,585		
<b>Total contributions and transfers</b>	<u>(67,565)</u>	<u>(145,182)</u>	<u></u>	<u>460,877</u>
Change in net assets	58,878	(652,734)	(283,088)	174,906
<b>Total net assets - Beginning</b>	<u>10,107,054</u>	<u>10,759,788</u>	<u>708,497</u>	<u>533,590</u>
<b>Total net assets - Ending</b>	<u>\$ 10,165,932</u>	<u>\$ 10,107,054</u>	<u>\$ 425,409</u>	<u>\$ 708,496</u>

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

Exhibit C-2

<b>Community Development Block Grant Current Year</b>	<b>Community Development Block Grant Prior Year</b>	<b>Total Proprietary Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
\$	\$	\$ 4,382,458	\$
		4,382,458	
		992,734	
		157,910	
		454,133	
		136,431	10,352
		359,955	
		821,804	
		1,243,513	
		26,909	
		4,193,389	10,352
		189,069	(10,352)
	48,329		
	20,847	16,696	8,250
		42,074	12,742
		(383,004)	
		(20,640)	
		(840)	
	69,176	(345,714)	20,992
	69,176	(156,645)	10,640
		217,615	63,082
	(418,585)	(285,180)	(196,064)
	(418,585)	(67,565)	(132,982)
	(349,409)	(224,210)	(122,342)
	349,409	10,815,551	1,377,852
\$	\$	\$ 10,591,341	\$ 1,255,510

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For The Year Ended September 30, 2009*

	Utility Current Year	Utility Prior Year	Water and Sewer System Revenue Current Year	Water and Sewer System Revenue Prior Year
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 4,632,722	\$ 4,169,569	\$	
Receipts from interfund services provided				
Cash paid to suppliers for goods and services	(2,025,358)	(2,190,278)		
Cash paid to employees for services	(992,734)	(1,024,948)		
Federal assistance - FEMA				
<b>Net cash provided by operating activities</b>	<u>1,614,630</u>	<u>954,343</u>		
<b>Cash flows from non-capital financing activities:</b>				
Transfers in	217,615	297,601		460,877
Transfers (out)	(285,180)	(861,368)		
Interfund cash payments	(348,625)	(1,262,609)		(199,482)
Interfund cash receipts	318,269	1,528,723	365,283	11,615
Cash payments to component unit				
<b>Net cash used for non-capital financing activities</b>	<u>(97,921)</u>	<u>(297,653)</u>	<u>365,283</u>	<u>273,010</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(318,014)	(478,698)		
Transfer of capital assets				
Capital contribution		418,585		
Principal paid on bond maturities	(430,000)	(315,000)	(250,000)	(240,000)
Interest and fiscal charges paid on bonds	(268,335)	(276,008)	(117,090)	(124,953)
Proceeds - capital lease	260,000			
Principal paid on capital lease	(15,405)			
<b>Net cash from capital and related financing activities</b>	<u>(771,754)</u>	<u>(651,121)</u>	<u>(367,090)</u>	<u>(364,953)</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments		(1,359,571)		
Proceeds - sale and maturity of investments		1,288,127	(5,000)	91,943
Interest received from investments	5,083	24,069	1,030	36
<b>Net cash from investing activities</b>	<u>5,083</u>	<u>(47,375)</u>	<u>(3,970)</u>	<u>91,979</u>
Net increase (decrease) in cash and cash equivalents	750,038	(41,806)	(5,777)	36
<b>Cash and cash equivalents, beginning of year</b>	<u>386,077</u>	<u>427,883</u>	<u>5,777</u>	<u>5,741</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,136,115</u>	<u>\$ 386,077</u>	<u>\$</u>	<u>\$ 5,777</u>

<b>Community Development Block Grant Current Year</b>	<b>Community Development Block Grant Prior Year</b>	<b>Total Proprietary Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
	\$ 180,581	\$ 4,632,722	\$
		(2,025,358)	8,250
		(992,734)	(10,352)
	<u>180,581</u>	<u>1,614,630</u>	<u>(2,102)</u>
		217,615	63,082
	(418,585)	(285,180)	(196,064)
	(111,405)	(348,625)	
		683,552	219,341
	<u>(529,990)</u>	<u>267,362</u>	<u>86,359</u>
		(318,014)	
	349,409		
		(680,000)	
		(385,425)	
		260,000	
		(15,405)	
	<u>349,409</u>	<u>(1,138,844)</u>	
		(5,000)	186,118
		6,113	12,742
		1,113	198,860
		744,261	283,117
		391,854	11,642
<u>\$</u>	<u>\$</u>	<u>\$ 1,136,115</u>	<u>\$ 294,759</u>

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For The Year Ended September 30, 2009*

	<u>Utility</u> <u>Current Year</u>	<u>Utility</u> <u>Prior Year</u>	<u>Water and</u> <u>Sewer System</u> <u>Revenue</u> <u>Current Year</u>	<u>Water and</u> <u>Sewer System</u> <u>Revenue</u> <u>Prior Year</u>
<b>Reconciliation of net operating income to net cash provided by operating activities:</b>				
Net operating income (loss)	\$ 349,894	\$ (351,179)	\$ (160,825)	\$ (160,825)
<b>Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:</b>				
Depreciation	1,082,688	1,050,751	160,825	160,825
Non-operating income (expense)	15,856	27,603		
<b>Change in assets and liabilities:</b>				
(Increase) decrease in accounts receivable	210,648	128,822		
(Increase) decrease in prepaid items		324		
Increase (decrease) in accrued expenditures	(666)	3,198		
Increase (decrease) in accounts payable	(94,459)	69,124		
Increase (decrease) in compensated absences	26,909	8,637		
Increase (decrease) in customer deposits	23,760	17,063		
<b>Total adjustments</b>	<u>1,264,736</u>	<u>1,305,522</u>	<u>160,825</u>	<u>160,825</u>
Net cash provided by operating activities	<u>\$ 1,614,630</u>	<u>\$ 954,343</u>	<u>\$</u>	<u>\$</u>
<b>Non-cash transactions:</b>				
Depreciation	\$ 1,082,688	\$ 1,050,751	\$ 160,825	\$ 160,825
Amortization of deferred expenditures	13,822	13,821	6,819	6,819
Deferred debt issuance costs	133,051	146,873	59,947	66,766

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

<b>Community Development Block Grant Current Year</b>	<b>Community Development Block Grant Prior Year</b>	<b>Total Proprietary Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
\$	\$	\$ 189,069	\$ (10,352)
		1,243,513	
	69,176	15,856	8,250
	301,671	210,648	
	(22,309)	(666)	
	(167,957)	(94,459)	
		26,909	
		23,760	
	180,581	1,425,561	8,250
\$	\$ 180,581	\$ 1,614,630	\$ (2,102)
\$	\$	\$ 1,243,513	\$
		20,641	
		192,998	

**CITY OF LA MARQUE, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
*September 30, 2009*

*Exhibit D-1*

	<b>Library Memorial</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,048
<b>Total assets</b>	<u>2,048</u>
<b>Net Assets</b>	
Unreserved	2,048
<b>Total net assets</b>	<u>\$ 2,048</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**  
*For the Year Ended September 30, 2009*

*Exhibit D-2*

	<b>Library Memorial</b>
	<hr/>
<b>Additions</b>	
Contributions from the public	\$ 1,319
<b>Total additions</b>	<hr/> 1,319 <hr/>
<b>Deductions</b>	
Purchase of library books	1,376
<b>Total deductions</b>	<hr/> 1,376 <hr/>
Change in net assets	(57)
<b>Net assets - Beginning</b>	<hr/> 2,105 <hr/>
<b>Net assets - Ending</b>	<hr/> \$ 2,048 <hr/> <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.

In accordance with Governmental Accounting Standards Board Statement No. 34, the City retroactively reported its general infrastructure assets during the year ended September 30, 2007.

**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

**I. Summary of Significant Accounting Policies (continued)**

**Condensed Statement Of Net Assets**  
**Discretely Presented Component Unit**  
**September 30, 2009**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,173,837	\$ 37,547	\$ 2,211,384
Investments	2,248,697	356,239	2,604,936
Internal balances			
Due from primary government	933,904	(933,904)	
Interest receivable	735		735
Due from other governments	138,844		138,844
Inventories		720,826	720,826
<b>Total assets</b>	<b>5,496,017</b>	<b>180,708</b>	<b>5,676,725</b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	13,165		13,165
<b>Total liabilities</b>	<b>13,165</b>		<b>13,165</b>
<b>Net Assets</b>			
Unrestricted	5,482,852	180,708	5,663,560
<b>Total net assets</b>	<b>\$ 5,482,852</b>	<b>\$ 180,708</b>	<b>\$ 5,663,560</b>

**Condensed Statement of Activities**  
**Discretely Presented Component Unit**  
**For the Year Ended September 30, 2009**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Expenses</b>			
Economic development	\$ 283,365	\$	\$ 283,365
<b>Total expenses</b>	<b>283,365</b>		<b>283,365</b>
<b>General revenues</b>			
Sales taxes	984,198		984,198
Unrestricted investment earnings	37,276	8,264	45,540
Miscellaneous revenue	55,968		55,968
Transfers			
<b>Total general revenues</b>	<b>1,077,442</b>	<b>8,264</b>	<b>1,085,706</b>
Change in net assets	794,077	8,264	802,341
<b>Net assets - October 1 (Beginning)</b>	<b>4,688,775</b>	<b>172,444</b>	<b>4,861,219</b>
<b>Net assets - September 30 (Ending)</b>	<b>\$ 5,482,852</b>	<b>\$ 180,708</b>	<b>\$ 5,663,560</b>

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information 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.

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.

**I. Summary of Significant Accounting Policies (continued)**

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* fund is the City's capital projects fund into which the Certificates of Obligation are 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.

The *community development block grant* fund accounts for grant proceeds used to construct and rehabilitate sewer lines in low to very-low income neighborhoods.

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.

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.

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 and of the Waterworks and Sewer System Revenue enterprise fund, 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.

**I. Summary of Significant Accounting Policies (continued)**

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 because quarterly investment reports were not submitted by the City's investment officer during the fiscal 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 10 percent of outstanding property taxes at September 30, 2009.

The property tax calendar is as follows:

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

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.

**I. Summary of Significant Accounting Policies (continued)**

**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**

Governmental activities restricted assets include revenue specified for economic development, urban rehabilitation and housing, debt service, various grant programs, and capital projects.

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.

<b>Restricted for</b>	<b>Amount</b>
<b>Governmental Activities:</b>	
Hotel / Motel Occupancy Tax	\$ 832,515
Section 8	53,935
Drug Seizure	12,174
Home Grant	645
Public Improvement District	18,697
Parks	37,636
Court Technology	19,357
Court Security	43,528
Child Safety	24,282
LEOSE Training	6,273
Motco Landscaping	11,183
Clean City	2,461
Debt Service	567,625
Capital Projects	4,344,091
<b>Total Governmental Activities</b>	<b>5,974,402</b>
<b>Business-type Activities:</b>	
Utility	855,445
Water and Sewer Revenue	255,000
<b>Total Business-type Activities</b>	<b>1,110,445</b>
<b>Total</b>	<b>\$ 7,084,847</b>



**I. Summary of Significant Accounting Policies (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 \$116,474. 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:

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

**I. Summary of Significant Accounting Policies (continued)**

**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.

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 \$972,707 for governmental activities and \$158,557 for business-type activities as of September 30, 2009.

The La Marque 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.

**I. Summary of Significant Accounting Policies (continued)**

**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 special revenue fund, 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 special revenue fund, 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 special revenue fund, and the Debt Service fund. All budget amendments are brought to City Council.

**III. Stewardship, Compliance, and Accountability (continued)**

Four budget amendments in the form of Resolutions #1089, #1092, #1097 and #1098 were approved by City Council during the fiscal year ended September 30, 2009.

Expenditures did not exceed appropriations in the general fund at the functional level.

**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:

"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, 2009, there were no outstanding encumbrances in the General Fund.

**B. Deficit Net Assets**

The Water and Sewer System Revenue Enterprise Fund ended the year with a deficit unrestricted net asset balance of \$110,283. The City plans to transfer funds from the Utility Fund 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, 2009, the carrying amount of the City's deposits, (cash and interest-bearing savings accounts) was \$3,758,953 and the bank balance was \$6,077,439.

**Custodial Credit Risk**

The City's deposits are subject to custodial credit risk as \$5,759,598 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.

Cash and cash equivalents as of September 30, 2009 were as follows:

	<u>Cash on Hand</u>	<u>Equity in Pooled Cash</u>	<u>Other Deposits</u>	<u>Total</u>
<b>Primary government</b>				
<b>Governmental activities:</b>				
General fund	\$ 900	\$ 1,706,182	\$ 380	\$ 1,707,462
Nonmajor governmental funds		504,769	113,800	618,569
Nonmajor internal service funds		294,759		294,759
<b>Total governmental activities</b>	<u>900</u>	<u>2,505,710</u>	<u>114,180</u>	<u>2,620,790</u>
<b>Business-type activities:</b>				
Utility fund	2,900	1,130,746	2,469	1,136,115
<b>Total business-type activities</b>	<u>2,900</u>	<u>1,130,746</u>	<u>2,469</u>	<u>1,136,115</u>
<b>Fiduciary funds:</b>				
Private purpose trust funds			2,048	2,048
<b>Total fiduciary funds</b>			<u>2,048</u>	<u>2,048</u>
<b>Total primary government</b>	<u>\$ 3,800</u>	<u>\$ 3,636,456</u>	<u>\$ 118,697</u>	<u>\$ 3,758,953</u>
<b>Discretely presented component unit</b>				
<b>Governmental activities:</b>				
General fund	\$	\$ 2,173,837	\$	\$ 2,173,837
<b>Business-type activities:</b>				
Enterprise fund		37,547		37,547
<b>Total discretely presented component unit</b>	<u>\$</u>	<u>\$ 2,211,384</u>	<u>\$</u>	<u>\$ 2,211,384</u>

**IV. Detailed Notes on all Funds (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, 2009:

	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
<b>Primary government</b>			
<b>Governmental activities:</b>			
Money market accounts			
Wachovia	\$		
Money Market Mutual funds			
DWS Institutional Shares	\$ 111,089	1.0%	45
	<u>111,089</u>	<u>1.0%</u>	1
Local government investment pools			
Logic	1,508,926	15.0%	67
TexPool	5,229,817	53.0%	44
	<u>6,738,743</u>	<u>68.0%</u>	33
<b>Total governmental activities</b>	<u>6,849,832</u>	<u>69.0%</u>	34
<b>Business-type Activities:</b>			
Certificates of deposit	447,531	4.5%	137
	<u>447,531</u>	<u>4.5%</u>	6
Mutual funds			
DWS Institutional Shares	711,957	7.2%	45
	<u>711,957</u>	<u>7.2%</u>	3
Local government investment pools			
Logic	840,499	8.5%	67
TexPool	1,087,034	10.9%	44
	<u>1,927,533</u>	<u>19.4%</u>	10
<b>Total business-type activities</b>	<u>3,087,021</u>	<u>31.1%</u>	20
<b>Total primary government</b>	<u>\$ 9,936,853</u>	<u>100.0%</u>	54

**IV. Detailed Notes on all Funds (continued)**

	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
<b>Discretely presented component unit</b>			
<b>Governmental activities:</b>			
Certificates of deposit	\$ 270,000	10.4%	327
	<u>270,000</u>	<u>10.4%</u>	34
Money Market Mutual funds			
DWS Institutional Shares	244		46
	<u>244</u>		
Local government investment pools			
TexPool	1,978,453	76.0%	44
	<u>1,978,453</u>	<u>76.0%</u>	33
<b>Total governmental activities</b>	<u>2,248,697</u>	<u>86.3%</u>	67
<b>Business-type Activities:</b>			
Money market accounts			
Merrill Lynch	356,239	13.7%	1
	<u>356,239</u>	<u>13.7%</u>	
<b>Total business-type activities</b>	<u>356,239</u>	<u>13.7%</u>	
<b>Total discretely presented component unit</b>	<u>\$ 2,604,936</u>	<u>100.0%</u>	67

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, 2009, the City's investment in TexPool was rated AAA by Standard and Poors. The City's investment in Logic was rated AAAM by Standard and Poors. The City's investment in DWS 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	\$ 717,531	100.0%	5.7%
Local government investment pools	10,644,729	100.0%	84.9%
Money market accounts	356,239	50.0%	2.8%
Mutual funds	823,290	50.0%	6.6%
	<u>\$ 12,541,789</u>		<u>100.0%</u>



**IV. Detailed Notes on all Funds (continued)**

**Custodial Credit Risk for Investments**

Custodial credit risk for investments is 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 its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for investment custodial credit risk. Of the total \$9,936,853 invested by the City, \$447,531 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	\$ 78,228	\$ 42,074	\$ 120,302
<b>Total Investment Earnings</b>	<u>\$ 78,228</u>	<u>\$ 42,074</u>	<u>\$ 120,302</u>

**DWS Institutional Shares**

DWS Institutional Shares ("DWS") 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 DWS 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 DWS investments are based on quoted market values of underlying investments of the pool. DWS is a money market mutual fund. 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 DWS and any accrued interest may be redeemed at the City's discretion.

**IV. Detailed Notes on all Funds (continued)**

**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 AAA 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 \$0.42302 and \$0.09134, respectively, based on an assessed property valuation of approximately \$636 million resulting in an adjusted tax levy of approximately \$3.2 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, 2009 consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
<b>Delinquent taxes:</b>			
Current year levy	\$ 112,061	\$ 24,200	\$ 136,261
Prior year levy	391,326	93,309	484,635
<b>Total delinquent taxes</b>	<u>503,387</u>	<u>117,509</u>	<u>620,896</u>
Penalties and interest on taxes	<u>346,124</u>	<u>90,306</u>	<u>436,430</u>
<b>Total taxes, penalties and interest</b>	<u>849,511</u>	<u>207,815</u>	<u>1,057,326</u>
 Less allowance for uncollectible taxes	 <u>(402,840)</u>	 <u>(115,560)</u>	 <u>(518,400)</u>
 <b>Net property taxes receivable</b>	 <u><u>\$ 446,671</u></u>	 <u><u>\$ 92,255</u></u>	 <u><u>\$ 538,926</u></u>

**IV. Detailed Notes on all Funds (continued)**

**C. Customer Receivables**

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

Customer receivables at September 30, 2009 consisted of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Refuse, water and sewer receivables</b>			
Refuse	\$ 306,626	\$	\$ 306,626
Water and sewer		701,552	701,552
<b>Total refuse, water and sewer</b>	<u>306,626</u>	<u>701,552</u>	<u>1,008,178</u>
Less allowance for uncollectible accounts	<u>(124,794)</u>	<u>(208,742)</u>	<u>(333,536)</u>
Net refuse, water and sewer receivables	<u>181,832</u>	<u>492,810</u>	<u>674,642</u>
<b>Emergency transport receivables</b>			
EMS transport receivables	701,188		701,188
Less allowance for uncollectible accounts	<u>(642,223)</u>		<u>(642,223)</u>
<b>Net emergency transport receivables</b>	<u>58,965</u>		<u>58,965</u>
<b>Connect Transit receivable</b>	<u>1,743</u>		<u>1,743</u>
<b>Net customer receivables</b>	<u>\$ 242,540</u>	<u>\$ 492,810</u>	<u>\$ 735,350</u>

**IV. Detailed Notes on all Funds (continued)**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2009 was as follows:

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance September 30, 2009</u>
<b>Primary government</b>				
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 210,370	\$	\$	\$ 210,370
Construction in progress	530,027	127,609	(301,222)	356,414
<b>Total capital assets, not being depreciated</b>	<u>740,397</u>	<u>127,609</u>	<u>(301,222)</u>	<u>566,784</u>
<b>Capital assets, being depreciated:</b>				
Buildings and structures	2,522,070	168,891		2,690,961
Improvements other than buildings	21,583,915	233,294		21,817,209
Vehicles	1,178,398	76,877	(27,078)	1,228,197
Machinery and equipment	2,596,755	27,451		2,624,206
Furniture and office equipment	337,292			337,292
<b>Total Capital assets, being depreciated</b>	<u>28,218,430</u>	<u>506,513</u>	<u>(27,078)</u>	<u>28,697,865</u>
<b>Less accumulated depreciation for:</b>				
Buildings and structures	(1,414,357)	(61,772)		(1,476,129)
Improvements other than buildings	(12,425,383)	(556,195)		(12,981,578)
Vehicles	(708,186)	(91,065)	4,739	(794,512)
Machinery and equipment	(1,874,818)	(110,839)		(1,985,657)
Furniture and office equipment	(178,177)	(50,450)		(228,627)
<b>Total accumulated depreciation</b>	<u>(16,600,921)</u>	<u>(870,321)</u>	<u>4,739</u>	<u>(17,466,503)</u>
<b>Governmental capital assets</b>	<u>\$ 12,357,906</u>	<u>\$ (236,199)</u>	<u>\$ (323,561)</u>	<u>\$ 11,798,146</u>

**IV. Detailed Notes on all Funds (continued)**

	<b>Balance October 1, 2008</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance September 30, 2009</b>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 209,774	\$	\$	\$ 209,774
Construction in progress				
<b>Total capital assets, not being depreciated</b>	<u>209,774</u>			<u>209,774</u>
<b>Capital assets, being depreciated:</b>				
Buildings and structures	116,805			116,805
Improvements other than buildings	33,909,675			33,909,675
Vehicles	1,169,987			1,169,987
Machinery and equipment	626,865	58,014		684,879
Leased assets purchased under capital lease		260,000		260,000
<b>Total capital assets, being depreciated</b>	<u>35,823,332</u>	<u>318,014</u>		<u>36,141,346</u>
<b>Less accumulated depreciation for:</b>				
Buildings and structures	(88,375)	(2,979)		(91,354)
Improvements other than buildings	(18,536,315)	(1,150,287)		(19,686,602)
Vehicles	(1,020,805)	(31,282)		(1,052,087)
Machinery and equipment	(554,993)	(32,965)		(587,958)
Leased assets purchased under capital lease		(26,000)		(26,000)
<b>Total Accumulated depreciation</b>	<u>(20,200,488)</u>	<u>(1,243,513)</u>		<u>(21,444,001)</u>
<b>Business-type capital assets</b>	<u>\$ 15,832,618</u>	<u>\$ (925,499)</u>	<u>\$</u>	<u>\$ 14,907,119</u>
 <b>Discretely presented component unit</b>				
<b>Governmental activities:</b>				
Machinery and equipment	\$ 28,012	\$	\$	\$ 28,012
Less accumulated depreciation	(28,012)			(28,012)
<b>Total capital assets, net</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

	<b>Depreciation Expense</b>
<b>Governmental activities:</b>	
General government	\$ 33,480
Public safety	199,532
Public works	635,365
Sanitation	1,944
<b>Total Governmental activities</b>	<u>870,321</u>
 <b>Business-type activities:</b>	
Utility	1,082,688
Water and sewer system revenue	160,825
<b>Total Business-type activities:</b>	<u>1,243,513</u>
 <b>Total</b>	 <u>\$ 2,113,834</u>

**IV. Detailed Notes on all Funds (continued)**

**Construction Commitments**

The City has active construction projects as of September 30, 2009. The projects include 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>
Street improvements	585,172	356,414	228,758
	<u>\$ 585,172</u>	<u>\$ 356,414</u>	<u>\$ 228,758</u>

**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, 2009, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Net</u>
<b>Primary government</b>			
<b>Governmental activities:</b>			
General fund	\$ 75,421	\$	\$ 75,421
Capital Projects		(58,763)	(58,763)
Nonmajor governmental funds			
Nonmajor internal service funds			
<b>Total governmental activities</b>	<u>75,421</u>	<u>(58,763)</u>	<u>16,658</u>
<b>Business-type activities:</b>			
Utility fund	461,207	(112,582)	348,625
Water and Sewer Revenue fund		(365,283)	(365,283)
Community Development Block Grant			
<b>Total business-type activities</b>	<u>461,207</u>	<u>(477,865)</u>	<u>(16,658)</u>
<b>Total primary government</b>	<u>\$ 536,628</u>	<u>\$ (536,628)</u>	<u>\$</u>
<b>Discretely presented component unit</b>			
<b>Governmental activities:</b>			
General fund	\$ 933,904	\$	\$ 933,904
<b>Business-type activities:</b>			
Enterprise fund		(933,904)	(933,904)
<b>Total discretely presented component unit</b>	<u>\$ 933,904</u>	<u>\$ (933,904)</u>	<u>\$</u>

**IV. Detailed Notes on all Funds (continued)**

The principal purpose of interfund transfers is to fund the equipment replacement and equipment maintenance insurance funds and to cover the cost of equipment purchased in the general fund.

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
<b>Primary government</b>			
<b>Governmental activities:</b>			
General fund	\$ 260,049	\$ (44,177)	\$ 215,872
Nonmajor governmental funds	4,675	(20,000)	(15,325)
Nonmajor internal service funds	63,082	(196,064)	(132,982)
<b>Total governmental activities</b>	<u>327,806</u>	<u>(260,241)</u>	<u>67,565</u>
<b>Business-type activities:</b>			
Utility fund	217,615	(285,180)	(67,565)
<b>Total business-type activities</b>	<u>217,615</u>	<u>(285,180)</u>	<u>(67,565)</u>
<b>Total primary government</b>	<u>\$ 545,421</u>	<u>\$ (545,421)</u>	<u>\$</u>

**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, 2009.

The imputed interest on the leases is not readily determinable.

Rental expenditures during the year ended September 30, 2009 were \$ 67,002.



**IV. Detailed Notes on all Funds (continued)**

**G. Long-term Debt**

**1. Changes in Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2009, was as follows:

	<b>Balance October 1, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance September 30, 2009</b>	<b>Due Within One Year</b>
<b>Primary government</b>					
<b>Governmental activities:</b>					
Certificates of obligation	\$ 6,910,000	\$	\$ (200,000)	\$ 6,710,000	\$ 210,000
Compensated absences	1,046,298	539,097	(612,688)	972,707	377,448
Net OPEB obligation		266,195		266,195	
Supplemental annuities	105,417		(26,063)	79,354	15,422
<b>Total governmental activities</b>	<u>8,061,715</u>	<u>805,292</u>	<u>(838,751)</u>	<u>8,028,256</u>	<u>602,870</u>
<b>Business-type activities</b>					
<b>Bonds and contracts payable:</b>					
Revenue bonds	6,055,000		(535,000)	5,520,000	555,000
Long-term contracts	2,780,000		(145,000)	2,635,000	150,000
<b>Total bonds and contracts payable</b>	<u>8,835,000</u>		<u>(680,000)</u>	<u>8,155,000</u>	<u>705,000</u>
Compensated absences	131,648	84,623	(57,714)	158,557	49,923
<b>Total business-type activities</b>	<u>8,966,648</u>	<u>84,623</u>	<u>(737,714)</u>	<u>8,313,557</u>	<u>754,923</u>
<b>Total primary government</b>	<u>\$ 17,028,363</u>	<u>\$ 889,915</u>	<u>\$ (1,576,465)</u>	<u>\$ 16,341,813</u>	<u>\$ 1,357,793</u>

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

**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 \$8,165,000. During the year, no 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, 22-year and 15-year certificates with various amounts of principal maturing each year.

**IV. Detailed Notes on all Funds (continued)**

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

Certificates of obligation

<u>Issue</u>	<u>Original Issuance Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Certificates of obligation - Series 2005	3,490,000	4.00% to 5.00%	2029	3,115,000
Certificates of obligation - Series 2007	3,750,000	4.50% to 4.75%	2029	<u>3,595,000</u>
Total certificates of obligation payable				6,710,000
Less current portion				<u>(210,000)</u>
<b>Long-term portion</b>				<b><u>\$ 6,500,000</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>
2010	210,000	283,569	\$ 493,569
2011	220,000	273,356	493,356
2012	230,000	262,656	492,656
2013	240,000	251,469	491,469
2014	250,000	240,944	490,944
2015	265,000	230,269	495,269
2016	280,000	218,944	498,944
2017	290,000	206,994	496,994
2018	305,000	195,713	500,713
2019	315,000	183,856	498,856
2020	330,000	171,251	501,251
2021	345,000	158,037	503,037
2022	365,000	143,837	508,837
2023	380,000	128,813	508,813
2024	400,000	113,000	513,000
2025	415,000	96,353	511,353
2026	435,000	79,070	514,070
2027	455,000	60,850	515,850
2028	480,000	41,790	521,790
2029	500,000	21,323	521,323
	<u>6,710,000</u>	<u>\$ 3,362,094</u>	<u>\$ 10,072,094</u>
	<u>(210,000)</u>	Less Current Portion	
	<b><u>\$ 6,500,000</u></b>	<b>Long-term portion</b>	

**IV. Detailed Notes on all Funds (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:

Revenue bonds and contracts payable

<u>Issue</u>	<u>Original Issuance Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
<b>Revenue bonds:</b>				
Revenue bonds - Series 1996	\$ 4,440,000	3.00% to 4.55%	2016	\$ 2,410,000
Revenue bonds - Series 1998	\$ 4,600,000	2.50% to 3.65%	2018	<u>3,110,000</u>
	Total revenue bonds payable			5,520,000
	Less current portion			<u>(555,000)</u>
	<b>Long-term portion</b>			<b><u>\$ 4,965,000</u></b>
<b>Long-term contracts:</b>				
Water system contract refunding bonds - Series 1998-D	\$ 3,040,000	4.15% to 5.00%	2018	<u>\$ 2,635,000</u>
	Total long-term contracts payable			2,635,000
	Less current portion			<u>(150,000)</u>
	<b>Long-term portion</b>			<b><u>\$ 2,485,000</u></b>

**IV. Detailed Notes on all Funds (continued)**

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>
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>8,155,000</u>	<u>\$ 2,112,088</u>	<u>\$ 10,267,088</u>
	(705,000)	Less Current Portion	
	<u>\$ 7,450,000</u>	<b>Long-term portion</b>	

**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 as of September 30, 2009 and will be paid as part of water purchases expense in the Utility fund.

**IV. Detailed Notes on all Funds (continued)**

**5. Restricted Net Assets for Revenue Bond Debt Service**

Water Contract Refunding Bonds, Series 1998-D	\$ 277,038
<b>Total revenue bond debt service reserve</b>	<u>\$ 277,038</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 \$277,038, has been recorded as of September 30, 2009.

**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.

**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, 2009.

**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.

**IV. Detailed Notes on all Funds (continued)**

**J. Budgeted Special Revenue Funds**

The City legally adopts annual budgets for only one of the City's thirteen Special Revenue Funds - Hotel/Motel Room Occupancy Tax Fund. The Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual on page 92 present only this one fund.

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Budgeted special revenue funds</b>			
Total revenues	\$ 105,000	\$ 179,915	\$ 74,915
Total expenditures	75,000	62,681	12,319
Excess revenues over (under) expenditures	<u>30,000</u>	<u>117,234</u>	<u>87,234</u>
<b>Other Financing Sources (Uses)</b>			
Transfer in			
Transfer (out)		(20,000)	(20,000)
<b>Total other financing sources (uses)</b>		<u>(20,000)</u>	<u>(20,000)</u>
<b>Fund balance - October 1 (Beginning)</b>	<u>723,160</u>	<u>723,160</u>	
<b>Fund balance - September 30 (Ending)</b>	<u>753,160</u>	<u>820,394</u>	<u>67,234</u>
<b>Unbudgeted special revenue funds</b>			
Total revenues		640,058	640,058
Total expenditures		679,442	(679,442)
Excess revenues over (under) expenditures		<u>(39,384)</u>	<u>(39,384)</u>
<b>Other Financing Sources (Uses)</b>			
Transfer in		4,675	4,675
Transfer (out)			
<b>Total other financing sources (uses)</b>		<u>4,675</u>	<u>4,675</u>
<b>Fund balance - October 1 (Beginning)</b>	<u>161,195</u>	<u>226,508</u>	<u>65,313</u>
<b>Fund balance - September 30 (Ending)</b>	<u>161,195</u>	<u>191,799</u>	<u>30,604</u>
<b>All special revenue funds</b>			
Total revenues	105,000	819,973	714,973
Total expenditures	75,000	742,123	(667,123)
Excess revenues over (under) expenditures	<u>30,000</u>	<u>77,850</u>	<u>47,850</u>
<b>Other Financing Sources (Uses)</b>			
Transfer in		4,675	4,675
Transfer (out)		(20,000)	(20,000)
<b>Total other financing sources (uses)</b>		<u>(15,325)</u>	<u>(15,325)</u>
<b>Fund balance - October 1 (Beginning)</b>	<u>884,355</u>	<u>949,668</u>	<u>65,313</u>
<b>Fund balance - September 30 (Ending)</b>	<u>\$ 914,355</u>	<u>\$ 1,012,193</u>	<u>\$ 97,838</u>

**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, 2009 follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Community Development Block Grant</u>	<u>Total</u>
Net property taxes receivable	\$ 197,525	\$ 28,226	\$	\$ 225,751
Other unearned revenue	1,398			1,398
<b>Total</b>	<u>\$ 198,923</u>	<u>\$ 28,226</u>	<u>\$</u>	<u>\$ 227,149</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	\$ 197,525	\$ 1,398	\$ 198,923
Nonmajor governmental funds	28,226		28,226
<b>Total</b>	<u>\$ 225,751</u>	<u>\$ 1,398</u>	<u>\$ 227,149</u>

**IV. Detailed Notes on all Funds (continued)**

**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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>		
		<b>Utility</b>	<b>Water and Sewer Revenue</b>	<b>Total</b>
<b>Deferred charges:</b>				
Bond issue costs	\$ 117,797	\$ 256,053	\$ 136,374	\$ 392,427
Accumulated amortization	(16,258)	(153,091)	(76,427)	(229,518)
Bond issue costs, net of accumulated amortization	101,539	102,962	59,947	162,909
Premium received on bond issue		55,908		55,908
Accumulated amortization		(25,819)		(25,819)
Premium received on bond issue, net of accumulated amortization		30,089		30,089
<b>Deferred charges, net of accumulated amortization</b>	<u>\$ 101,539</u>	<u>\$ 133,051</u>	<u>\$ 59,947</u>	<u>\$ 192,998</u>
<b>Current year amortization:</b>				
Bond issue costs	\$ 4,923	\$ 9,162	\$ 6,819	\$ 15,981
<b>Total current year amortization</b>	<u>\$ 4,923</u>	<u>\$ 13,821</u>	<u>\$ 6,819</u>	<u>\$ 20,640</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. Hurricane Ike made landfall in Galveston, Texas on September 13, 2008, causing hurricane force winds, storm surge and severe flooding throughout Galveston County. As a result, the City incurred emergency expenditures related to storm preparation, damage and the subsequent clean up of debris caused by the hurricane. It is Management's opinion that insurance proceeds and federal grant revenues will be sufficient to cover the majority of the costs related to the damage caused by the hurricane.

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.

	<u>Designated for Self Insurance</u>			
	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>September 30, 2009</u>	<u>September 30, 2008</u>
<b>Balance, October 1, 2008</b>	\$ 40,000	\$ 7,500	\$ 47,500	\$ 47,500
Additions				
Reductions				
<b>Balance, September 30, 2009</b>	<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, 2009, employees of the City of La Marque, Texas were covered by a health insurance plan. The City paid \$834,132 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.

**V. Other Information (continued)**

**D. 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, 2009.

**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, 2009, 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.

**E. Other Post Employment Benefits**

**Plan Description**

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, 2009 seventeen participants were eligible to receive benefits. The City paid \$111,999 in premiums to insure former employees.

**Funding Policy and Annual OPEB Cost**

The City's annual other post employment benefits (OPEB) cost is calculated on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008, as required by GASB. The components of the City's annual OPEB cost for the fiscal year ending September 30, 2009, are as follows:

**V. Other Information (continued)**

<b>Other Post Employment Benefits (OPEB) Obligation</b>	
Annual required contribution	\$ 580,338
Add: Interest on Net OPEB Obligation	
Less: Adjustments to the ARC	
Annual OPEB Cost	\$ 580,338
Less: Estimated Contributions	
Annual OPEB cost (expense) - 9/30/2009	580,338
Net estimated employer contributions	(314,143)
Net OPEB obligation (asset) 9/30/2009	\$ 266,195

**Funding Status and Funding Progress**

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of March 31, 2008 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (%) (a/b)
3/31/2008	\$	\$ 6,291,130	\$ 6,291,130	0.0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial liability exceeding actuarial assets by \$6,291,130 at March 31, 2008.

**Actuarial Methods and Assumptions**

The Projected Unit Credit, Level Percent of Payroll actuarial cost method has been used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systemic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. If experience is in accordance with the assumptions used, the ARC will increase at approximately the same rate as active member payroll, and the ARC as a percentage of payroll will remain basically level on a year to year ratio. This is both an acceptable and reasonable cost method. The use of another actuarial cost method would produce different results. Significant methods and assumptions were as follows:

<b>Actuarial Methods and Assumptions</b>	
Actuarial valuation date	3/31/2008
Actuarial cost method	Projected unit credit cost method
Amortization method	Level percentage of payroll
Amortization period	30 years
Investment rate of return	4.5%
Projected salary increase	3.0% per annum

**V. Other Information (continued)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**F. 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 833 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 2/01/09\*):

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**

The City of La Marque is one of 833 municipalities having the benefit plan administered by TMRS. Each of the 833 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/08 valuations are contained in the 2008 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

**V. Other Information (continued)**

**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 30-year amortization period. The projected 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, 2008 valuation is effective for rates beginning January 2010).

(\* To ensure the most accurate future rates are determined for the City, TMRS provided plan provisions as of 2/01/09 to the actuary in calculating the 12/31/08 valuation).

**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial valuation date	12/31/08	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00	12/31/99
Actuarial value of plan assets	\$ 8,165,839	\$ 7,524,647	\$ 7,142,772	\$ 8,057,692	\$ 8,485,418	\$ 8,132,647	\$ 7,460,033	\$ 6,598,262	\$ 5,993,116	\$ 5,503,361
Actuarial accrued liability	\$ 12,001,000	\$ 10,719,234	\$ 8,717,257	\$ 9,352,571	\$ 9,892,519	\$ 9,332,163	\$ 8,667,939	\$ 7,662,137	\$ 7,143,243	\$ 6,552,868
Percentage funded	68.04%	70.20%	81.94%	86.15%	85.78%	87.15%	86.06%	86.12%	83.90%	83.98%
Unfunded (over-funded) actuarial accrued liability (AAL)	\$ 3,835,161	\$ 3,194,587	\$ 1,574,485	\$ 1,294,879	\$ 1,407,101	\$ 1,199,516	\$ 1,207,906	\$ 1,063,875	\$ 1,150,127	\$ 1,049,507
Annual covered payroll	\$ 5,413,034	\$ 4,591,438	\$ 4,106,101	\$ 4,162,216	\$ 3,752,132	\$ 3,291,494	\$ 3,319,943	\$ 2,719,416	\$ 2,867,148	\$ 2,632,846
UAAL as a percentage of covered payroll	70.85%	69.58%	38.35%	31.11%	37.50%	36.44%	36.38%	39.12%	40.11%	39.86%
Net pension obligation (NPO) at the beginning of the period	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Annual pension costs:										
Annual required contribution (ARC)	\$ 421,800	\$ 424,399	\$ 369,246	\$ 362,411	\$ 356,150	\$ 303,530	\$ 311,582	\$ 244,482	239,599	\$ 261,248
Interest on NPO										
Adjustment to ARC										
<b>Total annual pension costs</b>	<u>421,800</u>	<u>424,399</u>	<u>369,246</u>	<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>
Annual reductions in NPO										
Contributions made	421,800	424,399	369,246	362,411	356,150	303,530	311,582	244,482	239,599	261,248
Increase in NPO										
<b>Total annual reductions in NPO</b>	<u>421,800</u>	<u>424,399</u>	<u>369,246</u>	<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>
<b>NPO at the end of the period</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**V. Other Information (continued)**

	<b>General System-wide Actuarial Assumptions</b>	
	<b>12/31/2008</b>	<b>12/31/2007</b>
Actuarial cost method -	Projected unit credit	Projected unit credit
Amortization method -	Level percent of payroll	Level percent of payroll
Remaining amortization period -	29 years - Closed period	30 years - Closed period
Asset valuation method	Amortized cost (to accurately refeect the requirements of GASB statement No. 25, paragraphs 36e and 38	Amortized cost (to accurately refeect the requirements of GASB statement No. 25, paragraphs 36e and 38
Investment rate of return -	7.5%	7%
Projected salary increases -	None	None
Includes inflation at -	3.0%	3.0%
Cost-of-living adjustments -	2.1%	2.1%

**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, 2009 were \$26,063. 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.

**Required Supplementary Information**



*Set your sites on La Marque.*

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**CITY OF LA MARQUE, TEXAS**  
**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>
12/31/1999	\$ 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%
12/31/2006	7,142,772	8,717,257	81.9%	1,574,485	4,106,101	38.3%	369,246	9.0%
12/31/2007	7,524,647	10,719,234	70.2%	3,194,587	4,591,438	69.6%	424,399	9.2%
12/31/2008	8,165,839	12,001,000	68.0%	3,835,161	5,413,034	70.9%	421,800	7.8%

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.

**CITY OF LA MARQUE, TEXAS**  
**OTHER POST EMPLOYMENT BENEFITS PLAN**  
**SCHEDULE OF FUNDING PROGRESS**

*Exhibit F-2*

<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL)</b>	<b>(1)/(2) Funded Ratio</b>	<b>(1)-(2) Unfunded AAL (UAAL)</b>	<b>(3) Covered Payroll</b>	<b>(2)-(1)/(3) UAAL as a Percentage of Covered Payroll</b>
3/31/2008	\$	\$ 6,291,130	0.0%	\$ 6,291,130	4,591,438	137.0%

## **Other Supplementary Information**

## 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.

**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 City.

**Parks Fund** - This fund accounts for the collection of donated park improvement funds restricted to park improvement activities.

**Court Technology Fund** - This fund accounts for the receipt of revenues from court fines and is restricted to expenditures for court technology.

**Court Security Fund** - This fund accounts for the receipt and expenditures of revenues from court fines for court security.

**Child Safety Fund** - This fund accounts for the receipt and expenditures of revenues derived from school zone violations and is restricted to funding for child safety initiatives.

**LEOSE Training Fund** - This fund accounts for revenues from the Law Enforcement Officer Standards and Education and is restricted to expenditures related to the continuing education and training of persons licensed as commissioned peace officers.

**Motco Landscape Fund** - This fund accounts for revenues and expenditures related to beautification of a former industrial site.

**Clean City Fund** - This fund accounts for the revenues and expenditures related to enforcement of existing city ordinances.

### **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.

**CITY OF LA MARQUE, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
*September 30, 2009*

	<b>Hotel/Motel Occupancy Tax</b>	<b>Section 8 Fund</b>	<b>Drug Seizure</b>	<b>Home Grant</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 211,423	\$ 53,935	\$ 12,174	\$ 645
Investments	606,131			
Property taxes receivable, net				
Other taxes receivable, net	14,961			
Due from other funds				
Due from other governments				
Other receivables				
<b>Total assets</b>	<u>\$ 832,515</u>	<u>\$ 53,935</u>	<u>\$ 12,174</u>	<u>\$ 645</u>
<b>Liabilities</b>				
Accounts payable	\$ 12,121	\$ 25,725	\$ 384	\$
Accrued expenditures			1,845	
Accrued interest payable				
Due to other funds				
Due to other governments				
Deferred revenue				
<b>Total liabilities</b>	<u>12,121</u>	<u>25,725</u>	<u>2,229</u>	
<b>Fund Balance</b>				
<b>Reserved for:</b>				
Debt service				
Encumbrances				
Inventory				
Capital projects				
Prepaid expenditures				
Parks				
Judicial security and technology				
Special revenue funds		28,210		645
Other				
<b>Unreserved:</b>				
<b>Designated for:</b>				
<b>Future expenditures:</b>				
Reported in the general fund				
Reported in special revenue funds	820,394		9,945	
<b>Total fund balance</b>	<u>820,394</u>	<u>28,210</u>	<u>9,945</u>	<u>645</u>
<b>Total liabilities and fund balances</b>	<u>\$ 832,515</u>	<u>\$ 53,935</u>	<u>\$ 12,174</u>	<u>\$ 645</u>

*Exhibit G-1*  
*Page 1 of 2*

<b>Public Improvement District</b>	<b>Parks Fund</b>	<b>Court Technology Fund</b>
\$ 18,697	\$ 37,636	\$ 19,357
\$ 18,697	\$ 37,636	\$ 19,357
\$ 365	\$ 6,533	\$ 80
365	6,533	80
18,332	31,103	19,277
18,332	31,103	19,277
\$ 18,697	\$ 37,636	\$ 19,357

**CITY OF LA MARQUE, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
*September 30, 2009*

	<b>Court Security Fund</b>	<b>Child Safety Fund</b>	<b>LEOSE Training Fund</b>	<b>Motco Landscaping Fund</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 43,528	\$ 24,282	\$ 6,273	\$ 11,183
Investments				
Property taxes receivable, net				
Other taxes receivable, net				
Due from other funds				
Due from other governments				
Other receivables				
<b>Total assets</b>	<u>\$ 43,528</u>	<u>\$ 24,282</u>	<u>\$ 6,273</u>	<u>\$ 11,183</u>
<b>Liabilities</b>				
Accounts payable	\$ 134	\$ 3,129	\$ 60	\$
Accrued expenditures				
Accrued interest payable				
Due to other funds				
Due to other governments				
Deferred revenue				
<b>Total liabilities</b>	<u>134</u>	<u>3,129</u>	<u>60</u>	<u>\$</u>
<b>Fund Balance</b>				
<b>Reserved for:</b>				
Debt service				
Special revenue funds	43,394	21,153	6,213	11,183
<b>Unreserved:</b>				
<b>Designated for:</b>				
<b>Future expenditures:</b>				
Reported in special revenue funds				
<b>Total fund balance</b>	<u>43,394</u>	<u>21,153</u>	<u>6,213</u>	<u>11,183</u>
<b>Total liabilities and fund balances</b>	<u>\$ 43,528</u>	<u>\$ 24,282</u>	<u>\$ 6,273</u>	<u>\$ 11,183</u>



<b>Clean City Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 2,461	\$ 441,594 606,131 14,961	\$ 176,975 298,395 92,255	\$ 618,569 904,526 92,255 14,961
<u>\$ 2,461</u>	<u>\$ 1,062,686</u>	<u>\$ 567,625</u>	<u>\$ 1,630,311</u>
\$ 117	\$ 48,648 1,845	\$ 2,850	\$ 48,648 4,695
<u>117</u>	<u>50,493</u>	<u>28,229</u> <u>31,079</u>	<u>28,229</u> <u>81,572</u>
2,344	181,854	536,546	536,546 181,854
<u>2,344</u>	<u>830,339</u> <u>1,012,193</u>	<u>536,546</u>	<u>830,339</u> <u>1,548,739</u>
<u>\$ 2,461</u>	<u>\$ 1,062,686</u>	<u>\$ 567,625</u>	<u>\$ 1,630,311</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, 2009*

	<b>Hotel/Motel Occupancy Tax</b>	<b>Section 8 Fund</b>	<b>Drug Seizure</b>	<b>Home Grant</b>
<b>Revenues</b>				
<b>Taxes:</b>				
Property	\$	\$	\$	\$
Other	172,198			
Intergovernmental revenue		299,266		
Investment earnings	7,717		96	406
Other revenue		103,739	2,642	
<b>Total revenues</b>	<u>179,915</u>	<u>403,005</u>	<u>2,738</u>	<u>406</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government:	62,681	43,908		
Public safety			115	
Public works				
Sanitation				
Urban rehabilitation and housing		395,837		
<b>Debt service:</b>				
Principal on long-term debt				
Interest and fiscal charges				
<b>Capital outlay:</b>				
General government				
Public safety				
Public works				
Sanitation				
<b>Total expenditures</b>	<u>62,681</u>	<u>439,745</u>	<u>115</u>	<u></u>
Excess (Deficiency) of revenues over (under) expenditures	<u>117,234</u>	<u>(36,740)</u>	<u>2,623</u>	<u>406</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in				
Transfers (out)	<u>(20,000)</u>			
<b>Total other financing sources (uses)</b>	<u>(20,000)</u>			
Net change in fund balances	97,234	(36,740)	2,623	406
<b>Fund balances - October 1 (Beginning)</b>	<u>723,160</u>	<u>64,950</u>	<u>7,322</u>	<u>239</u>
<b>Fund balances - September 30 (Ending)</b>	<u>\$ 820,394</u>	<u>\$ 28,210</u>	<u>\$ 9,945</u>	<u>\$ 645</u>

*Exhibit G-2*  
*Page 1 of 2*

<b>Public Improvement District</b>	<b>Parks Fund</b>	<b>Court Technology Fund</b>
\$ 168,191	\$	\$
2,632	583	337
170,823	20,538	18,105
164,160	21,121	18,442
		29,045
164,160	38,072	
164,160	38,072	29,045
6,663	(16,951)	(10,603)
6,663	(16,951)	(10,603)
11,669	48,054	29,880
\$ 18,332	\$ 31,103	\$ 19,277

**CITY OF LA MARQUE, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2009*

	<b>Court Security Fund</b>	<b>Child Safety Fund</b>	<b>LEOSE Training Fund</b>	<b>Motco Landscaping Fund</b>
<b>Revenues</b>				
<b>Taxes:</b>				
Property	\$	\$	\$	\$
Other				
Intergovernmental revenue				
Investment earnings	413	210	42	119
Other revenue	15,421	3,191	4,079	
<b>Total revenues</b>	<u>15,834</u>	<u>3,401</u>	<u>4,121</u>	<u>119</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government:	3,519			
Public safety		170	2,237	
Public works				
Sanitation				
Urban rehabilitation and housing				
<b>Debt service:</b>				
Principal on long-term debt				
Interest and fiscal charges				
<b>Capital outlay:</b>				
General government				
Public safety				
Public works				
Sanitation				
<b>Total expenditures</b>	<u>3,519</u>	<u>170</u>	<u>2,237</u>	<u></u>
Excess (Deficiency) of revenues over (under) expenditures	<u>12,315</u>	<u>3,231</u>	<u>1,884</u>	<u>119</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in				
Transfers (out)				
<b>Total other financing sources (uses)</b>	<u></u>	<u></u>	<u></u>	<u></u>
Net change in fund balances	12,315	3,231	1,884	119
<b>Fund balances - October 1 (Beginning)</b>	<u>31,079</u>	<u>17,922</u>	<u>4,329</u>	<u>11,064</u>
<b>Fund balances - September 30 (Ending)</b>	<u>\$ 43,394</u>	<u>\$ 21,153</u>	<u>\$ 6,213</u>	<u>\$ 11,183</u>

Clean City Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$	\$ 168,191	\$ 613,614	\$ 781,805
	172,198		172,198
	299,266		299,266
48	12,603	4,350	16,953
	167,715		167,715
<u>48</u>	<u>819,973</u>	<u>617,964</u>	<u>1,437,937</u>
	139,153		139,153
	2,522		2,522
	202,232		202,232
	395,837		395,837
		226,063	226,063
		294,306	294,306
2,379	2,379		2,379
<u>2,379</u>	<u>742,123</u>	<u>520,369</u>	<u>1,262,492</u>
<u>(2,331)</u>	<u>77,850</u>	<u>97,595</u>	<u>175,445</u>
4,675	4,675		4,675
	(20,000)		(20,000)
<u>4,675</u>	<u>(15,325)</u>		<u>(15,325)</u>
2,344	62,525	97,595	160,120
	949,668	438,951	1,388,619
<u>\$ 2,344</u>	<u>\$ 1,012,193</u>	<u>\$ 536,546</u>	<u>\$ 1,548,739</u>

**CITY OF LA MARQUE, TEXAS**  
**HOTEL / MOTEL OCCUPANCY TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

*Exhibit G-3*

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
<b>Taxes:</b>				
Other	\$ 80,000	\$ 80,000	\$ 172,198	\$ 92,198
Investment earnings	25,000	25,000	7,717	(17,283)
<b>Total revenues</b>	<u>105,000</u>	<u>105,000</u>	<u>179,915</u>	<u>74,915</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	75,000	75,000	62,681	12,319
<b>Total expenditures</b>	<u>75,000</u>	<u>75,000</u>	<u>62,681</u>	<u>12,319</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>30,000</u>	<u>30,000</u>	<u>117,234</u>	<u>87,234</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in				
Transfers (out)			(20,000)	(20,000)
<b>Total other financing sources (uses)</b>			<u>(20,000)</u>	<u>(20,000)</u>
Net change in fund balances	30,000	30,000	97,234	67,234
<b>Fund balances - Beginning</b>	<u>723,160</u>	<u>723,160</u>	<u>723,160</u>	
<b>Fund balances - Ending</b>	<u>\$ 753,160</u>	<u>\$ 753,160</u>	<u>\$ 820,394</u>	<u>\$ 67,234</u>

**CITY OF LA MARQUE, TEXAS**

*Exhibit G-4*

**DEBT SERVICE**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

*For the Year Ended September 30, 2009*

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
<b>Taxes:</b>				
Property	\$ 584,519	\$ 584,519	\$ 613,614	\$ 29,095
Investment earnings	15,250	15,250	4,350	(10,900)
<b>Total revenues</b>	<u>599,769</u>	<u>599,769</u>	<u>617,964</u>	<u>18,195</u>
<b>Expenditures</b>				
<b>Debt service:</b>				
Principal on long-term debt	233,000	233,000	226,063	6,937
Interest and fiscal charges	346,026	346,026	294,306	51,720
<b>Total expenditures</b>	<u>579,026</u>	<u>579,026</u>	<u>520,369</u>	<u>58,657</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>20,743</u>	<u>20,743</u>	<u>97,595</u>	<u>76,852</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in				
Transfers (out)				
<b>Total other financing sources (uses)</b>				
Net change in fund balances	20,743	20,743	97,595	76,852
<b>Fund balances - Beginning</b>	<u>438,951</u>	<u>438,951</u>	<u>438,951</u>	
<b>Fund balances - Ending</b>	<u>\$ 459,694</u>	<u>\$ 459,694</u>	<u>\$ 536,546</u>	<u>\$ 76,852</u>



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### **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**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**September 30, 2009**

*Exhibit H-1*

	<u>Equipment Replacement</u>	<u>Equipment Maintenance Insurance</u>	<u>Total</u>
<b>Assets</b>			
<b>Current assets:</b>			
<b>Unrestricted:</b>			
Cash and cash equivalents	\$ 277,610	\$ 17,149	\$ 294,759
Investments	960,751		960,751
Due from other funds			
<b>Total current assets</b>	<u>1,238,361</u>	<u>17,149</u>	<u>1,255,510</u>
<b>Total assets</b>	<u>\$ 1,238,361</u>	<u>\$ 17,149</u>	<u>\$ 1,255,510</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	\$	\$	\$
Due to other funds			
<b>Total current liabilities</b>	<u></u>	<u></u>	<u></u>
<b>Total liabilities</b>	<u></u>	<u></u>	<u></u>
<b>Net Assets</b>			
Unrestricted	<u>1,238,361</u>	<u>17,149</u>	<u>1,255,510</u>
<b>Total net assets</b>	<u>\$ 1,238,361</u>	<u>\$ 17,149</u>	<u>\$ 1,255,510</u>

**CITY OF LA MARQUE, TEXAS**

*Exhibit H-2*

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

**INTERNAL SERVICE FUNDS**

*For The Year Ended September 30, 2009*

	<b>Equipment Replacement</b>	<b>Equipment Maintenance Insurance</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$	\$	\$
<b>Total operating revenues</b>			
<b>Operating expenses</b>			
Miscellaneous services		10,352	10,352
<b>Total operating expenses</b>		10,352	10,352
Operating income		(10,352)	(10,352)
<b>Non-operating revenues (expenses)</b>			
Miscellaneous revenue	8,250		8,250
Investment earnings	12,573	169	12,742
Internal shop credits			
Interest expense and fiscal charges			
Amortization of deferred expenses			
Contingencies			
<b>Total non-operating revenues (expenses)</b>	20,823	169	20,992
Income before contributions and transfers	20,823	(10,183)	10,640
<b>Contributions and transfers</b>			
Transfer in	47,392	15,690	63,082
Transfers (out)	(196,064)		(196,064)
<b>Total contributions and transfers</b>	(148,672)	15,690	(132,982)
Change in net assets	(127,849)	5,507	(122,342)
<b>Total net assets - Beginning</b>	1,366,210	11,642	1,377,852
<b>Total net assets - Ending</b>	\$ 1,238,361	\$ 17,149	\$ 1,255,510

**CITY OF LA MARQUE, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
*For the Year Ended September 30, 2009*

*Exhibit H-3*

	<b>Equipment Replacement</b>	<b>Equipment Maintenance Insurance</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Receipts from interfund services provided	\$ 8,250	\$	\$ 8,250
Cash paid to suppliers for goods and services		(10,352)	(10,352)
<b>Net cash provided by operating activities</b>	<u>8,250</u>	<u>(10,352)</u>	<u>(2,102)</u>
<b>Cash flows from non-capital financing activities:</b>			
Transfers in	47,392	15,690	63,082
Transfers (out)	(196,064)		(196,064)
Interfund cash receipts	219,341		219,341
<b>Net cash used for non-capital financing activities</b>	<u>70,669</u>	<u>15,690</u>	<u>86,359</u>
<b>Cash flows from investing activities:</b>			
Purchase of investments			
Proceeds - sale and maturity of investments	186,118		186,118
Interest received from investments	12,573	169	12,742
<b>Net cash from investing activities</b>	<u>198,691</u>	<u>169</u>	<u>198,860</u>
Net increase (decrease) in cash and cash equivalents	277,610	5,507	283,117
<b>Cash and cash equivalents, beginning of year</b>		<u>11,642</u>	<u>11,642</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 277,610</u>	<u>\$ 17,149</u>	<u>\$ 294,759</u>
<b>Reconciliation of net operating income to net cash provided by operating activities:</b>			
Net operating income (loss)	\$	\$ (10,352)	\$ (10,352)
<b>Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:</b>			
Non-operating income (expense)	8,250		8,250
<b>Change in assets and liabilities:</b>			
Increase (decrease) in accounts payable			
<b>Total adjustments</b>	<u>8,250</u>		<u>8,250</u>
Net cash provided by operating activities	<u>\$ 8,250</u>	<u>\$ (10,352)</u>	<u>\$ (2,102)</u>

## **Supplemental Schedules**

**CITY OF LA MARQUE, TEXAS**  
**COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS**  
*September 30, 2009*

Description	Account Number	Interest Rate	Maturity Date	Book Value	Fair Value
<b>General fund</b>					
Texpool	12640-00001	0.2282	N/A	\$ 589,308	\$ 589,308
Logic	746012995-01	0.3379	N/A	51,156	51,156
<b>Total general fund</b>				<u>640,464</u>	<u>640,464</u>
<b>Special revenue fund</b>					
<i>Hotel / Motel Occupance Tax fund</i>					
Texpool	12640-00001	0.2282	N/A	29,443	29,443
Logic	746012995-01	0.3379	N/A	576,688	576,688
<b>Total Hotel / Motel Occupancy Tax fund</b>				<u>606,131</u>	<u>606,131</u>
<b>Total special revenue fund</b>				<u>606,131</u>	<u>606,131</u>
<b>Debt service fund</b>					
Texpool	12640-00001	0.2282	N/A	182,445	182,445
Logic	746012995-01	0.3379	N/A	115,950	115,950
<b>Total debt service fund</b>				<u>298,395</u>	<u>298,395</u>
<b>Capital projects</b>					
Texpool	12640-00002	0.2282	N/A	900,500	900,500
Texpool	12640-00003	0.2282		3,443,591	3,443,591
<b>Total capital projects</b>				<u>4,344,091</u>	<u>4,344,091</u>
<b>Enterprise funds</b>					
<i>Utility fund</i>					
<b>Restricted investments:</b>					
Revenue bond debt service					
Certificate of deposit	74-0068338	0.3900	2010	9,800	9,800
Certificate of deposit	74-0068338	0.3800	2010	24,900	24,900
Certificate of deposit	74-0068346	0.1350	2010	23,000	23,000
Certificate of deposit	74-0068353	0.3850	2010	295,580	295,580
Texpool	12640-00001	2.41	N/A	94,251	94,251
				<u>447,531</u>	<u>447,531</u>
Plant and lines reserve					
Logic	746012995-01	0.3379	N/A	3,448	3,448
				<u>3,448</u>	<u>3,448</u>
Meter replacement reserve					
DWS	654-0001279	0.2000	N/A	1,754	1,754
Texpool	12640-00001	0.2282	N/A	1,920	1,920
				<u>3,674</u>	<u>3,674</u>
<b>Total restricted investments</b>				<u>454,653</u>	<u>454,653</u>
<b>Unrestricted investments:</b>					
Texpool	12640-00001	2.41	N/A	1,085,114	1,085,114
Logic	746012995-01	3.16	N/A	837,051	837,051
DWS	6540001312	2.00	N/A	455,203	455,203
<b>Total unrestricted investments</b>				<u>2,377,368</u>	<u>2,377,368</u>
<b>Total utility fund</b>				<u>2,832,021</u>	<u>2,832,021</u>

Description	Account Number	Interest Rate	Maturity Date	Book Value	Fair Value
<b>Enterprise funds (Continued)</b>					
<i>Waterworks and sewer system fund</i>					
<b>Restricted investments:</b>					
DWS	654-000-1312	2.00	N/A	\$ 255,000	\$ 255,000
<b>Total restricted investments</b>				<u>255,000</u>	<u>255,000</u>
<b>Total waterworks and sewer system fund</b>				<u>255,000</u>	<u>255,000</u>
<b>Total enterprise funds</b>				<u>3,087,021</u>	<u>3,087,021</u>
<b>Internal service funds</b>					
<i>Equipment replacement fund</i>					
Texpool	12640-00001	2.41	N/A	84,530	84,530
DWS	654-0001279	2.00	N/A	111,089	111,089
Logic	746012995-01	3.16	N/A	765,132	765,132
<b>Total equipment replacement fund</b>				<u>960,751</u>	<u>960,751</u>
<b>Total internal service fund</b>				<u>960,751</u>	<u>960,751</u>
<b>Total - all funds</b>				<u>\$ 9,936,853</u>	<u>\$ 9,936,853</u>



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**CITY OF LA MARQUE, TEXAS**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
*(modified accrual basis of accounting)*  
**For the Year Ended September 30, 2009**

*Exhibit I-2*

<b>Taxes to account for:</b>			
Delinquent taxes, October 1, 2008	\$ 600,328		
Additions and deletions, net	<u>(8,301)</u>		
Delinquent taxes, October 1, 2008		\$ 592,027	
Current taxes levied, per 2008 tax roll		<u>3,236,276</u>	
<b>Total taxes to account for</b>			\$ 3,828,303
<b>Less collections:</b>			
Current taxes		3,100,015	
Delinquent taxes		<u>107,392</u>	
<b>Total collections</b>			<u>3,207,407</u>
<b>Ending balance to account for</b>			<u>\$ 620,896</u>
<b>Accounted for by:</b>			
Delinquent taxes, from 2008 tax roll	\$ 136,261		
Delinquent taxes receivable, all previous years	<u>484,635</u>		
<b>Delinquent taxes receivable, September 30, 2009</b>			<u>\$ 620,896</u>

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Collection rates:</b>						
Current year levy	95.79%	95.26%	94.79%	94.31%	94.47%	94.22%
Prior year levies	18.14%	19.84%	23.34%	23.72%	18.59%	20.30%

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 DEBT**

*September 30, 2009*

<b>Description</b>	<b>Interest Rates</b>	<b>Interest Dates</b>	<b>Issue 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
Water and sewer revenue bonds - Series 1998	2.50% to 3.65%	3/1; 9/1	7/15/1998
<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
<b>Total long-term contracts payable</b>			
<b>Certificates of obligation</b>			
Series 2005	4.00% to 5.00%	3/1; 9/1	6/1/2005
Series 2007	4.50% to 4.75%	3/1; 9/1	5/14/2007
<b>Total revenue bonds</b>			

Final Maturity Date	Authorized and Issued	Outstanding, September 30, 2009	2009 - 2010 Requirements		
			Principal	Interest	Total
9/1/2016	\$ 4,440,000	\$ 2,410,000	\$ 300,000	\$ 107,260	\$ 407,260
9/1/2018	<u>4,600,000</u>	<u>3,110,000</u>	<u>255,000</u>	<u>109,340</u>	<u>364,340</u>
	<u>\$ 9,040,000</u>	<u>\$ 5,520,000</u>	<u>\$ 555,000</u>	<u>\$ 216,600</u>	<u>\$ 771,600</u>
8/15/2022	<u>\$ 3,040,000</u>	<u>\$ 2,635,000</u>	<u>\$ 150,000</u>	<u>\$ 130,983</u>	<u>\$ 280,983</u>
	<u>\$ 3,040,000</u>	<u>\$ 2,635,000</u>	<u>\$ 150,000</u>	<u>\$ 130,983</u>	<u>\$ 280,983</u>
9/1/2029	\$ 3,490,000	\$ 3,115,000	\$ 95,000	\$ 134,980	\$ 229,980
9/1/2029	<u>3,750,000</u>	<u>3,595,000</u>	<u>115,000</u>	<u>148,589</u>	<u>263,589</u>
	<u>\$ 8,165,000</u>	<u>\$ 6,710,000</u>	<u>\$ 210,000</u>	<u>\$ 283,569</u>	<u>\$ 493,569</u>



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**CITY OF LA MARQUE, TEXAS**  
**DEBT SERVICE REQUIREMENTS TO MATURITY**  
**WATER AND SEWER REVENUE BONDS - SERIES 1996**  
**September 30, 2009**

*Exhibit I-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>Maturities</b>				
<b>Due During Fiscal Year</b>	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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>\$ 2,410,000</u>	<u>\$ 451,975</u>	<u>\$ 2,861,975</u>

**CITY OF LA MARQUE, TEXAS**  
**DEBT SERVICE REQUIREMENTS TO MATURITY**  
**WATER AND SEWER REVENUE BONDS - SERIES 1998**  
**September 30, 2009**

*Exhibit I-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:

<b>Maturities</b>				
<b>Due During Fiscal Year</b>	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	3.10	\$ 255,000	\$ 109,340	\$ 364,340
2011	3.20	260,000	101,180	361,180
2012	3.30	270,000	92,600	362,600
2013	3.40	280,000	83,420	363,420
2014	3.45	285,000	73,760	358,760
2015	3.50	300,000	63,785	363,785
2016	3.55	310,000	53,135	363,135
2017	3.60	575,000	41,975	616,975
2018	3.65	575,000	20,987	595,987
		<u>\$ 3,110,000</u>	<u>\$ 640,182</u>	<u>\$ 3,750,182</u>

**CITY OF LA MARQUE, TEXAS**  
**DEBT SERVICE REQUIREMENTS TO MATURITY**  
**ALL WATER AND SEWER REVENUE BONDS**  
**September 30, 2009**

*Exhibit I-6*

<b>Due During Fiscal Year</b>	<b>Net Debt Outstanding, September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
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>\$ 5,520,000</u>	<u>\$ 1,092,157</u>	<u>\$ 6,612,157</u>

**CITY OF LA MARQUE, TEXAS***Exhibit I-7***SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY****ALL LONG-TERM DEBT***September 30, 2009*

<b>Due During Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Certificates of Obligation</b>	<b>Water Contract Revenue Bonds</b>	<b>Total Requirements</b>
2010	\$ 771,600	\$ 493,306	\$ 282,725	\$ 1,547,631
2011	770,540	493,569	280,983	1,545,092
2012	773,257	493,356	278,858	1,545,471
2013	769,558	492,656	276,340	1,538,554
2014	769,767	491,469	278,500	1,539,736
2015	773,593	490,944	280,000	1,544,537
2016	770,880	495,269	276,000	1,542,149
2017	616,975	498,944	276,750	1,392,669
2018	595,987	496,994	277,000	1,369,981
2019		500,713	276,750	777,463
2020		498,856	276,000	774,856
2021		501,251	279,750	781,001
2022		503,037	277,750	780,787
2023		508,837	320,250	829,087
2024		508,813		508,813
2025		513,000		513,000
2026		511,353		511,353
2027		514,070		514,070
2028		515,850		515,850
2029		521,790		521,790
2030		521,322		521,322
	<u>\$ 6,612,157</u>	<u>\$ 10,565,399</u>	<u>\$ 3,937,656</u>	<u>\$ 21,115,212</u>



**CITY OF LA MARQUE TEXAS**  
**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>
<b><i>Financial Trends</i></b>	112
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
<b><i>Revenue Capacity</i></b>	119
These schedules contain information to help the reader access the government’s most significant local revenue source, the property tax.	
<b><i>Debt Capacity</i></b>	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.	
<b><i>Demographic and Economic Information</i></b>	141
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
<b><i>Operating Information</i></b>	146
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>2009</u>	<u>2008</u>	<u>2007*</u>	<u>2006</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 5,092,044	\$ 5,852,966	\$ 10,126,850	\$ 3,072,404
Restricted	4,845,965	5,147,167	901,932	3,621,242
Unrestricted	<u>3,961,772</u>	<u>3,542,276</u>	<u>3,545,879</u>	<u>983,738</u>
<b>Total governmental activities net assets</b>	<b><u>\$ 13,899,781</u></b>	<b><u>\$ 14,542,409</u></b>	<b><u>\$ 14,574,661</u></b>	<b><u>\$ 7,677,384</u></b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 6,911,560	\$ 7,175,278	\$ 7,721,479	\$ 7,656,487
Restricted	277,879	336,366	297,143	297,404
Unrestricted	<u>3,401,902</u>	<u>3,303,907</u>	<u>3,624,165</u>	<u>4,067,153</u>
<b>Total business-type activities net assets</b>	<b><u>\$ 10,591,341</u></b>	<b><u>\$ 10,815,551</u></b>	<b><u>\$ 11,642,787</u></b>	<b><u>\$ 12,021,044</u></b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 12,003,604	\$ 13,028,244	\$ 17,848,329	\$ 10,728,891
Restricted	5,123,844	5,483,533	1,199,075	3,918,646
Unrestricted	<u>7,363,674</u>	<u>6,846,183</u>	<u>7,170,044</u>	<u>5,050,891</u>
<b>Total primary government net assets</b>	<b><u>\$ 24,491,122</u></b>	<b><u>\$ 25,357,960</u></b>	<b><u>\$ 26,217,448</u></b>	<b><u>\$ 19,698,428</u></b>

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.

\* During the year ended September 30, 2007, the City retroactively reported its general infrastructure assets in accordance with GASB 34.

*Table 1*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 2,726,395	\$ 2,690,543	\$ 2,279,987	\$	\$	\$
418,911	387,551	374,052			
3,217,289	3,064,707	2,744,373			
<u>\$ 6,362,595</u>	<u>\$ 6,142,801</u>	<u>\$ 5,398,412</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 8,253,056	\$ 8,285,324	\$ 8,689,599	\$	\$	\$
297,191	301,553	752,129			
3,629,381	3,536,111	3,064,490			
<u>\$ 12,179,628</u>	<u>\$ 12,122,988</u>	<u>\$ 12,506,218</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 10,979,451	\$ 10,975,867	\$ 10,969,586	\$	\$	\$
716,102	689,104	1,126,181			
6,846,670	6,600,818	5,808,863			
<u>\$ 18,542,223</u>	<u>\$ 18,265,789</u>	<u>\$ 17,904,630</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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Expenses</b>				
<b>Governmental activities:</b>				
General government	\$ 1,738,775	\$ 1,442,025	\$ 1,446,482	\$ 1,278,647
Public safety	5,739,176	5,752,724	5,017,928	4,645,576
Public works	4,508,388	2,469,011	2,344,263	1,338,798
Sanitation	1,321,865	1,348,961	1,189,657	968,143
Urban rehabilitation and housing	395,837	368,902	290,050	257,455
Interest on long-term debt	298,449	342,517	183,369	181,040
<b>Total governmental activities expenses</b>	<u>14,002,490</u>	<u>11,724,140</u>	<u>10,471,749</u>	<u>8,669,659</u>
<b>Business-type activities:</b>				
Utility	4,313,755	4,635,935	4,415,293	4,130,361
Water and sewer	284,118	292,025	297,685	302,266
<b>Total business-type activities expenses</b>	<u>4,597,873</u>	<u>4,927,960</u>	<u>4,712,978</u>	<u>4,432,627</u>
<b>Total primary government expenses</b>	<u>\$ 18,600,363</u>	<u>\$ 16,652,100</u>	<u>\$ 15,184,727</u>	<u>\$ 13,102,286</u>
<b>Program revenues:</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	\$ 44,148	\$ 31,870	\$ 31,813	\$ 30,382
Public safety	1,564,906	1,280,033	1,340,956	1,072,680
Public works	14,846	71,420	52,038	12,833
Sanitation	1,457,459	1,204,840	1,072,582	1,279,813
Operating grants and contributions	1,975,646	1,632,953	626,748	696,743
<b>Total governmental activities program revenues</b>	<u>5,057,005</u>	<u>4,221,116</u>	<u>3,124,137</u>	<u>3,092,451</u>
<b>Business-type activities:</b>				
<b>Charges for services:</b>				
Utility	4,398,458	4,012,609	3,565,565	4,233,425
Operating grants and contributions		487,761	349,362	14,557
<b>Total business-type activities program revenues</b>	<u>4,398,458</u>	<u>4,500,370</u>	<u>3,914,927</u>	<u>4,247,982</u>
<b>Total primary government program revenues</b>	<u>\$ 9,455,463</u>	<u>\$ 8,721,486</u>	<u>\$ 7,039,064</u>	<u>\$ 7,340,433</u>
<b>Net (expense) revenue:</b>				
Governmental activities	\$ (8,945,485)	\$ (7,503,024)	\$ (7,347,612)	\$ (5,577,208)
Business-type activities	(199,415)	(427,589)	(798,051)	(184,645)
<b>Total primary government net (expense) revenue</b>	<u>\$ (9,144,900)</u>	<u>\$ (7,930,613)</u>	<u>\$ (8,145,663)</u>	<u>\$ (5,761,853)</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*  
*(Page 1 of 2)*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 1,648,150	\$ 1,129,942	\$ 997,260	\$	\$	\$
4,013,207	3,559,871	3,319,003			
1,455,906	1,461,246	1,416,337			
949,185	908,298	860,492			
334,786	342,723	294,493			
87,263	52,032	65,367			
8,488,497	7,454,112	6,952,952			
3,635,149	3,537,456	3,561,305			
312,753	319,698	298,928			
3,947,902	3,857,154	3,860,233			
\$ 12,436,399	\$ 11,311,266	\$ 10,813,185	\$	\$	\$
\$ 89,357	\$ 59,007	\$ 59,911	\$	\$	\$
808,234	726,167	583,627			
3,430	3,400	2,029			
1,216,847	1,151,260	1,110,206			
684,501	465,416	396,030			
2,802,369	2,405,250	2,151,803			
3,957,986	3,451,286	3,428,313			
3,957,986	3,451,286	3,428,313			
\$ 6,760,355	\$ 5,856,536	\$ 5,580,116	\$	\$	\$
\$ (5,686,128)	\$ (5,048,862)	\$ (4,801,149)	\$	\$	\$
10,084	(405,868)	(431,920)			
\$ (5,676,044)	\$ (5,454,730)	\$ (5,233,069)	\$	\$	\$

**CITY OF LA MARQUE, TEXAS**

*CHANGES IN NET ASSETS*

*LAST TEN FISCAL YEARS*

*(Accrual basis of accounting)*

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General revenues and other changes in net assets:</b>				
<b>Governmental activities:</b>				
<b>Taxes:</b>				
Property taxes	\$ 3,401,897	\$ 3,197,668	\$ 2,912,427	\$ 2,840,318
Sales taxes	2,936,594	2,388,469	2,416,247	2,461,681
Gross receipts taxes	848,707	863,041	816,018	824,017
Hotel / Motel taxes	172,198	129,969	90,007	50,222
Other taxes	101,246	57,952	63,442	68,803
Unrestricted grants and contributions	4,074		63,473	
Unrestricted investment earnings	78,228	295,480	473,411	379,188
Gain (loss) on disposal of assets				
Other revenue	692,328	408,795	148,232	146,038
Transfers	67,565	102,890	(104,736)	121,730
<b>Total governmental activities</b>	<u>8,302,837</u>	<u>7,444,264</u>	<u>6,878,521</u>	<u>6,891,997</u>
<b>Business-type activities:</b>				
Unrestricted investment earnings	42,074	110,753	129,410	144,351
Other revenue	696	11,075	185,648	3,440
Transfers	(67,565)	(521,475)	104,736	(121,730)
<b>Total business-type activities</b>	<u>(24,795)</u>	<u>(399,647)</u>	<u>419,794</u>	<u>26,061</u>
<b>Total primary government</b>	<u>\$ 8,278,042</u>	<u>\$ 7,044,617</u>	<u>\$ 7,298,315</u>	<u>\$ 6,918,058</u>
<b>Change in net assets:</b>				
Governmental activities	\$ (642,648)	\$ (58,760)	\$ (469,091)	\$ 1,314,789
Business-type activities	(224,210)	(827,236)	(378,257)	(158,584)
<b>Total primary government net (expense) revenue</b>	<u>\$ (866,858)</u>	<u>\$ (885,996)</u>	<u>\$ (847,348)</u>	<u>\$ 1,156,205</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*  
*(Page 2 of 2)*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 2,461,204	\$ 2,245,048	\$ 2,211,075	\$	\$	\$
2,230,748	2,217,799	1,589,965			
824,016	812,450	792,836			
55,734	27,095	28,434			
78,420	80,147	91,927			
135,922	44,655	57,630			
(10,050)					
58,758	64,322	24,517			
71,170	20,128	(31,120)			
<u>5,905,922</u>	<u>5,511,644</u>	<u>4,765,264</u>			
78,336	37,824	63,880			
39,390	31,383	27,726			
(71,170)	(20,128)	31,120			
<u>46,556</u>	<u>49,079</u>	<u>122,726</u>			
<u>\$ 5,952,478</u>	<u>\$ 5,560,723</u>	<u>\$ 4,887,990</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 219,794	\$ 462,782	\$ (35,885)	\$	\$	\$
56,640	(356,789)	(309,194)			
<u>\$ 276,434</u>	<u>\$ 105,993</u>	<u>\$ (345,079)</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>
2000	\$	\$	\$	\$	\$	\$
2001						
2002						
2003	2,211,075	1,589,965	792,836	28,434	91,927	5,382,539
2004	2,245,048	2,217,799	812,450	27,095	80,147	5,650,122
2005	2,461,204	2,230,748	824,016	55,734	78,420	6,245,041
2006	2,840,318	2,461,681	824,017	50,222	68,803	6,298,141
2007	2,912,427	2,416,247	816,018	90,007	63,442	6,637,099
2008	3,197,668	2,388,469	863,041	129,969	57,952	6,637,099
2009	3,401,897	2,936,594	848,707	172,198	101,246	7,460,642

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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General fund</b>				
Reserved	\$ 28,137	\$ 87,553	\$ 179,444	\$ 185,556
Unreserved	2,754,701	2,624,739	2,162,233	2,274,188
<b>Total general fund</b>	<u>\$ 2,782,838</u>	<u>\$ 2,712,292</u>	<u>\$ 2,341,677</u>	<u>\$ 2,459,744</u>
<b>All other governmental funds:</b>				
Reserved	\$ 4,956,628	\$ 4,988,532	\$ 5,147,178	\$ 3,794,365
Unreserved				
Special Revenue Funds	830,339	730,482	639,120	555,574
<b>Total all other governmental funds</b>	<u>\$ 5,786,967</u>	<u>\$ 5,719,014</u>	<u>\$ 5,786,298</u>	<u>\$ 4,349,939</u>

Note:

Certificates of obligation totaling \$3,432,853 and \$3,750,000 were issued in the years ended September 30, 2005 and 2007, respectively. The proceeds are to be used for street and drainage improvements

**Table 4**

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 167,446	\$ 238,891	\$ 191,810	\$ 188,788	\$ 252,612	\$ 310,508
1,674,720	1,458,327	993,291	595,053	711,821	573,894
<u>\$ 1,842,166</u>	<u>\$ 1,697,218</u>	<u>\$ 1,185,101</u>	<u>\$ 783,841</u>	<u>\$ 964,433</u>	<u>\$ 884,402</u>
\$ 3,878,009	\$ 415,224	\$ 403,210	\$ 267,843	\$ 155,740	\$ 163,705
540,843	532,913	596,200	653,610	688,897	683,616
<u>\$ 4,418,852</u>	<u>\$ 948,137</u>	<u>\$ 999,410</u>	<u>\$ 921,453</u>	<u>\$ 844,637</u>	<u>\$ 847,321</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>				
<b>Taxes:</b>				
Property	\$ 3,530,258	\$ 3,203,177	\$ 2,975,204	\$ 2,925,715
Sales	2,936,594	2,388,469	2,416,247	2,461,681
Gross receipts	848,707	863,041	816,018	824,017
Other	273,444	187,921	153,449	119,025
Licenses and permits	255,882	212,546	268,421	203,605
Intergovernmental revenue	1,979,720	1,632,953	673,399	488,268
Charges for services	1,880,591	1,662,195	1,603,149	1,583,328
Fines and forfeitures	919,405	700,861	605,707	588,903
Investment earnings	65,486	255,526	385,126	303,105
Reimbursement from component unit	103,800	107,639	93,854	82,816
Other revenue	614,514	105,361	93,210	292,152
<b>Total revenues</b>	<u>13,408,401</u>	<u>11,319,689</u>	<u>10,083,784</u>	<u>9,872,615</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government:	1,503,369	1,493,703	1,457,136	1,242,516
Public safety	5,323,225	5,508,004	4,821,812	4,511,025
Public works	3,853,191	1,611,281	1,739,410	1,243,538
Sanitation	1,295,223	1,268,398	1,065,018	958,372
Urban rehabilitation and housing	395,837	368,902	290,050	257,455
<b>Debt service:</b>				
Principal on long-term debt	226,063	174,682	345,401	292,054
Interest and fiscal charges	294,306	340,653	223,868	214,161
<b>Capital outlay:</b>				
General government	1,337	9,989		
Public safety	316,196	164,171	196,546	285,840
Public works	261,702	484,980	2,671,981	335,429
<b>Total expenditures</b>	<u>13,470,449</u>	<u>11,424,763</u>	<u>12,811,222</u>	<u>9,340,390</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(62,048)</u>	<u>(105,074)</u>	<u>(2,727,438)</u>	<u>532,225</u>
<b>Other financing sources (uses)</b>				
Transfer in	264,724	349,258	231,628	71,101
Transfers (out)	(64,177)	(174,624)	(44,172)	(55,681)
Proceeds from the disposal of assets		207,264		1,020
Proceeds from issuance of long-term debt, net			3,750,000	
<b>Total other financing sources (uses)</b>	<u>200,547</u>	<u>381,898</u>	<u>3,937,456</u>	<u>16,440</u>
Net change in fund balances	<u>\$ 138,499</u>	<u>\$ 276,824</u>	<u>\$ 1,210,018</u>	<u>\$ 548,665</u>
Debt service as a percentage of noncapital expenditures	4.0%	4.8%	5.7%	5.8%

*Table 5*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 2,474,554	\$ 2,237,288	\$ 2,253,635	\$ 2,138,063	\$ 2,065,128	\$ 1,980,710
2,230,748	2,217,799	1,589,965	1,172,970	1,206,633	1,226,579
824,016	812,450	792,836	793,618	790,649	731,792
134,154	107,242	120,361	127,368	156,394	175,369
158,350	140,755	113,615	90,605	47,280	74,195
502,684	435,500	365,912	378,653	385,798	464,606
1,224,084	1,151,260	1,110,206	1,091,164	1,047,684	1,070,856
649,884	585,412	470,012	316,370	389,849	285,010
97,101	26,350	34,658	38,181	96,220	97,446
89,357	59,007	59,911	50,737	41,914	58,043
244,133	97,638	56,664	107,878	73,854	112,619
<u>8,629,065</u>	<u>7,870,701</u>	<u>6,967,775</u>	<u>6,305,607</u>	<u>6,301,403</u>	<u>6,277,225</u>
1,527,317	1,088,775	918,144	881,701	846,718	964,507
3,859,833	3,381,168	3,107,561	2,797,286	2,476,738	2,501,253
1,346,103	1,347,499	1,243,217	1,305,363	1,136,505	1,099,941
949,185	908,298	860,492	787,813	798,300	818,648
334,786	342,723	294,493	278,919	279,565	314,872
244,275	224,769	216,383	251,856	274,520	288,260
39,690	53,984	66,291	79,317	94,203	107,442
9,737		31,385		16,822	17,653
39,415	32,409	235,131		78,144	185,321
74,024	123,339	117,718		448,578	447,421
<u>8,424,365</u>	<u>7,502,964</u>	<u>7,090,815</u>	<u>6,382,255</u>	<u>6,450,093</u>	<u>6,745,318</u>
<u>204,700</u>	<u>367,737</u>	<u>(123,040)</u>	<u>(76,648)</u>	<u>(148,690)</u>	<u>(468,093)</u>
51,729	198,250	309,496		401,913	452,579
(73,619)	(85,630)	(55,000)	(22,930)	(189,650)	(222,670)
<u>3,432,853</u>	<u>112,620</u>	<u>254,496</u>	<u>(22,930)</u>	<u>212,263</u>	<u>229,909</u>
<u>\$ 3,615,663</u>	<u>\$ 480,357</u>	<u>\$ 131,456</u>	<u>\$ (99,578)</u>	<u>\$ 63,573</u>	<u>\$ (238,184)</u>
3.4%	3.8%	4.2%	5.2%	6.2%	6.5%



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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>
2000	\$ 1,980,710	\$ 1,226,579	\$ 731,792	\$ 48,185	\$ 127,184	\$ 4,114,450
2001	2,065,128	1,206,633	790,649	51,811	104,583	4,218,804
2002	2,138,063	1,172,970	793,618	45,558	81,810	4,232,019
2003	2,253,635	1,589,965	792,836	28,052	92,309	4,756,797
2004	2,237,288	2,217,799	812,450	28,434	78,808	5,374,779
2005	2,474,554	2,230,748	824,016	27,095	107,059	5,663,472
2006	2,925,715	2,461,681	824,017	55,734	63,291	6,330,438
2007	2,975,204	2,416,247	816,018	90,007	63,442	6,360,918
2008	3,203,177	2,388,469	863,041	129,969	57,952	6,642,608
2009	3,530,258	2,936,594	848,707	172,198	101,246	7,589,003

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

<b>Fiscal Year Ended September 30,</b>	<b>Real Property</b>		<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>
	<b>Land</b>	<b>Improvements</b>		
2000	86,665,940	318,643,507	65,401,355	(107,221,892)
2001	89,660,343	324,370,831	65,480,826	(108,527,922)
2002	90,916,033	341,366,524	68,934,587	(109,962,540)
2003	96,715,143	346,678,679	63,940,950	(110,837,373)
2004	100,372,893	380,697,869	64,691,455	(117,174,189)
2005	106,094,630	392,875,009	83,523,116	(108,425,181)
2006	116,928,330	418,733,999	74,636,095	(112,466,032)
2007	151,422,970	466,193,004	73,323,043	(138,045,187)
2008	162,005,190	492,287,577	73,197,783	(131,876,836)
2009	176,900,600	514,169,764	72,133,999	(127,671,184)

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

Source: Galveston Central Appraisal District.



*Table 7*

<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate (1)</b>	<b>Estimated Actual Taxable Value</b>	<b>Assess Value as a Percentage of Actual Value</b>
363,488,910	0.52300	363,488,910	100%
370,984,078	0.54610	370,984,078	100%
391,254,604	0.53610	391,254,604	100%
396,497,399	0.53610	396,497,399	100%
428,588,028	0.51034	428,588,028	100%
474,067,574	0.51030	474,067,574	100%
497,832,392	0.55330	497,832,392	100%
552,893,830	0.51436	552,893,830	100%
595,613,714	0.51436	595,613,714	100%
635,533,179	0.51436	635,533,179	100%

**CITY OF LA MARQUE, TEXAS**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING\* GOVERNMENTS**

**LAST TEN FISCAL YEARS**

<u>Taxing Authority</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Overlapping Rates:</b>				
La Marque Independent School District	\$ 1.240000	\$ 1.240000	\$ 1.570000	\$ 1.740000
Dickinson Independent School District	1.500000	1.430000	1.724000	1.751000
Hitchcock Independent School District	1.410050	1.121505	1.565050	1.695000
Santa Fe Independent School District	1.160000	1.160000	1.445000	1.570000
College of the Mainland	0.221640	0.227380	0.233450	0.243020
County of Galveston	0.558600	0.580000	0.589875	0.625875
Public Improvement District No. 1	1.000045	1.000045	1.000045	1.000045
Galveston County Drainage District No. 2	0.063021	0.057360	0.055740	0.055200
<b>Total</b>	<u>\$ 7.153356</u>	<u>\$ 6.816290</u>	<u>\$ 8.183160</u>	<u>\$ 8.680140</u>
<b>City of La Marque Direct Rates:</b>				
Maintenance and Operations	\$ 0.423020	\$ 0.433870	\$ 0.423510	\$ 0.473000
Debt Service	0.091340	0.080490	0.090850	0.080300
<b>Total City of La Marque Direct Rates</b>	<u>\$ 0.514360</u>	<u>\$ 0.514360</u>	<u>\$ 0.514360</u>	<u>\$ 0.553300</u>

\* 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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
	\$ 1.743000	\$ 1.730000	\$ 1.650000	\$ 1.625005	\$ 1.625010	\$ 1.615959
	1.738000	1.743000	1.764000	1.747000	1.754000	1.751000
	1.710000	1.710000	1.710000	1.710000	1.663600	1.705900
	1.570000	1.570000	1.570000	1.510000	1.422000	1.367000
	0.245250	0.263060	0.231870	0.218000	0.218000	0.215762
	0.638750	0.640000	0.606300	0.553000	0.545000	0.545000
(1)	0.058800	0.058800	0.058800	0.588000	0.056273	0.054294
	<u>\$ 7.703800</u>	<u>\$ 7.714860</u>	<u>\$ 7.590970</u>	<u>\$ 7.951005</u>	<u>\$ 7.283883</u>	<u>\$ 7.254915</u>
	\$ 0.432400	\$ 0.427500	\$ 0.427500	\$ 0.430080	\$ 0.410000	\$ 0.405081
	0.077940	0.108600	0.108600	0.116020	0.113000	0.127919
	<u>\$ 0.510340</u>	<u>\$ 0.536100</u>	<u>\$ 0.536100</u>	<u>\$ 0.546100</u>	<u>\$ 0.523000</u>	<u>\$ 0.533000</u>

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

Taxpayer	2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-mart Stores East, Inc.	\$ 14,896,010	1	2.34%
Gulf Greyhound Partners, Ltd.	9,900,150	2	1.56%
Wal-mart Stores Texas, LP	8,716,120	3	1.37%
Texas-New Mexico Power Co.	5,897,940	4	0.93%
Southwestern Bell Telephone Co.	5,771,430	5	0.91%
Univest - La Marque Center, LLP	4,824,270	6	0.76%
Comcast of Houston, LLC	4,665,290	7	0.73%
Saltgrass 300 LTD	4,576,360	8	0.72%
La Marque Outlet Dev. LP	3,935,470	9	0.62%
Dienst Distributing Co.	3,469,063	10	0.55%
KPT Remic Loan LLC			0.00%
Motco Trust Group			0.00%
Triconex			0.00%
SCTW Health Care Center, Inc.			0.00%
Invest Hospitality Corp.			0.00%
Range Production Company			0.00%
Reliant Energy H.L. & P.			0.00%
	<u>\$ 66,652,103</u>		<u>10.49%</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

*Table 9*

<b>2000</b>		
<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
\$		0.00%
17,940,000	1	4.94%
		0.00%
6,407,470	4	1.76%
8,436,900	2	2.32%
		0.00%
		0.00%
		0.00%
		0.00%
		0.00%
6,881,460	3	1.89%
3,222,210	5	0.89%
2,946,460	6	0.81%
2,723,200	7	0.75%
2,510,180	8	0.69%
2,426,860	9	0.67%
2,417,490	10	0.67%
<u>\$ 55,912,230</u>		<u>15.39%</u>



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

*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
2000	\$ 1,898,338	\$ 1,766,278	93.04%	\$ 113,156	\$ 1,879,434	99.00%
2001	2,026,617	1,876,529	92.59%	126,844	2,003,373	98.85%
2002	2,096,261	1,941,944	92.64%	128,205	2,070,149	98.75%
2003	2,121,303	2,001,305	94.34%	95,097	2,096,402	98.83%
2004	2,182,184	2,061,779	94.48%	91,999	2,153,778	98.70%
2005	2,416,872	2,286,462	94.60%	93,304	2,379,766	98.46%
2006	2,753,873	2,597,962	94.34%	106,803	2,704,765	98.22%
2007	2,835,390	2,687,648	94.79%	90,929	2,778,577	98.00%
2008	3,039,611	2,896,271	95.28%	66,098	2,962,369	97.46%
2009	3,236,277	3,100,015	95.79%		3,100,015	95.79%

- (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**

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>	
	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Capital Leases</b>	<b>Revenue Bonds</b>	<b>Capital Leases</b>
2000	\$	\$ 1,527,500	\$	\$ 12,975,000	\$
2001		1,277,500		12,550,000	
2002		1,050,000		12,060,000	
2003		850,000		11,540,000	
2004		635,000		11,000,000	
2005		3,895,000		10,440,000	
2006		3,625,000		9,925,000	
2007		7,055,000		9,390,000	
2008		6,910,000		8,835,000	
2009		6,710,000		8,155,000	

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



*Table 11*

<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
\$ 14,502,500	6.68%	\$ 1,027
13,827,500	6.58%	1,011
13,110,000	6.23%	958
12,390,000	5.17%	906
11,635,000	4.85%	850
14,335,000	5.98%	1,048
13,550,000	5.65%	990
16,445,000	6.86%	1,202
15,745,000	6.57%	1,151
14,865,000	6.20%	1,086

**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>
2000	\$ 1,527,500	\$ 104,984	\$ 1,422,516	0.39%	\$ 101
2001	1,277,500	136,661	1,140,839	0.31%	83
2002	1,050,000	128,298	921,702	0.24%	67
2003	850,000	240,216	609,784	0.15%	45
2004	635,000	369,339	265,661	0.06%	19
2005	3,895,000	387,551	3,507,449	0.74%	256
2006	3,625,000	418,911	3,206,089	0.64%	234
2007	7,055,000	427,028	6,627,972	1.20%	484
2008	6,910,000	438,951	6,471,049	1.09%	473
2009	6,710,000	536,546	6,173,454	0.97%	451

(1) See Table 7 for assessed value information.

(2) See Table 16 for population data.

**CITY OF LA MARQUE, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
*As of September 30, 2009*

*Table 13*

<b>Governmental Unit</b>	<b>Net Debt</b>		<b>Percentage Overlapping</b>	<b>Amount of Overlapping Debt</b>
	<b>Amount</b>	<b>As Of</b>		
La Marque Independent School District	\$ 27,619,068	8/31/2009	82.47%	\$ 22,777,445
Dickinson Independent School District	183,640,809	8/31/2009	23.21%	42,623,032
Hitchcock Independent School District	24,636,669	8/31/2009	1.79%	440,996
Santa Fe Independent School District	38,490,900	8/31/2009	18.00%	6,928,362
College of the Mainland	685,435	8/31/2009	56.69%	388,573
County of Galveston	348,937,446	9/30/2009	39.24%	136,923,054
Public Improvement District No. 1		9/30/2009	100.00%	
Galveston County Drainage District No. 2		9/30/2009	100.00%	
	Subtotal, overlapping debt			210,081,462
	City of La Marque Direct Debt			14,865,000
	<b>Total Direct and Overlapping Debt</b>			<b>\$ 224,946,462</b>

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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt Limit	\$ 76,320,436	\$ 72,749,055	\$ 69,093,902	\$ 61,029,842
Total Net Debt Applicable to Limit	<u>(6,173,454)</u>	<u>(6,471,049)</u>	<u>(6,654,043)</u>	<u>(3,197,972)</u>
<b>Legal Debt Margin</b>	<u>\$ 70,146,982</u>	<u>\$ 66,278,006</u>	<u>\$ 62,439,859</u>	<u>\$ 57,831,870</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	8.09%	8.90%	9.63%	5.24%

**Legal debt margin calculation for fiscal year 2009**

Assessed taxable value	\$ 635,533,179
Add back:	
Exempt real property	<u>127,671,184</u>
Total assessed value	763,204,363
Debt Limit (10% of total assessed value)	76,320,436
Debt applicable to limit:	
Total bonded debt	(6,710,000)
Less: Amount set aside for repayment of bonds	<u>(536,546)</u>
Total net debt applicable to limit	<u>(6,173,454)</u>
<b>Legal debt margin</b>	<u>\$ 70,146,982</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**

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 47,428,807	\$ 42,877,513	\$ 39,664,279	\$ 39,125,460	\$ 37,098,408	\$ 36,348,891
<u>(3,476,089)</u>	<u>(247,449)</u>	<u>(475,727)</u>	<u>(361,758)</u>	<u>(330,491)</u>	<u>(234,578)</u>
<u>\$ 43,952,718</u>	<u>\$ 42,630,064</u>	<u>\$ 39,188,552</u>	<u>\$ 38,763,702</u>	<u>\$ 36,767,917</u>	<u>\$ 36,114,313</u>
7.33%	0.58%	1.20%	0.92%	0.89%	0.65%

**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	
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
2007	3,532,125	3,087,876	444,249	495,000	283,005	0.57
2008	3,995,241	3,295,669	699,572	515,000	264,559	0.90
2009	4,382,458	2,949,876	1,432,582	535,000	236,463	1.86

(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.

**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>
2000	14,120	\$ 217,024,400	\$ 15,370	34.0	(2)	4,090	8.2%
2001	13,682	210,292,340	15,370	37.7	(2)	4,003	8.2%
2002	13,682	210,292,340	15,370	37.7	(2)	3,915	8.6%
2003	13,682	239,681,276	17,518	37.7	(1)	3,748	10.0%
2004	13,682	239,681,276	17,518	37.7	(1)	3,750	11.2%
2005	13,682	239,681,276	17,518	37.7	(1)	3,105	10.2%
2006	13,682	239,681,276	17,518	37.7	(1)	3,518	10.2%
2007	13,682	239,681,276	17,518	37.7	(1)	3,383	10.2%
2008	13,682	239,681,276	17,518	37.7	(1)	3,733	9.8%
2009	13,682	239,681,276	17,518	37.7	(1)	3,704	8.5%

(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	2009			2000(1)		
	Employees	Rank*	Percentage of Principal Employers	Employees	Rank*	Percentage of Principal Employers
La Marque Independent School District	450	1	32.33%			
Wal-mart	425	2	30.53%			
Gulf Greyhound Park	197	3	14.15%			
City of La Marque	126	4	9.05%			
A & A Machine	78	5	5.60%			
Conhagen	65	6	4.67%			
Associated Credit Union	34	7	2.44%			
Allied Waste Services	12	8	0.86%			
Boo's Pump Rental	5	9	0.37%			

(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>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>General government</b>	20	20	22	21
<b>Public Safety</b>				
<b>Police:</b>				
Officers	28	28	28	28
Civilians	13	11	10	9
<b>Fire:</b>				
Firefighters and officers	18	18	15	18
Civilians	1	1	1	1
<b>Public Works</b>	21	22	21	23
<b>Utility</b>	18	18	17	17
<b>Water and sewer</b>	9	8	9	8
<b>Total</b>	<u>128</u>	<u>126</u>	<u>123</u>	<u>125</u>

Source: Various city departments

*Table 18*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
21	18	18	18	17	17
28	28	28	28	28	26
7	7	7	7	7	7
16	13	13	13	10	10
0	0	0	0	0	0
25	25	25	25	25	25
17	18	18	18	17	17
9	9	9	9	10	9
<u>123</u>	<u>118</u>	<u>118</u>	<u>118</u>	<u>114</u>	<u>111</u>

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

<b>Function</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Public safety</b>				
<b>Police:</b>				
Physical arrests	1,766	1,707	1,809	1,645
Traffic violations	3,001	4,485	5,439	5,525
Calls for service	25,832	23,190	21,632	21,522
<b>Fire:</b>				
Number of calls answered	2,160	1,753	1,935	1,450
Inspections *	50	1,186	100	100
<b>Public works</b>				
Street resurfacing (miles)	1	5	1	0
Potholes repaired	3,097	7,489	1,122	1,316
Community room rentals	6	30	47	58
Park pavilion rentals	28	25	13	17
<b>Water</b>				
New connections	67	16	129	53
Water main breaks	391	370	511	518
Average daily consumption (thousands of gallons)	2,327	2,031	1,827	1,614
<b>Wastewater</b>				
Average daily sewage treatment (thousands of gallons)	2,570	1,803	1,722	2,112

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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
1,595	1,789	1,400	1,171	844	2,305
4,913	6,230	4,518	4,550	2,537	2,306
19,323	22,930	18,128	19,212	18,680	20,693
1,250	1,385	1,350	1,331	1,151	1,152
125	100	100	100	100	75
			1	2	(1)
1,349	1,762	1,200	1,448	1,673	(1)
69	5				
27					
51	28	32	23	33	(1)
277	241	223	399	370	(1)
1,641	1,374	1,504	1,745	2,001	(1)
2,248	2,450	2,168	2,312	1,376	(1)

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

<b>Function</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Public safety</b>				
<b>Police:</b>				
Stations	1	1	1	1
Patrol units	23	17	24	26
<b>Fire:</b>				
Stations	1	1	1	1
Fire trucks	4	4	4	4
Ambulances *	2	2	2	
<b>Public works</b>				
Streets (miles)	90	90	90	85
Traffic signals	12	12	12	12
<b>Water</b>				
Water mains (miles)	180	180	180	175
Fire hydrants	432	432	422	422
Maximum daily capacity (thousands of gallons)	3,000	2,770	2,041	1,886
<b>Wastewater</b>				
Sanitary sewers (miles)	76	76	76	71
Maximum daily treatment capacity (thousands of gallons)	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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
1	1	1	1	1	1
28	28	28	28	26	26
1	1	1	1	1	1
4	4	4	4	4	4
85	80	80	78	78	78
12	12	12	12	12	12
175	170	170	170	170	167
422	408	400	398	398	395
1,917	1,626	1,601	2,093	2,397	(1)
71	66	66	66	66	65
3,000	3,000	3,000	3,000	3,000	3,000



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## **Government Auditing Standards**



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**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
Members of the City Council  
1111 Bayou Road  
La Marque, Texas 77568-4299

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of La Marque, Texas (the "City") as of and for the year ended September 30, 2009 which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items #09-02 and #09-03.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questions costs to be a material weakness in internal control over financial reporting as item #09-01.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item #09-01 to be a material weakness.

The Honorable Mayor and  
Members of the City Council

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

### **Closing**

This report is intended solely for the information and use of the city council, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Null-Lairson, PC". The signature is written in a cursive, flowing style.

**Null-Lairson, PC**  
*Texas City, Texas*  
*November 5, 2010*

**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

The Honorable Mayor and  
Members of the City Council  
1111 Bayou Road  
La Marque, Texas 77568-4299

### **Compliance**

We have audited the compliance of City of La Marque, Texas with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of La Marque, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 09-01.

### **Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

The Honorable Mayor and  
Members of the City Council

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified a deficiency in internal control over compliance that we consider to be a material weakness, as defined above, which is described in the accompanying schedule of findings and questioned costs as item 09-01.

### **Closing**

This report is intended solely for the information and use of the city council, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**Null-Lairson, PC**  
*Texas City, Texas*  
*November 5, 2010*

**Federal Awards Section**



*Set your sites on La Marque.*

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**CITY OF LA MARQUE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended September 30, 2009*

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes, Item #09-01
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, Items #09-02 and #09-03
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	Yes, Item #09-01
Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
Type of auditors' report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	Yes, Item #09-01
Identification of major programs	
Name of Federal Program or Cluster	CFDA Numbers

**Section 8 Housing Assistance Program**

<i>Direct Award</i>	
U.S. Department of Housing and Urban Development	14.871

**Public Assistance Grant – FEMA Aid**

<i>Passed Through</i>	97.036
Texas Department of Public Safety	
U.S. Department of Homeland Security	

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
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Auditee qualified as low-risk auditee?	No
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**CITY OF LA MARQUE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2009**

**II. Financial Statement Findings**

(See also Section III - Federal Award Findings and Questioned Costs to which this finding applies)

**Material Weakness**  
**Finding 09-01**

**Condition:** A significant journal entry was necessary to correct the recording of the FEMA grant revenue and reversal of prior year receivable in the General Fund. Other significant correcting entries were required to correct the recording of a capital lease in the Utility Fund.

**Criteria:** Generally Accepted Accounting Principles require governmental funds to be accounted for on the modified accrual basis of accounting and enterprise funds to be accounted for on the accrual basis of accounting.

**Cause:** FEMA revenue and the purchase of an asset under capital lease were accounted for using the cash basis of accounting.

**Effect:** Material overstatement of revenue and receivables in the general fund. Material understatement of assets and liabilities in the Utility Fund.

**Recommendation:** The City should account for all governmental funds using the modified accrual basis of accounting and all enterprise funds using the accrual basis of accounting as required by Generally Accepted Accounting Principles.

**Significant Deficiencies**

**Finding 09-02**

**Condition:**

- 12 out of 60 personnel files tested did not have approval of pay rate on file
- 2 out 56 timesheets selected for testing did not have department head approval
- One of the personnel files selected for testing could not be located

**Criteria:** Management is responsible for maintaining complete and accurate personnel records and department heads are responsible for properly approving all timesheets prior to processing of payroll. Physical controls over personnel files should be in place to ensure that files are kept properly secured at all times.

**Cause:** Lack of established controls over pay rate approvals and timesheet approvals. Lack of physical controls over personnel files.

**Effect:** Failure to maintain proper documentation of pay rates and failure to approve timesheets increases the likelihood that misstatements due to fraud or errors could occur and not be detected during the normal course of operations. Lack of physical controls over personnel files increases the likelihood of access to files by personnel other than those authorized.

**Recommendation:** Management should implement controls to ensure that personnel records are complete and accurate and that all timesheets are approved by the appropriate department head. Physical controls over personnel files should be in place so that access is limited to authorized personnel only.

**CITY OF LA MARQUE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2009**

**II. Financial Statement Findings (continued)**

**Finding 09-03**

**Condition:**

- 3 out of 25 journal entries were not properly approved by management
- 5 journal entries were posted by the Finance Director, without an additional review/approval
- Personnel with access to receipt cash also had access to make journal entries/adjustments in the accounting system

**Criteria:** Management is responsible for establishing written procedures regarding controls over the City's journal entry preparation, approval and process. Management is responsible for establishing guidelines for assigning user rights in the accounting system such that incompatible duties are not assigned to the same employee.

**Cause:** Lack of established and written procedures regarding controls over the City's journal entry procedures and assignment of user rights in the accounting system.

**Effect:** Although we noted no exceptions to the amount or reasonableness of the journal entries tested, without proper controls over the preparation, approval and posting of journal entries and user rights in the accounting system, it is possible for misstatements due to fraud or errors to occur and not be detected in a timely manner.

**Recommendation:** Management should establish and document written procedures regarding controls over the preparation, approval and posting of journal entries. All journal entries should be reviewed for accuracy and approved by management or finance personnel other than the personnel preparing the journal entries prior to posting in the general ledger. In addition, management should establish guidelines for assigning user rights in the accounting system, and should monitor those user rights on a regular basis to ensure that as personnel transfer between departments/positions, that the user rights in the system are updated accordingly.

**Compliance and Other Matters**

**Finding 09-04**

**Condition:** Quarterly investment reports were not submitted to City Council by the investment officer during the 2009 fiscal year.

**Criteria:** Public Funds Investment Act requires the investment officer to submit reports on a quarterly basis which describe the investment, state the fund type, state the beginning and ending market values, along with the changes to market value and accrued interest for the period. The reports must state the maturity date of each investment, if applicable and state compliance with the PFIA . In addition, the quarterly reports must be signed by all investment officers.

**Cause:** Turnover in key personnel in the finance department during the fiscal year caused the reconciliations necessary for the quarterly reports to get behind.

**Effect:** Non-compliance with Public Funds Investment Act.

**Recommendation:** Investment reports should be submitted on a quarterly basis and should include all the necessary components as required by the Public Funds Investment Act.

**CITY OF LA MARQUE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2009**

**III. Federal Awards Findings And Questioned Costs**

Due to the significance of items reported in the previous section of this Schedule of Findings and Questioned Costs on federal program compliance matters, reference is made in this section on Federal Award Findings and Questioned Costs to **Finding #09-01 - Internal Control Over Financial Reporting and Compliance with Federal Program Requirements** that is included in **Section II - Financial Statement Findings**. The referenced finding applies to this **Section III - Federal Award Findings and Questioned Costs. Compliance and Other Matters**

**Finding 09-05 - Reasonable Rent (Special Tests and Provisions)**  
**Program: Section 8 Housing Assistance Program**  
**CFDA: 14.871**

**Condition:** 2 out of 17 participant files tested did not have documentation to support that rent to owner was reasonable at the time of initial leasing.

**Criteria:** The compliance requirement per the OMB A-133 requires the Public Housing Authority to determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner; and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent (FMR) in effect 60 days before the HAP contract anniversary. The Public Housing Authority must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the Housing Assistance Payment contract).

**Cause:** Lack of controls and monitoring over the determination of rent reasonableness during initial leasing.

**Effect:** Non-compliance with federal grant requirements could lead to loss of grant funds

**Recommendation:** Procedures should be developed to ensure that rent reasonableness is performed in accordance with federal program requirements and documentation of the determination should be maintained in participant files. Management should monitor the files to ensure compliance with program guidelines.

**CITY OF LA MARQUE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2009**

**IV. Summary Schedule of Prior Audit Findings**

<b>Finding 08-01</b> Accounting for governmental and proprietary funds using the appropriate basis of accounting	<b>Corrective Action Taken: Not Yet Resolved.</b> See current year finding 09-01
<b>Finding 08-02</b> Cash Receipt Procedures	<b>Corrective Action Taken: Resolved.</b> Game Room License Fees are now being receipted at centralized cashier.
<b>Finding 08-03</b> Expenditures in excess of appropriations	<b>Corrective Action Taken: Resolved.</b> Budget amendments are now presented to council prior to expenditures of funds. No instances of expenditures in excess of appropriations were noted during the current year audit.
<b>Finding 08-04</b> Non-compliance with local investment policy	<b>Corrective Action Taken: Not Yet Resolved,</b> See current year finding 09-04.
<b>Finding 08-05</b> Non-Compliance with state bidding requirements	<b>Corrective Action Taken: Resolved.</b> Management has established procedures to monitor purchases of similar goods or services on a regular basis to identify items that should be purchased under competitive procurement procedures.
<b>Finding 08-06</b> Inadequate monitoring of FEMA expenditures and related reporting	<b>Corrective Action Taken: Resolved.</b> Procedures have been implemented to monitor all federal expenditures and related reporting.

**CITY OF LA MARQUE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2009**

**V. Corrective Action Plan**

**Finding 09-01**

Accounting for governmental funds using the modified accrual basis of accounting and the accrual basis for enterprise funds

**Response:** Management agrees that Modified Accrual Basis of Accounting will be utilized for all governmental funds and the Accrual Basis for all enterprise funds as required by Generally Accepted Accounting Standards.

**Estimated Date of Completion:** Stands resolved at this time.

**Contact:** Karen Cooper, Finance Director

**Finding 09-02**

Controls over personnel records

**Response:** Management agrees to implement controls to ensure the accuracy and completeness of personnel records as well as limit access to personnel files.

**Estimated Date of Completion:** November 30, 2010

**Contact:** Karen Cooper, Finance Director

**Finding 09-03**

Control procedures over journal entries

**Response:** Management agrees to establish written procedures regarding controls over the preparation, approval and posting of journal entries.

**Estimated Date of Completion:** December 31, 2010

**Contact:** Karen Cooper, Finance Director

**Finding 09-04**

Non-compliance with local investment policy

**Response:** Investment reports are now being submitted to council on a quarterly basis and include all required components of the Public Funds Investment Act.

**Estimated Date of Completion:** Stands resolved at this time.

**Contact:** Karen Cooper, Finance Director

**Finding 09-05**

Monitoring of file documentation for compliance

**Response:** Management agrees to monitor files to ensure compliance with program guidelines.

**Estimated Date of Completion:** December 31, 2010

**Contact:** Karen Cooper, Finance Director

**CITY OF LA MARQUE, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended September 30, 2009*

*Exhibit J-1*

<b>Federal Grantor / Pass-through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
<i>Direct Program:</i>		
Section 8 Housing Assistance Program	14.871	\$ 299,266
<b>Total direct programs</b>		<u>299,266</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>299,266</u>
<b>U.S. Department of Homeland Security</b>		
<i>Passed through to Texas Department of Public Safety</i>		
Public Assistance Grant - FEMA Aid	97.036	1,669,429
<b>Total pass through programs</b>		<u>1,669,429</u>
<b>Total U.S. Department of Homeland Security</b>		<u>1,669,429</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 1,968,695</u>

**CITY OF LA MARQUE, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended September 30, 2009*

1. **Basis of Presentation:** The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of La Marque, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
2. The City utilizes the fund types and accounting policies as detailed in Note I of notes to the financial statements.

Special revenue funds – These funds are established to account for federally-financed or expenditures legally restricted for specified purposes. Generally, any unused balances are returned to the grantor at the close of specified project periods. Project accounting is utilized to maintain integrity for the various sources of funds.

The Section 8 Housing Assistance Program is accounted for in a Special Revenue Fund. Expenditures for this program are not specifically attributable to the Federal revenue source and are shown on this schedule in an amount equal to revenue for balancing purposes only.

3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. Within this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for governmental fund types. This basis of accounting recognized revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded in the accounting period in which the fund liability is incurred, if measurable.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

4. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement (March 2009).