

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

CITY OF WEBSTER, TEXAS

Year Ended
September 30, 2006

**CITY MANAGER
Michael W. Jez**

Prepared by:

**Terry L. Knudsen
Director of Finance**

**Melinda Caperton, CGFO
Accounting Manager**

**Stephen Shen
Accountant**

Please visit us at our website at: www.cityofwebster.com

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CITY OF WEBSTER, TEXAS

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INTRODUCTORY SECTION

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December 8, 2006

To the Honorable Mayor
Members of City Council and
Citizens of the City of Webster, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Webster, Texas (the "City"), for the fiscal year ended September 30, 2006, is hereby submitted. Responsibility for both the accuracy of the 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 are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as a management's discussion and analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

- The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results and financial position of the government as an economic entity.
- Following the government-wide statements are fund financial statements for the primary government (City) and proprietary fund.
- The notes to the financial statements disclose information essential for the fair presentation of the basic statements that is not displayed in the financial statements.
- The management's discussion and analysis (MD&A) gives an objective and easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions. It presents short and long-term analysis of the City's activities. The City of Webster's MD&A can be found immediately following the independent auditors' report.
- Required supplementary information (RSI) is financial information that GASB standards require to be presented with, but outside of, the financial statements. The RSI that GASB Statement No. 34 requires is MD&A (noted above), budgetary comparison schedules for the general fund and hotel and motel tax fund, and a schedule of funding progress.

PROFILE OF THE CITY

The City of Webster was considered a village from 1879 until 1958, the year it was incorporated. Webster's population grew from 329 in 1960 to a little under 10,000 today. The City adopted a council-manager form government in 1994. Policymaking and legislative authority are vested in the City Council consisting of the mayor and six council members, who are elected at large to serve staggered three-year terms. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies of the City Council, for overseeing the day-to-day operations of the City and for hiring the department directors, subject to Council approval.

The City of Webster provides the full range of municipal services contemplated by ordinance and the City Charter. This includes general administrative services, police and fire protection, street construction and maintenance, planning and zoning, recreational activities, a water distribution system, wastewater collection and treatment. Sanitation services and emergency medical services are provided under contracts with private firms. The financial reporting units of the City are funds. The Webster Economic Development Corporation is reported as a Component Unit for which the City is financially accountable.

BUDGET

The budget is required by City Charter, which controls many facets of the budgeting process. The budget is used to plan for the use of funds generated through a variety of revenue sources to provide services for the benefit of citizens in the community. The budget text provides the following:

- a.) Identifies revenue sources and amounts to provide for services delivered during the next fiscal year (October through September);
- b.) Approves the expenditure of monies to deliver the services provided by each of the respective operating divisions;
- c.) Provides a basis for financial recording and control of the approved revenue and expenditure dollars.

The budget process is a systematic approach to plan for the new year. The process is established to gain input from the citizens, the City Council, and the City Staff. The budget process initially begins with an evaluation by Council and staff of programs, projects, services, and policies of the City. These programs, projects, services and policies may be new or existing. Critical in the process is determining at what level the programs, projects, services, and policies will serve. Also considered is not only the impact on the budget being formulated, but also on the City and its budget in the future for the next several years. These considerations are balanced by the City's ability to pay for each; in essence, how much revenue can be generated through taxes, fees, etc., putting the least amount of burden on the citizens.

The City Manager shall submit to the City Council a proposed budget for the next fiscal year by July 30th of the current year. The budget shall provide a complete financial plan of all city funds and activities. A budget message explaining the budget both in monetary (\$) terms and in terms of the work programs involved shall be included. It will indicate any major changes from the current year in revenue and expenditures with reasons for such changes. The budget will provide a clear summary, shall detail income and expense items, and summarize the City's position. The budget will list itemized revenue sources and an itemized estimate of each department or division. Tasks, goals, and objectives for each division will be included. The budget will provide a capital improvements program with cost estimates.

The City Manager at any time may transfer any unused balance of a line item of a department to another line item within the same department or division. At the request of the City Manager, City Council may, by ordinance, transfer any unused balance of a department to another department; City Council may also amend the budget by increasing a departmental budget appropriation. The City Manager shall ascertain that income is available for amendment.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriate annual budget has been adopted. For the general fund and hotel and motel tax fund (major special revenue fund), these comparisons are in the Required Supplementary Information (RSI). For governmental funds, other than the general fund and hotel and motel tax fund, those comparison schedules are presented in the combining statements and schedules subsection of this report.

ECONOMIC CONDITON AND OUTLOOK

The City of Webster, Texas, is the “Gateway to the Bay Area” located 25 miles from downtown Houston. The City is ideally situated approximately halfway between Houston and Galveston on Interstate 45. Accordingly, the economy of the City is directly tied to activity in the Greater Bay Area Houston region. Houston’s Hobby Airport and Ellington Field Airport are just 15 and 10 miles away, respectively. In addition, the City of Webster is rapidly developing as a center of excellence within the medical care community. A number of new medical facilities were recently completed (Surgical Arts Center of Clear Lake, Bay Area Houston Medical Plaza, Webster Medical Enclave) and several others are under construction, notably the Cheyenne Medical Office Building, which will be the region’s first LEED certified “green” building. The Heart Hospital, a major expansion (\$90M) to Clear Lake Regional Hospital, is scheduled to open in late 2007. These not only significantly contribute to the property tax base, but also bring new jobs. All this increases the City’s retail tax base as new consumers enjoy the fine dining and shopping experience offered in Webster. Directly to the east of the City lies NASA’s Johnson Space Center, a major employer of the area and a popular tourist destination.

The Houston region as a whole has enjoyed a robust economy over the last several years. The economic growth has brought about rapid commercial development throughout the area, and the City has particularly benefited from this development activity. The City’s intrastate corridor leading to two major metropolitan areas, as well as its entryway to the Bay Area, has provided an excellent location for retail business. The City enjoys a greater density of retail business than many other communities and has the highest per capita collection of sales tax for all of Harris County. The City is optimistic for continued expansion of the sales tax base, notably the opening of Academy Sports and Outdoors. An additional 500 jobs will be created with planned expansion in the medical community. The restaurateurs and other hospitality venues enjoy a favorable economic environment with continued stability. New banks include Wells Fargo and Comerica Bank. The highly diverse business community provides a strong economic base resulting in low taxes and excellent services for its citizens. The continued emphasis on beautification, landscaping, and increased mobility makes the City an excellent community to live in and an excellent area in which to establish a new business. New construction values of \$153 million were filed last year and \$78 million were filed this year.

The economic vitality of Webster continues with a resurgence of retail sales led by Fry’s Electronics and Academy. Sales tax revenues projected for the current year are 9% (\$826,167) greater than last year. This growth is expected to continue, with budgeted revenue of \$10,224,000 for next year. The completion of three new apartment complexes will bring a significant increase to our retail potential. The location of an ITT Technical Institute in Webster and Remington College will add 750 students to our daily consumer influx. The addition of one hotel during the year and another planned for next year, as well as three others in planning, for a total of 16, brings additional vitality to Webster.

Progress continues on the 500 acre master-planned community known as Edgewater. The development will contain residential, commercial property, and a marina. The final plat for the 67 acres of section one has been approved.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

With the rebound of sales tax, coupled with new growth to property value; came a resurgence of activity to support the City's commercial constituents and enhance services provided to citizens. Many of the notable achievements during the year reflect this focus:

- Adopted a balanced budget without a property tax increase;
- Maintained pro active and perhaps aggressive economic development initiatives;
- Issued Webster Economic Development Corporation (WEDC) Sales Tax Refunding and Improvement Revenue Bonds;
- Fostered economic development partnerships, specifically Cherokee Investment Partners for reclamation of blighted brown fields to be turned into a model for master planned community development;
- Initiated implementation of OSSSI automated ticket-writing system for police patrol units with simultaneous Municipal Court interface;
- Continued with Community Orientated Policing by developing an implementation strategy for specific goals;
- Implemented a "Bar-Code" system in order to maintain an accurate inventory list for pieces of evidence;
- Expanded regional dispatching plan with central jail facilities;
- Negotiated new dispatching contracts with Forest Bend and City of Nassau Bay;
- Fire Department obtained certification as a State Certified Training Facility, which enabled them to hold a Basic Firefighter 468 hour training academy;
- Submitted TCEQ permit application for expansion of the wastewater treatment plant;
- Initiated GIS mapping of water infrastructure improvements;
- Continued landscaping improvements with 16 new flower beds on Bay Area Boulevard and 12 new flower beds on Medical Center Boulevard;
- Initiated long-range maintenance planning;
- Completed recreation building rehabilitation;
- Successfully implemented on-line auction for surplus equipment;
- Continued website improvements/enhancements;
- Achieved GFOA Certificate of Achievement for Excellence in Financial Reporting;
- Received GFOA Distinguished Budget Presentation Award;
- Initiated electronic filing (laser fiche) for financial applications;
- Upgraded software applications for Public Works, Human Resources, Building/Permits, and Fire reporting;
- Continued upgrades to server network and personal computers throughout the City;
- Initiated "On the Spot" awards for employees;
- Trained 90% of personnel on principle – centered leadership and behavior (Covey's 7 Habits);
- Reaffirmed the City's compensation philosophy to manage employees: at market value, around the midpoint, and to continue the pay for performance (merit) program.

CAPITAL IMPROVEMENT PROGRAM (CIP)

A capital improvement program (CIP) is a fiscal planning tool that identifies capital improvement projects, prioritizes these projects, and schedules them for funding and implementation. Capital improvement programming provides the decision-makers in Webster with the ability to gain an overall perspective on new development in the City and to coordinate governmental capital improvement and outlay plans with general community growth and expansion. This enables the City to foresee repair and replacement needs. A CIP helps assure logical development of public facilities and helps avoid concentrating too much on certain types of projects to the exclusion or detriment of other public facility and capital needs.

A capital improvement program is an important capital and fiscal planning tool. The CIP, if exercised skillfully and with good judgment, will help Webster:

1. Select projects which address the most pressing need(s);
2. Eliminate projects that are favored by one or more groups in the community but have a low overall Priority;
3. Prevent projects from being undertaken either too soon, causing unnecessary carrying costs, or too late, after the need for the project is upon the City and planning must be done in a crisis situation.

The capital budget is only as good as the plan for financing the proposed projects. The number of public improvements a municipality can finance generally depends on:

1. The level of recurring future operating expenditures;
2. The current level of debt (bonded indebtedness);
3. The legal limit of debt it may incur (bonded capacity);
4. Any potential sources of additional revenue available for capital improvement financing (sales tax).

Financial analysis and planning are needed for intelligent capital improvement programming. The three elements that must be clearly understood are:

1. The relationship between the revenue program (based on the economic vitality of the community) and the operating budget (based on a program of public services), with the resulting cash funds available to pay in whole or in part for capital improvements or to meet the obligations of debt service;
2. The new debt structure of the community and its ability to incur new debt;
3. Policies and legal mandates dealing with revenues, operating expenditures, capital improvements, bonds, and the relations among and between them.

The following benefits should accrue to the City of Webster:

Planning/Policy Making/Priority Setting Benefits

1. Identifies needs and directs attention to community deficiencies and stimulates action to correct them;
2. Enables policymakers and citizens to gain a long-range picture of future activities and responsibilities;
3. Evaluates and refines comprehensive plan proposals and program improvements outlined in the plan;
4. Provides safeguards against public improvements becoming problems or liabilities to the City as opposed to assets;
5. Designs a program based on a comprehensive plan to give justification to needed projects; coordinates and describes work activities with developers, other governmental agencies, public utilities, and the public to assure appropriate services are rendered when and where necessary;
6. Assures maximum benefit is derived from available funds since needs would be planned in advance in a logical manner and on an impartial basis for the entire community;
7. Assists City Council in making decisions relative to capital expenditures. Capital expenditure decisions are critical because they are generally irreversible for an extended period of time. Mistakes in such circumstances are long-lasting and likely to be very costly.

Programming Benefits

1. Helps schedule projects over time so the different steps in the development of an area logically follow each other (e.g., the sewer line is replaced and then the street is repaved);
2. Allows adequate lead time to schedule the various tasks needed to plan, design, and build new Facilities;
3. Reduces projects' implementation problems due to inadequate planning and design time which can lead to building facilities that do not meet the community needs as well as they could;
4. Enables the City to more fully participate in Federal and State Grant programs where plans are

- made in advance to take advantage of anticipated or unanticipated fund openings;
- Allows for advance acquisition of land which can greatly reduce the land costs for a project.

Fiscal Management Benefits

- Defines the limits of the local government’s financial capability through financial analysis;
- Develops a major policy-setting tool as well as a financial management tool to bring together the needs and desires for facilities with the financial capacity of the City;
- Coordinates the level of capital expenditures from year to year in an effort to stabilize the tax rate;
- Coordinates capital costs with revenue sources to avoid increasing the debt service demands on the budget.

A list of major capital improvement projects completed during the current year can be found in the MD&A under the capital assets section and, in the notes to financial statements, a list of construction in progress and remaining commitments related to construction contracts can also be found.

Next year the City will consider issuing sewer revenue bonds in the amount of \$6.2 million for the expansion of the wastewater treatment plant.

Webster Economic Development Corporation – Capital Improvement Bond Fund – Status

During the year \$16,318,901 was spent on projects. Outstanding project commitments total \$3,510,980. The amount of \$185,648 is held as a contingency for the Live Oak and Orchard Street extension projects.

Completed projects with final costs:

NASA Rd. 1 W/S Phase I	\$ 802,692
NASA Rd. 1 W/S Phase II	3,190,239
Texas Avenue South/Kobayashi Ext	1,831,587
Knights Bridge Extension Phase I	1,020,428
FM 528 Lift Station – Construction	431,914
NASA Rd. 1 Landscaping	250,020
Sarah Deel Traffic Signal (KB Ph II)	34,409
Alley Paving – 309 Henrietta	23,500
Blossom / Plumley	602,967
NASA Rd. 1 W/S	391,265

Active WEDC projects:

	<u>Budget</u>	<u>Spent</u>	<u>Balance</u>
Texas Avenue North Phase II	\$1,050,950	\$1,671,491	\$ 0 *
NASA Rd. 1 Bypass Extension	142,300	50,612	91,688
Live Oak Thru Extension	810,970	500,830	310,140
Orchard Street Extension	1,574,390	912,995	658,395
Traffic Signal – Blossom St.	74,010	73,290	720
NASA Rd. 1 Bypass Phase II	500,000	500,000	0
NASA Rd. 1 Bypass Phase I	2,007,320	1,951,795	55,525
Texas Avenue Park	2,090,920	2,079,649	11,271
Bay Drive Extension	518,690	449,126	69,564
Magnolia Median Cut	66,210	67,759	0
Magnolia Offsite Drainage	70,000	66,245	3,755

* Excludes \$809,153 reimbursement from Harris County received 10/04/06.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining internal control designed to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure that adequate accounting data is completed to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived, and (2) the evaluation of costs and benefits require estimates and judgments by management.

We believe the City's accounting controls 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 functions.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General, Special Revenue, Debt Service, and Enterprise Funds are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each department. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. Budgetary control for Capital Projects Funds is achieved through legally binding construction contracts and projects budgets, as modified on an annual basis.

The City of Webster's financial statements have been audited by Sandersen Knox & Belt, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Webster for the fiscal year ended September 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City of Webster's financial statements for the fiscal year ended September 30, 2006, and that they are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Webster for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2005. This was the 20th consecutive year the City of Webster has received this prestigious award. The City was awarded a Certificate of Achievement, because it published an easily readable and efficiently organized CAFR. This report satisfied both GAAP, applicable legal requirements, and was prepared as compliant with GASB 34.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Programs' requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Webster also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2005. In order to qualify for the Distinguished Budget Presentation Award, the City of Webster's budget document was judged to be proficient as a policy document, a financial plan, an operating guide, and a communications device.

Acknowledgements

The preparation of this report was accomplished with the efficient and dedicated services of the entire staff of the Finance Department with actual GASB 34 compilation by Sandersen Knox and Belt, L.L.P., CPAs. We would like to express our appreciation to all members of the departments who assisted and contributed to its preparation. We would also like to thank the Mayor, members of the City Council, and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and prudent manner.

Respectfully submitted,

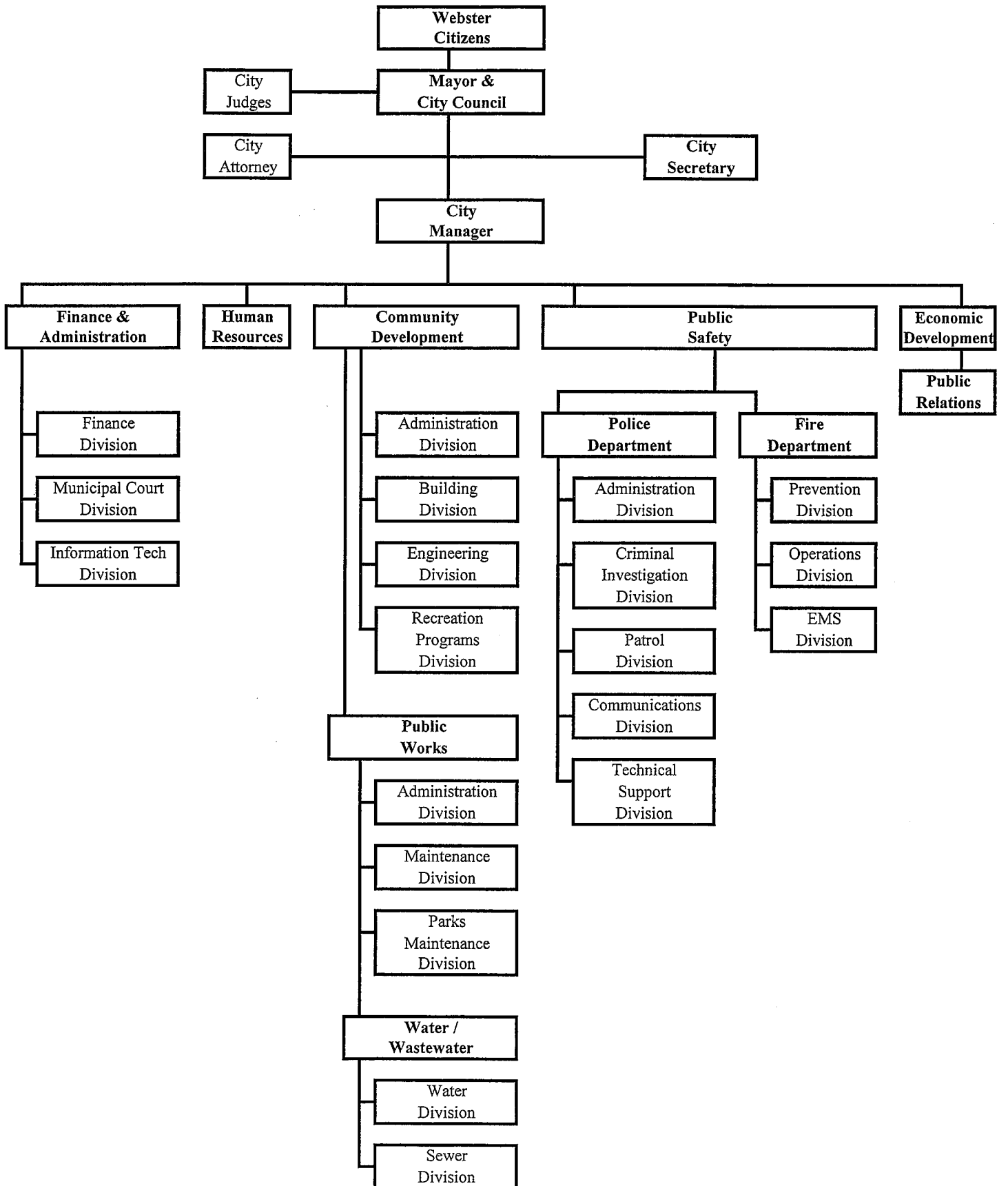
A handwritten signature in cursive script, appearing to read "Terry L. Knudsen".

Terry L. Knudsen
Director of Finance

CITY OF WEBSTER, TEXAS

Organization Chart

September 30, 2006



CITY OF WEBSTER, TEXAS
*CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING*
September 30, 2006

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Webster
Texas

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

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



President

Executive Director

CITY OF WEBSTER, TEXAS

PRINCIPAL OFFICIALS

September 30, 2006

<u>City Officials</u>	<u>Elective Position</u>	<u>Term Expires</u>
Donna Rogers	Mayor	05/2008
Melvin Ellis	Council Member – Position No. 1	05/2009
Beverly Gaines	Council Member – Position No. 2	05/2009
Natalie Dolan	Council Member – Position No. 3	05/2007
Jack Temple	Council Member – Position No. 4	05/2007
Carlos Villagomez	Council Member – Position No. 5/Mayor Pro-Tem	05/2007
Floyd Myers	Council Member – Position No. 6	05/2008

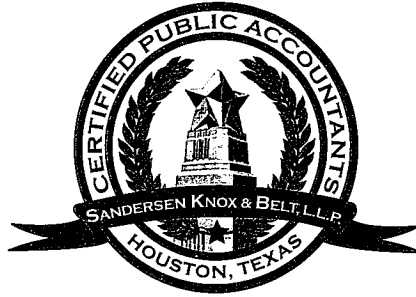
<u>Key Staff</u>	<u>Position</u>
Michael W. Jez	City Manager
Terry L. Knudsen	Director of Finance
Pauline Small	City Secretary
Dick Gregg, III	City Attorney/Prosecutor
Glenn Chaney	City Judge
Raymond J. Smiley	Police Chief
James E. Williams	Director of Community Development
Sara S. Gallagher	Director of Human Resources
Jamie Galloway	Fire Chief
Betsy Giusto	Director of Economic Development

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Webster, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Webster, Texas (the "City"), as of September 30, 2006, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The management's discussion and analysis on pages 19 through 30, budgetary comparison information on pages 80 through 83, and pension information on page 85 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's basic financial statements. The introductory section, combining statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

December 8, 2006

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

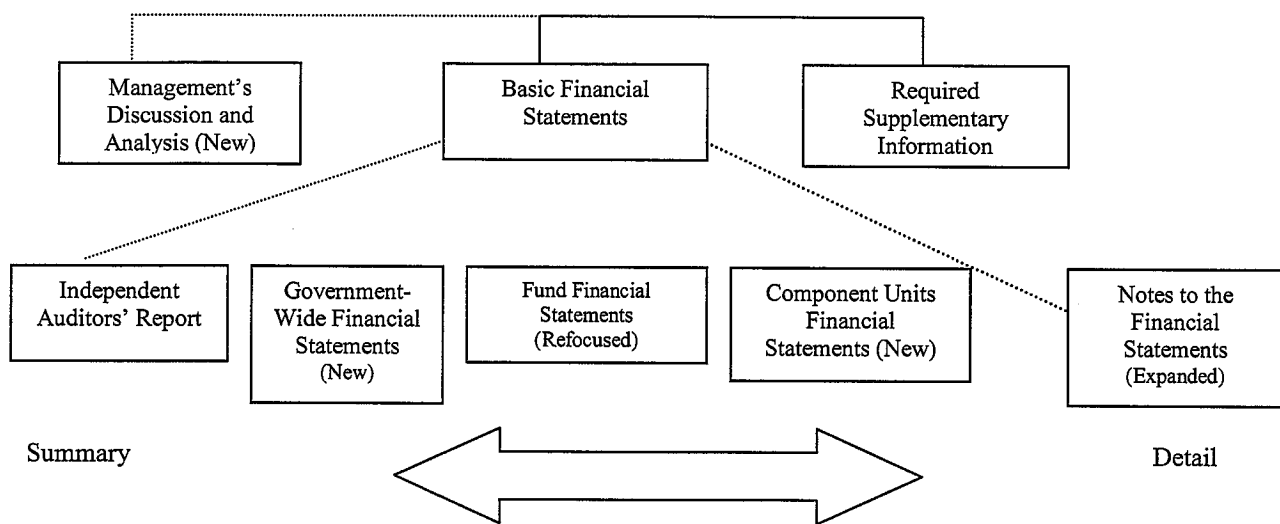
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CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 September 30, 2006

The purpose of the management's discussion and analysis (MD&A) is to give the readers an objective and easily readable analysis of the City of Webster's financial activities for the year ending September 30, 2006. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current-year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The Comprehensive Annual Financial Report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as the MD&A and certain other required supplementary information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The statement of net assets and the statement of activities, which appear first in the City's financial statements report information on the City's activities that enable the reader to understand the financial condition of the City of Webster. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

The statement of net assets presents information on all the City of Webster's assets and liabilities. The difference between the two is 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 Webster is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The statement of net assets and the statement of activities divide the City into three classes of activities:

1. Governmental activities - Most of the City's basic services are reported here, including: general government (City council, City secretary, City manager, finance, municipal court, information technology and human resources), public safety (police, fire, and emergency medical services), community development (building, engineering, recreational, parks, and economic development) Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines and permit fees finance most of these activities.
2. Business-type activities - Services involving a fee for those services. These services, the City's water distribution and wastewater collection/treatment, are reported here.
3. Component units - The City of Webster itself is the primary government. The Webster Economic Development Corporation (WEDC) is established as a separate legal entity. The City maintains financial accountability, thus WEDC is reported as a *component unit*, separate from the financial transactions of the City.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Webster. They are usually segregated for specific activities or objectives. The City of Webster uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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 year. Such information may be useful in evaluating the City's near-term financing requirements.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

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 Webster maintains 13 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, the debt service fund, and the street construction fund, which are considered to be major funds. Management has elected to present the hotel and motel tax fund as a major fund with singular presentation rather than aggregated with the other special revenue funds. Data from the other nine governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution, wastewater collection/treatment, water and sewer impact (CIP), and water construction operations. Management would note that sanitary collection services are provided by a third party contract, which provides their own billing function. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements, starting on page 51.

Other Information

In addition to basic financial statements, the MD&A, and accompanying notes, this report also presents certain required supplementary information (RSI). The RSI that GASB Statement No. 34 requires includes budgetary comparison schedules for the general fund and hotel and motel tax fund and schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City of Webster, assets exceed liabilities by \$64,931,101 as of September 30, 2006, in the primary government, which is an improvement in the City's overall financial position compared to the prior year.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

As required by GASB Statement No. 34, a comparative analysis of government-wide data has been presented as a component of the MD&A for the year ending September 30, 2006.

The largest portion of the City's net assets (72.3%) reflects its investments in capital assets (e.g., land, city hall, police station, fleet equipment, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves can not be used to liquidate these liabilities.

Statement of Net Assets:

The following table reflects the condensed statement of net assets:

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 15,532,032	\$ 15,666,104	\$ 5,321,266	\$ 3,705,633	\$ 20,853,298	\$ 19,371,737
Capital assets, net	54,769,910	50,190,354	12,990,258	13,018,963	67,760,168	63,209,317
Total Assets	70,301,942	65,856,458	18,311,524	16,724,596	88,613,466	82,581,054
Long-term liabilities	21,579,180	22,617,031	503,354	553,279	22,082,534	23,170,310
Other liabilities	1,237,654	1,016,795	362,177	343,713	1,599,831	1,360,508
Total Liabilities	22,816,834	23,633,826	865,531	896,992	23,682,365	24,530,818
Net Assets:						
Invested in capital assets, net of related debt	33,987,295	28,559,397	12,990,258	13,018,963	46,977,553	41,578,360
Restricted	2,864,520	3,909,606	-	-	2,864,520	3,909,606
Unrestricted	10,633,293	9,753,629	4,455,735	2,808,641	15,089,028	12,562,270
Total Net Assets	\$ 47,485,108	\$ 42,222,632	\$ 17,445,993	\$ 15,827,604	\$ 64,931,101	\$ 58,050,236

A portion of the primary government's net assets, \$2,864,520 or 4.41%, represents resources that are subject to external restriction on how they may be used. These restrictions include monies accounted for in special revenue funds for municipal court programs as well as capital project funds that represent unspent bond proceeds at the fund level. The remaining balance of unrestricted net assets, \$15,089,028 or 23.2%, may be used to meet the City's ongoing obligation to citizens and creditors.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

Statement of Activities:

The following table provides a summary of the City's changes in net assets:

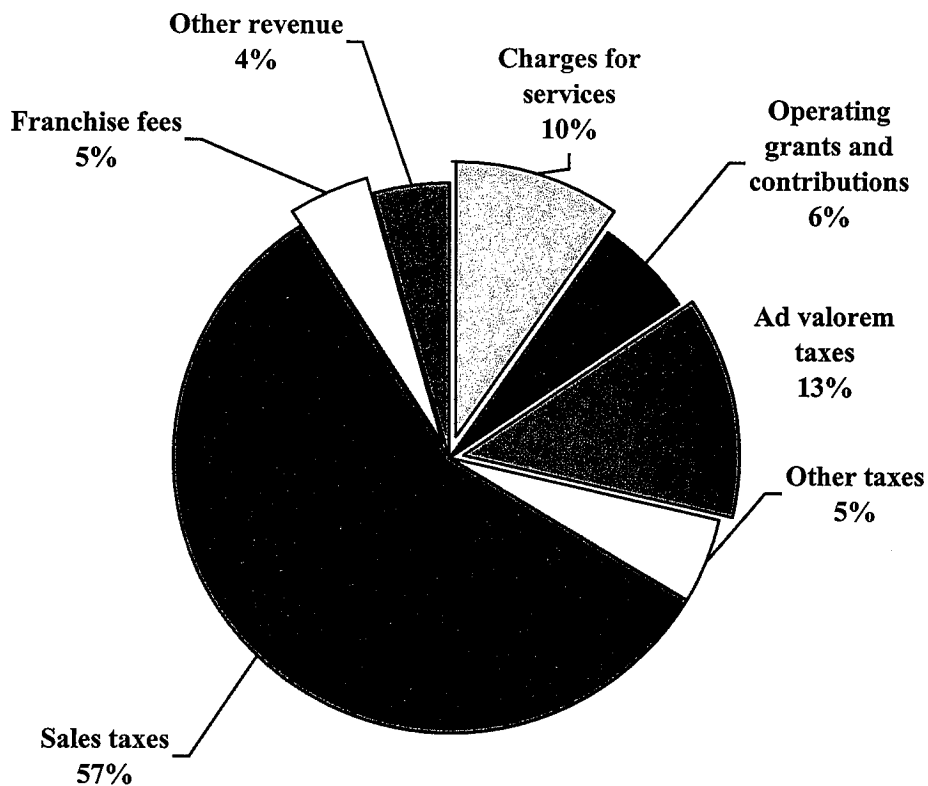
CHANGES IN NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 1,661,935	\$ 1,535,244	\$ 2,717,466	\$ 2,355,534	\$ 4,379,401	\$ 3,890,778
Operating grants and contributions	1,043,288	1,664,269	-	-	1,043,288	1,664,269
Capital grants and contributions	-	-	377,000	-	377,000	-
General revenues:						
Ad valorem taxes	2,228,993	2,274,512	-	-	2,228,993	2,274,512
Sales taxes	9,940,030	8,972,603	-	-	9,940,030	8,972,603
Franchise and local taxes	822,881	777,018	-	-	822,881	777,018
Other taxes	869,890	748,656	-	-	869,890	748,656
Other revenues	745,484	426,897	447,130	998,876	1,192,614	1,425,773
Total Revenues	<u>17,312,501</u>	<u>16,399,199</u>	<u>3,541,596</u>	<u>3,354,410</u>	<u>20,854,097</u>	<u>19,753,609</u>
Expenses						
General government	3,715,779	3,266,448	-	-	3,715,779	3,266,448
Public safety	6,485,161	6,436,542	-	-	6,485,161	6,436,542
Community development	4,187,250	3,817,687	-	-	4,187,250	3,817,687
Interest and fiscal agent fees on long-term debt	1,242,184	1,165,289	-	-	1,242,184	1,165,289
Water	-	-	1,314,426	1,331,436	1,314,426	1,331,436
Sewer	-	-	1,172,291	1,181,352	1,172,291	1,181,352
Total Expenses	<u>15,630,374</u>	<u>14,685,966</u>	<u>2,486,717</u>	<u>2,512,788</u>	<u>18,117,091</u>	<u>17,198,754</u>
Increase in Net Assets						
Before Transfers	1,682,127	1,713,233	1,054,879	841,622	2,737,006	2,554,855
Transfers	(563,510)	295,420	563,510	(295,420)	-	-
Capital contributions from component unit	4,143,859	972,830	-	-	4,143,859	972,830
Change in Net Assets	5,262,476	2,981,483	1,618,389	546,202	6,880,865	3,527,685
Beginning Net assets	42,222,632	39,241,149	15,827,604	15,281,402	58,050,236	54,522,551
Ending Net Assets	<u>\$ 47,485,108</u>	<u>\$ 42,222,632</u>	<u>\$ 17,445,993</u>	<u>\$ 15,827,604</u>	<u>\$ 64,931,101</u>	<u>\$ 58,050,236</u>

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

GOVERNMENTAL REVENUES



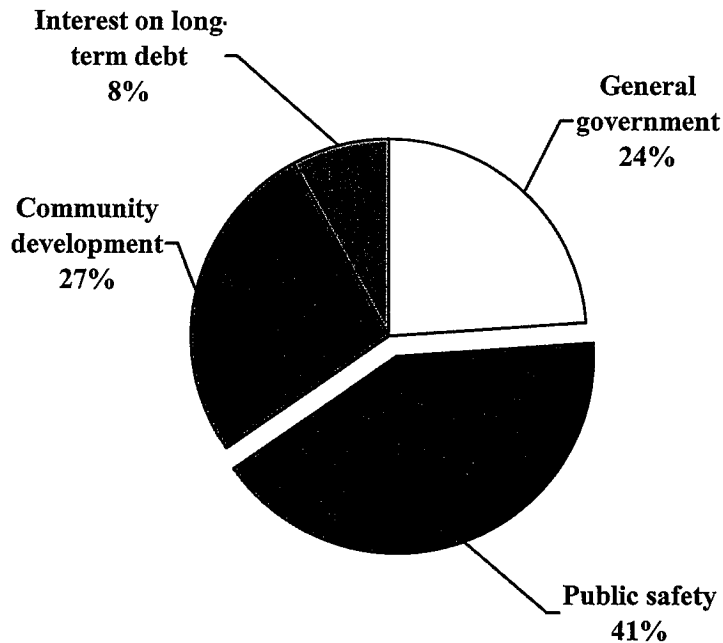
For the year ended September 30, 2006, revenues from governmental activities totaled \$17,312,501. Property and sales tax revenues continue to be the City's largest revenue sources. Sales tax revenue increased by \$967,427 because of the economic vitality of the City and the opening of several large retailers. Charges for services increased by \$126,691 over the last year with the largest attributing factors being from the addition of a second motorcycle traffic unit, revising fee schedules for recreation programs, and entering into several interlocal agreements. Investment income rose by \$245,085 as a result of higher interest rates.

Other taxes increased 16.2% over the prior year primarily as a result of an increase in hotel and motel taxes with the additional influx of hurricane evacuees in the first quarter of the year. Franchise fees, collected from electric, gas, cable and telephone/telecommunications utilities, totaled \$822,881 for the year ended September 30, 2006, a modest increase from the prior year of 5.9%.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

This graph shows the governmental function expenses of the City, excluding payments to component units in order to reflect the functional nature of the City's expenses.

GOVERNMENTAL FUNCTIONAL EXPENSES



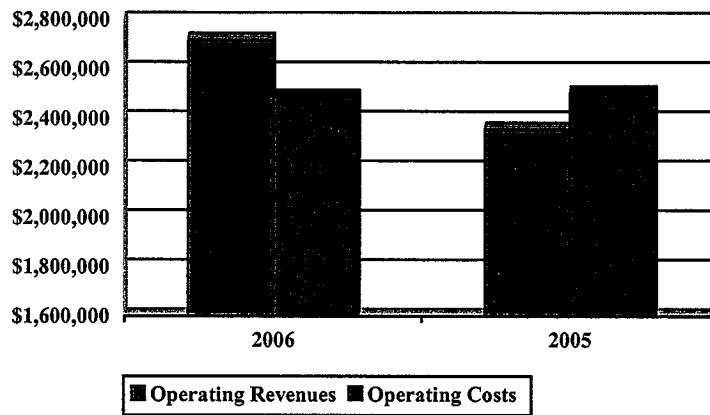
For the year ended September 30, 2006, expenses for governmental activities totaled \$15,630,374. This represents an increase of \$944,408 over last year. During the year, energy/utilities and gasoline costs increased dramatically resulting in increased expenses. Expenses per capita were \$1,766, up from last year.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

Business-type activities are shown comparing operating costs to revenues generated by related services.

BUSINESS-TYPE ACTIVITIES

Revenue vs. Costs
(Dollars in millions)



The City's business-type activities include the operations of providing water and sewer services. In comparison to the prior year, operating revenues increased by \$361,932 or 15%. The City raised residential and commercial rates in accordance with a five-year capital improvement plan. Operating costs are lower than the prior year due to high maintenance and repair expenses in the fiscal year ending September 30, 2005.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of 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 the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$13,982,949. Of this, \$4,367,376 is designated, and \$3,422,689 is reserved for outside restrictions, prepaid expenses, and a fund advance.

There was a decrease in the combined fund balance of \$324,744 over the prior year. This is largely attributable to an increase in capital outlay during the year. There had been a planned decrease in budgeted fund balance in the amount of \$710,610 in the general fund. However, the net change in fund balance increased by \$1,093,243 with a positive variance of \$1,803,853 from budgeted as amended over actual. The City's fund balance policy for the general fund is a 3-month reserve. The general fund's unreserved, undesignated fund balance of \$6,192,884 is estimated to be \$3,087,691 over policy. Management has designated over \$1 million of fund balance for a variety of capital purchases including public safety vehicles and equipment, software, park improvements, land acquisition, and other various capital items.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

There was an increase of \$81,072 in the debt service fund balance to \$933,696, as compared to a budgeted increase of \$60,980. Principal and interest debt service payments totaled \$2,092,101 for the year, \$2,369 under budget.

The hotel and motel tax fund experienced a positive budget variance of \$150,357, increasing the fund balance by \$84,887. This overall variance can be primarily attributed to the increase in hotel and motel taxes received as well as investment earnings.

The street construction fund had expenditures in excess of revenues of \$767,302 due to capital expenditures related to the NASA Road 1 Bypass.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenue and other financing sources exceeded expenditures and other financing uses by \$1,093,243 in the general fund for year 2006.

Actual general fund revenues exceeded original and amended budgeted revenues by \$612,469 during 2006. This increase is attributable to the positive variances of \$152,021 for licenses and permits, \$235,710 for fines and forfeitures, and \$133,784 for other revenue.

During the 2006 year, City Council amended the budget for the following purposes:

- To re-appropriate monies to pay for merit pay and market adjustments for payroll;
- To provide additional funds for the equipment replacement fund;
- To appropriate additional monies for several large capital items based on an increase in budgeted sales tax revenue.

As the purchase of certain capital items did not occur prior to the end of the fiscal year, general fund expenditures were substantially under the amended budget by \$1,158,006. These items have been designated within the ending fund balance for the general fund as of September 30, 2006.

CAPITAL ASSETS

At the end of year 2006, the City's governmental activities funds had invested \$71,428,196 in a variety of capital assets and infrastructure. This represents a net increase of \$5,007,712. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with an increase in the amount of \$1,867,518.

Major capital asset events during the current year include the following:

- Completion of the Recreation Building, Phase I for a total cost of \$151,802;
- Completion of Texas Avenue Park in the amount of \$2,079,650.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

Construction in progress at year end represents numerous ongoing projects, the largest of which relates to the NASA Road 1 Bypass Phase II, Texas Avenue North Phase II, Live Oak & Orchard Street Extensions, and the Beamer Road Water Line.

More detailed information about the City's capital assets is presented in note IV. C. in the notes to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds, certificates of obligation, and obligations to the State outstanding of \$22,009,353. Of this amount, \$17,756,264 was general obligation debt, and certificates of obligation account for \$4,210,000.

More detailed information about the City's long-term liabilities is presented in note IV. D. in the notes to the financial statements.

Current underlying ratings on debt issues are as follows:

	Moody's	
	Investors	
	Service	Standard and
General obligation bonds	<u>A3</u>	<u>Poor's</u>
		A

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Webster City Council approved a \$21.0 million budget for the 2007 year, including the component unit. This is a 12.3% increase which includes implementing City Council directives and organizational strategies adopted in the past year. The budget incorporates a property tax rate remaining at \$.25750 per \$100 of assessed value. The City has one of the lowest tax rates in the Houston Metropolitan Statistical Area. Originally assessed taxable valuations, excluding supplemental assessments, increased by 1.2% to \$860 million. Budgeted sales tax receipts comprise 60% of all city-wide revenue sources and 74% of general fund revenue. Water and wastewater billings were resumed for single family residential customers in October 2004 as a result of the cost of service and rate design study performed in the previous year, and rate increases have been implemented according to a five-year capital improvement plan.

Building permits remain relatively strong. Construction value of \$73.9 million was generated by 117 commercial permits, and a \$3.8 million valuation increase from 22 residential permits issued in the 2006 fiscal year. The occupancy rate based on square footage for retail centers was 83% as of September 30, 2006.

Transportation corridors through the City remain a high priority as evident with the Texas Avenue North, Orchard Street and Live Oak extensions, and Rice Creek Lane projects. The economic viability of the City is maintained by the Webster Economic Development Corporation, which fosters the creation of new and expanded commercial development.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Webster's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Director of Finance, City Hall, 101 Pennsylvania, Webster, TX, telephone 281.316.4102, or for general City information, visit the City's website at www.cityofwebster.com.

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BASIC FINANCIAL STATEMENTS

CITY OF WEBSTER, TEXAS

STATEMENT OF NET ASSETS

September 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,511,342	\$ 3,964,668	\$ 9,476,010
Investments	6,995,311	1,020,059	8,015,370
Receivables (net of allowance for uncollectible)	2,712,273	327,523	3,039,796
Internal balances	(5,576)	5,576	-
Prepaid items	12,395	3,440	15,835
Deferred charges	306,287	-	306,287
Capital assets:			
Non-depreciable	8,912,050	580,302	9,492,352
Net depreciable capital assets	45,857,860	12,409,956	58,267,816
Total Assets	\$ 70,301,942	\$ 18,311,524	\$ 88,613,466
Liabilities			
Accounts payable and accrued liabilities	\$ 1,070,037	\$ 144,876	\$ 1,214,913
Customer deposits	15,300	217,301	232,601
Accrued interest payable	152,317	-	152,317
Noncurrent liabilities:			
Long-term liabilities due within one year	1,421,116	94,088	1,515,204
Long-term liabilities due in more than one year	20,158,064	409,266	20,567,330
Total Liabilities	22,816,834	865,531	23,682,365
Net Assets			
Invested in capital assets, net of related debt	33,987,295	12,990,258	46,977,553
Restricted for:			
Debt service	788,887	-	788,887
Special projects	1,637,634	-	1,637,634
Capital projects	437,999	-	437,999
Economic development	-	-	-
Unrestricted	10,633,293	4,455,735	15,089,028
Total Net Assets	\$ 47,485,108	\$ 17,445,993	\$ 64,931,101

See Notes to Financial Statements.

**Component
Unit**

\$	5,147,683
	2,049,315
	560,638
	-
	-
	455,953
	-
	-
<u>\$</u>	<u>8,213,589</u>

\$	480,072
	-
	11,838
	624,363
	15,066,555
<u>\$</u>	<u>16,182,828</u>

	-
	38,487
	-
	5,026,415
	2,186,461
	(15,220,602)
<u>\$</u>	<u>(7,969,239)</u>

CITY OF WEBSTER, TEXAS

STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 3,715,779	\$ 123,184	\$ 1,030,030
Public safety	6,485,161	1,094,780	13,258
Community development	4,187,250	443,971	-
Interest and fiscal agent fees on long-term debt	1,242,184	-	-
Total Governmental Activities	15,630,374	1,661,935	1,043,288
Business-type Activities			
Water	1,314,426	1,436,718	-
Sewer	1,172,291	1,280,748	-
Total Business-type Activities	2,486,717	2,717,466	-
Total Primary Government	\$ 18,117,091	\$ 4,379,401	\$ 1,043,288
Component Units			
Webster Economic Development Corporation	\$ 6,400,021	\$ -	\$ -
Total Component Units	\$ 6,400,021	\$ -	\$ -

General Revenues:

Taxes

 Ad valorem taxes

 Sales taxes

 Franchise and local taxes

 Other taxes

Investment earnings

Other revenues

Capital contributions from component unit

Transfers

Total General Revenues and Transfers

Change in Net Assets

Beginning Net Assets

Ending Net Assets

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (2,562,565)	\$ -	\$ (2,562,565)	\$ -
-	(5,377,123)	-	(5,377,123)	-
-	(3,743,279)	-	(3,743,279)	-
-	(1,242,184)	-	(1,242,184)	-
	(12,925,151)	-	(12,925,151)	-
-	-	122,292	122,292	-
377,000	-	485,457	485,457	-
377,000	-	607,749	607,749	-
\$ 377,000	(12,925,151)	607,749	(12,317,402)	-
\$ -	-	-	-	(6,400,021)
\$ -	-	-	-	(6,400,021)
	2,228,993	-	2,228,993	-
	9,940,030	-	9,940,030	3,313,343
	822,881	-	822,881	-
	869,890	-	869,890	-
	544,246	197,176	741,422	273,910
	201,238	249,954	451,192	-
	4,143,859	-	4,143,859	-
	(563,510)	563,510	-	-
	18,187,627	1,010,640	19,198,267	3,587,253
	5,262,476	1,618,389	6,880,865	(2,812,768)
	42,222,632	15,827,604	58,050,236	(5,156,471)
\$ 47,485,108	\$ 17,445,993	\$ 64,931,101	\$ (7,969,239)	

CITY OF WEBSTER, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2006

	General	Debt Service	Hotel and Motel Tax Special Revenue	Street Construction Capital Project
Assets				
Cash and cash equivalents	\$ 2,034,428	\$ 840,013	\$ 674,027	\$ 428,608
Investments	4,106,345	100,000	693,066	879,618
Receivables (net of allowance for uncollectible)	2,052,853	132,811	56,358	4,372
Due from other funds	9,935	-	-	-
Deposits	200	-	-	-
Advances to other funds	455,918	-	-	-
Prepaid items	12,195	-	-	-
Total Assets	\$ 8,671,874	\$ 1,072,824	\$ 1,423,451	\$ 1,312,598
Liabilities				
Accounts payable and accrued liabilities	\$ 869,445	\$ -	\$ 3,949	\$ 181,356
Customer deposits	-	-	15,300	-
Matured interest payable	-	7,508	-	-
Due to other funds	5,576	-	9,935	-
Deferred revenue	18,331	131,620	-	-
Total Liabilities	893,352	139,128	29,184	181,356
Fund Balances				
Reserved for:				
Prepaid items	12,195	-	-	-
Debt service	-	933,696	-	-
Special revenue	-	-	1,394,267	-
Capital projects	-	-	-	-
Advances	401,165	-	-	-
Unreserved, designated for, reported in:				
General fund	1,172,278	-	-	-
Capital projects funds	-	-	-	1,131,242
Special revenue funds	-	-	-	-
Unreserved and undesignated	6,192,884	-	-	-
Total Fund Balances	7,778,522	933,696	1,394,267	1,131,242
Total Liabilities and Fund Balances	\$ 8,671,874	\$ 1,072,824	\$ 1,423,451	\$ 1,312,598

Adjustments for the Statement of Net Assets:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Net Assets of Governmental Activities

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,534,266	\$ 5,511,342
1,216,282	6,995,311
9,961	2,256,355
-	9,935
-	200
-	455,918
-	12,195
<u>\$ 2,760,509</u>	<u>\$ 15,241,256</u>

\$ 15,287	\$ 1,070,037
-	15,300
-	7,508
-	15,511
-	149,951
<u>15,287</u>	<u>1,258,307</u>

-	12,195
-	933,696
243,367	1,637,634
437,999	437,999
-	401,165
-	1,172,278
565,787	1,697,029
1,498,069	1,498,069
-	6,192,884
<u>2,745,222</u>	<u>13,982,949</u>
<u>\$ 2,760,509</u>	

54,769,910

149,951

(21,417,702)

\$ 47,485,108

CITY OF WEBSTER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended September 30, 2006

	General	Debt Service	Hotel and Motel Tax Special Revenue	Street Construction Capital Project
Revenues				
Property taxes	\$ 441,265	\$ 1,791,699	\$ -	\$ -
Sales taxes	9,767,677	-	-	-
Franchise fees	822,881	-	-	-
Other taxes	380,359	-	489,531	-
Licenses and permits	443,971	-	-	-
Fines and forfeitures	992,710	-	-	-
Charges for services	91,924	-	31,260	-
Other revenue	163,094	-	366	-
Investment earnings	224,833	50,560	63,116	73,732
Contributions	700,000	330,030	-	-
Intergovernmental	8,735	-	-	-
Total Revenues	14,037,449	2,172,289	584,273	73,732
Expenditures				
Current:				
General government	2,775,953	-	37,766	-
Public safety	6,187,685	-	-	-
Community development	3,457,136	-	246,870	-
Capital outlay	-	-	-	841,034
Debt Service:				
Principal	-	940,182	-	-
Interest and fiscal charges	-	1,151,919	-	-
Total Expenditures	12,420,774	2,092,101	284,636	841,034
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,616,675	80,188	299,637	(767,302)
Other Financing Sources (Uses)				
Transfers in	729,990	884	-	-
Transfers out	(1,289,950)	-	(214,750)	-
Sale of capital assets	36,528	-	-	-
Total Other Financing Sources (Uses)	(523,432)	884	(214,750)	-
Net Change in Fund Balances	1,093,243	81,072	84,887	(767,302)
Beginning Fund balances	6,685,279	852,624	1,309,380	1,898,544
Ending Fund Balances	\$ 7,778,522	\$ 933,696	\$ 1,394,267	\$ 1,131,242

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,232,964
-	9,767,677
-	822,881
-	869,890
-	443,971
102,070	1,094,780
-	123,184
1,250	164,710
132,005	544,246
-	1,030,030
4,523	13,258
<u>239,848</u>	<u>17,107,591</u>
73,756	2,887,475
43,197	6,230,882
-	3,704,006
1,149,855	1,990,889
-	940,182
-	1,151,919
<u>1,266,808</u>	<u>16,905,353</u>
<u>(1,026,960)</u>	<u>202,238</u>
890,787	1,621,661
(680,471)	(2,185,171)
-	36,528
<u>210,316</u>	<u>(526,982)</u>
(816,644)	(324,744)
<u>3,561,866</u>	<u>14,307,693</u>
<u>\$ 2,745,222</u>	<u>\$ 13,982,949</u>

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CITY OF WEBSTER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended September 30, 2006

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

Net changes in fund balances - total governmental funds	\$	(324,744)
---	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation		(1,867,518)
Capital outlay		2,351,475

Capital contributions from component units are not reported as revenues in the governmental funds.		4,143,859
--	--	-----------

The statement of activities reports losses arising from the trade-in or sale of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.		(48,260)
---	--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,971)
--	--	---------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Principal repayments		940,182
Payment of obligation to the state		172,353
Amortization of deferred charges		(91,841)
Accrued interest		1,576
Compensated absences		(10,635)

	\$	<u>5,262,476</u>
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See Notes to Financial Statements.

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CITY OF WEBSTER, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

September 30, 2006

	<u>Business-Type Activities Enterprise Fund</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 3,964,668
Investments	1,020,059
Receivables, net	327,523
Due from other funds	5,576
Prepaid expenses	3,440
Total Current Assets	5,321,266
<u>Noncurrent Assets</u>	
Capital assets:	
Land	102,269
Building and improvements	11,164,877
Furniture and equipment	393,494
Vehicles	247,595
Water and sewer system	9,271,891
Construction in progress	478,033
Less: accumulated depreciation	<u>(8,667,901)</u>
Total Capital Assets, Net of Accumulated Depreciation	12,990,258
Total Noncurrent Assets	12,990,258
Total Assets	18,311,524
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	144,876
Current portion of advances from other funds	54,752
Compensated absences	47,436
Customer deposits	217,301
Total Current Liabilities	464,365
<u>Noncurrent Liabilities</u>	
Advances from other funds	401,166
Total Noncurrent Liabilities	401,166
Total Liabilities	865,531
<u>Net Assets</u>	
Invested in capital assets	12,990,258
Unrestricted	4,455,735
Total Net Assets	\$ 17,445,993

See Notes to Financial Statements.

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CITY OF WEBSTER, TEXAS

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

PROPRIETARY FUND

Year Ended September 30, 2006

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<u>Operating Revenues</u>	
Water charges	\$ 1,367,231
Sewer charges	1,211,260
Penalties and reconnect fees	53,618
Other revenue	85,357
Total Operating Revenues	<u>2,717,466</u>
<u>Operating Expenses</u>	
Personnel	850,796
Supplies	458,594
Maintenance	178,544
Services	459,545
Depreciation	528,957
Total Operating Expenses	<u>2,476,436</u>
Operating Income	<u>241,030</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment earnings	197,176
Interest expense	(10,281)
Impact fees	249,954
Total Nonoperating Revenues	<u>436,849</u>
Income Before Transfers	677,879
Contributions and Transfers	
Capital contribution	377,000
Transfers in	850,530
Transfers (out)	(287,020)
Total Contributions and Transfers	<u>940,510</u>
Change in Net Assets	1,618,389
Beginning Net Assets	15,827,604
Ending Net Assets	<u>\$ 17,445,993</u>

See Notes to Financial Statements.

CITY OF WEBSTER, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2)

Year Ended September 30, 2006

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 2,615,013
Payments to suppliers	(1,096,590)
Payments to employees	(847,102)
Net Cash Provided by Operating Activities	<u>671,321</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Impact fees	249,954
Transfers in from other funds	850,530
Transfers (out) to other funds	(287,020)
Net Cash Provided by Noncapital Financing Activities	<u>813,464</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital contributions	377,000
Interfund loan payments	(53,619)
Acquisition and construction of capital assets	(500,253)
Interest paid on debt	(10,281)
Net Cash (Used) by Capital and Related Financing Activities	<u>(187,153)</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of investments	(470,059)
Interest on investments	197,176
Net Cash (Used) by Investing Activities	<u>(272,883)</u>
Net Increase in Cash and Equivalents	1,024,749
Beginning Cash and Cash Equivalents	<u>2,939,919</u>
Ending Cash and Cash Equivalents	<u>\$ 3,964,668</u>

CITY OF WEBSTER, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

Year Ended September 30, 2006

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 241,030
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	528,957
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(114,913)
Due from other funds	(5,576)
Prepaid expenses	(335)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	6,004
Due to other funds	
Compensated absences	3,694
Customer deposits	12,460
Net Cash Provided by Operating Activities	<u>\$ 671,321</u>

See Notes to Financial Statements.

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CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Webster, Texas (the "City"), was incorporated under the laws of the State of Texas in 1959. The City has operated under a "Home Rule Charter" which provides for a Council-Manager form of government since January 15, 1994.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: general government (City council, City secretary, City manager, finance, municipal court, information technology and human resources), public safety (police, fire, and emergency medical services), community development (building, engineering, recreational, parks, and economic development) and water and sewer services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Webster Economic Development Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Webster Economic Development Corporation

Webster Economic Development Corporation (WEDC) has been included in the reporting entity as a discretely presented component unit. In 1999 the City of Webster formed the WEDC, which was created by voters approving an additional sales tax. State law allows the WEDC to collect sales tax to assist in the promotion and development activities of the City. The WEDC began receiving sales tax in March 2000.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

The WEDC was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net assets of WEDC shall be conveyed to the City. The operations of the WEDC are presented as a governmental fund type. Separate financial statements of the WEDC may be obtained from the Finance Department of the City.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the City’s activities;
- A change in the fund financial statements to focus on the major funds.

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

- **Invested in capital assets, net of related debt**—This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**—This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements, with the exception of any interfund services provided or used. 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, and community development.

Special Revenue Funds

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include Public safety fund, hotel and motel tax fund, municipal court program fund, and equipment replacement fund. The special revenue funds are considered nonmajor funds for reporting purposes; however, the City has chosen to report the hotel and motel tax fund as a major fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Capital Projects Funds

The capital projects funds are used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The street construction capital project fund is considered a major fund for reporting purposes with the parks and landscape, drainage improvement, certificates of obligation series 2000, building construction, general obligation bonds 2000, general obligation refunding bonds 2003, and certificates of obligation 2005 reported as nonmajor funds.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB.

The proprietary fund types used by the City include the following:

Enterprise Fund

The enterprise fund is used to account for the operations that provide water and wastewater collection, and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

D. Measurement Focus and Basis of Accounting

The government-wide statements of net assets and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

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

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net assets, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements, the exception to this is any interfund services provided or used.

E. Assets, Liabilities, and Net Assets or Fund 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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value except for “money market investments” and “2a7-like pools.” Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, such as TexPool and TexSTAR, are reported using the pools’ share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (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” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivable and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property taxes

Property taxes are levied during September of each year, are due upon receipt of the City’s tax bill, and become delinquent on February 1 of the following year. The City’s tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at 1% per month, but the penalty remains at a maximum of 12% until paid.

A penalty of 6% and interest of 1% is added to delinquent taxes on February 1. The penalty amount increases to a maximum of 12% on July 1 of each year, with interest continuing to increase at 1% per month until the account is paid. An additional penalty of 15% is added in July for attorney costs. There are no discounts allowed on taxes.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. 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. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	4 to 20 years
Furniture and equipment	5 to 20 years
Infrastructure	20 to 50 years
Water and sewer system	20 to 50 years
Buildings and improvements	20 to 50 years

5. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount of compensation for services provided that is expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund. Though a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment, with an appropriate reduction of principal recorded in the government-wide financial statements.

7. 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.

8. Estimates

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

9. Comparative data

Comparative total data for the prior year have been presented only for schedules of revenues, expenditures, and changes in fund balance - budget and actual in order to provide an understanding of the changes in the financial position and operations of these funds.

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.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The details of this difference are as follows:

Long-term Debt		
Bonds payable	\$	17,756,264
Certificates of Obligations		4,210,000
Less: Deferred charges		(1,183,649)
Obligation to state		43,089
Compensated absences		447,189
Total Long-term Debt		21,272,893
Accrued interest payable		144,809
Net adjustment to reduce fund balance- total governmental funds to arrive at net assets-governmental activities	\$	21,417,702

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level in the general fund and all others are the fund level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended.

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year-end) are completed. Such encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

A. Excess of Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

General fund:	
City Council	\$37,029
City Secretary	\$1,189

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2006, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Agencies	\$ 7,511,294	0.73
Certificates of Deposit	504,077	0.18
External Investment Pools	9,143,690	0.00
Total fair value	<u>\$ 17,159,061</u>	
Portfolio weighted average maturity		0.33

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City's investment policy limits investments in money market mutual funds rated as to investment quality not less than AAA by Standard & Poor's. As of September 30, 2006, the City's investment in TexPool was rated AAAM by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency. More specifically, the U.S. Agencies held by the City as of September 30, 2006, consist of a variety of bonds and discount notes issued by the Federal Home Loan Bank, Federal Home Loan

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Mortgage Corporation, and the Federal National Mortgage Association. These investments were rated not less than AAA by Moody's and Standard & Poor's, respectively.

Concentration of credit risk. The City's investment policy does not allow for an investment in any one issuer that is in excess of seventy-five percent of the portfolio's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 100 percent. As of September 30, 2006, market values of pledged securities were \$9,401,918 and bank balances were \$522,131.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, 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's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. 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, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexSTAR

The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexPool and TexSTAR operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool and TexSTAR use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool and TexSTAR are the same as the value of TexPool and TexSTAR shares.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2006

B. Receivables

The following comprise receivable balances at year end:

Governmental Funds:

	<u>General</u>	<u>Debt Service</u>	<u>Hotel and Motel Tax Special Revenue</u>	<u>Street Construction Capital Project</u>	<u>Nonmajor Funds</u>	<u>Component Unit</u>
Ad Valorem taxes	\$ 18,529	\$ 131,982	\$ -	\$ -	\$ -	\$ -
Other taxes	1,923,706	-	51,547	-	-	537,881
Accounts	17,395	-	-	-	-	-
Accrued interest	40,309	1,191	4,811	4,372	9,961	22,757
Other	53,112	-	-	-	-	-
Less allowance	(198)	(362)	-	-	-	-
	<u>\$ 2,052,853</u>	<u>\$ 132,811</u>	<u>\$ 56,358</u>	<u>\$ 4,372</u>	<u>\$ 9,961</u>	<u>\$ 560,638</u>

Proprietary Funds:

	<u>Enterprise</u>
Accounts	\$ 316,777
Accrued interest	14,739
Less allowance	(3,993)
	<u>\$ 327,523</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

C. Capital assets

A summary of changes in capital assets for the year end were as follows:

	<u>Beginning Balance</u>	<u>Primary Government</u>		<u>Ending Balance</u>
		<u>Increases</u>	<u>(Decreases)</u>	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,136,659	\$ 169,508	\$ -	\$ 2,306,167
Construction in progress	<u>4,996,555</u>	<u>5,109,160</u>	<u>(3,499,832)</u>	<u>6,605,883</u>
Total capital assets not being depreciated	<u>7,133,214</u>	<u>5,278,668</u>	<u>(3,499,832)</u>	<u>8,912,050</u>
Other capital assets:				
Infrastructure	34,971,717	2,087,556	(1,930)	37,057,343
Buildings and improvements	17,051,615	1,119,658	-	18,171,273
Furniture and equipment	<u>7,263,938</u>	<u>1,511,215</u>	<u>(1,487,623)</u>	<u>7,287,530</u>
Total other capital assets	<u>59,287,270</u>	<u>4,718,429</u>	<u>(1,489,553)</u>	<u>62,516,146</u>
Less accumulated depreciation for:				
Infrastructure	(6,540,678)	(845,408)	-	(7,386,086)
Buildings and improvements	(4,556,204)	(473,769)	-	(5,029,973)
Furniture and equipment	<u>(5,133,248)</u>	<u>(548,341)</u>	<u>1,439,362</u>	<u>(4,242,227)</u>
Total accumulated depreciation	<u>(16,230,130)</u>	<u>(1,867,518)</u>	<u>1,439,362</u>	<u>(16,658,286)</u>
Other capital assets, net	<u>43,057,140</u>	<u>2,850,911</u>	<u>(50,191)</u>	<u>45,857,860</u>
Totals	<u>\$ 50,190,354</u>	<u>\$ 8,129,579</u>	<u>\$ (3,550,023)</u>	<u>\$ 54,769,910</u>
			Less debt associated with capital assets	<u>(20,782,615)</u>
			Invested in capital assets, net of related debt	<u>\$ 33,987,295</u>

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	\$ 836,347
Public safety	675,917
Community development	<u>355,254</u>
Total governmental activities depreciation expense	<u>\$ 1,867,518</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Construction in progress and remaining commitments under related construction contracts for general government construction projects at year end were as follows:

Governmental Activities:

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
McWhirter Mini Park	\$ 15,000	\$ 14,719	\$ 281
NASA Road 1 Bypass Phase 2	1,419,290	930,843	488,447
Bay Area Blvd Traffic Study	35,000	22,700	12,300
Recreation Building Renovation Phase 2	140,000	137,327	2,673
TRED Agreement - Methodist Tract	460,000	-	460,000
NASA Road 1 Bypass Phase 3	46,000	866	45,134
Police Department/EOC Expansion	4,680,690	4,680,641	49
Totals	\$ 6,795,980	\$ 5,787,096	\$ 1,008,884

WEDC:

Texas Avenue North Phase 2	1,050,950	1,671,491	-
NASA Road 1 Bypass Extension	142,300	50,612	91,688
Live Oak Thru Extension	810,970	500,830	310,140
Orchard Street Extension	1,574,390	915,995	658,395
Traffic Signal - Blossom St.	74,010	73,290	720
NASA Road 1 Bypass Phase 2	500,000	500,000	-
NASA Road 1 Bypass	2,007,320	1,951,795	55,525
Texas Avenue Park	2,090,920	2,079,649	11,271
Bay Drive Extension	518,690	449,126	69,564
Magnolia Median Cut	66,210	67,759	-
Magnolia Offsite Drainage	70,000	66,245	3,755
Totals	\$ 8,905,760	\$ 8,326,792	\$ 1,201,058

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

The following is a summary of changes in capital assets for business-type activities for the year ended:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 102,269	\$ -	\$ -	\$ 102,269
Construction in progress	414,289	254,836	(191,092)	478,033
Total capital assets not being depreciated	<u>516,558</u>	<u>254,836</u>	<u>(191,092)</u>	<u>580,302</u>
Other capital assets:				
Building and improvements	11,164,878	-	-	11,164,878
Furniture and equipment	337,097	77,683	(21,287)	393,493
Vehicles	210,441	57,485	(20,331)	247,595
Water and sewer system	8,970,551	301,340	-	9,271,891
Total other capital assets	<u>20,682,967</u>	<u>436,508</u>	<u>(41,618)</u>	<u>21,077,857</u>
Less accumulated depreciation for:				
Building and improvements	(2,745,337)	(241,303)	-	(2,986,640)
Furniture and equipment	(316,100)	(10,522)	21,287	(305,335)
Vehicles	(162,122)	(28,094)	20,331	(169,885)
Water and sewer system	(4,957,003)	(249,038)	-	(5,206,041)
Total accumulated depreciation	<u>(8,180,562)</u>	<u>(528,957)</u>	<u>41,618</u>	<u>(8,667,901)</u>
Other capital assets, net	<u>12,502,405</u>	<u>(92,449)</u>	<u>-</u>	<u>12,409,956</u>
Totals	<u>\$ 13,018,963</u>	<u>\$ 162,387</u>	<u>\$ (191,092)</u>	<u>\$ 12,990,258</u>

Depreciation was charged to business-type functions as follows:

Water	\$ 229,892
Sewer	<u>299,065</u>
Total business-type activities depreciation expense	<u>\$ 528,957</u>

Construction in progress and remaining commitments under related construction contracts for enterprise fund projects at year end were as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Professional Park Water Line	\$ 213,161	\$ 191,092	\$ 22,069
CLWA Service Area	404,490	226,005	178,485
SEWPP/Beamer Rd Water Line	1,677,000	-	1,677,000
Magnolia WWTP Expansion	246,950	102,040	144,910
Plumley Plant Emergency Water Line	380,000	2,351	377,649
Cherokee Regional Lift Station	59,710	-	59,710
Total	<u>\$ 2,981,311</u>	<u>\$ 521,488</u>	<u>\$ 2,459,823</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds	\$ 18,551,445	\$ -	\$ 795,181	\$ 17,756,264	* \$ 855,266
Certificates of obligation	4,355,000	-	145,000	4,210,000	* 155,000
Less deferred charges	(941,409)	-	64,047	(877,362)	*
Obligation to state	215,441	-	172,352	43,089	43,089
	<u>22,180,477</u>	<u>-</u>	<u>1,176,580</u>	<u>21,131,991</u>	<u>1,053,355</u>
Other liabilities:					
Compensated absences	436,554	369,650	359,015	447,189	367,761
Total Governmental Activities	<u>\$ 22,617,031</u>	<u>\$ 369,650</u>	<u>\$ 1,535,595</u>	<u>\$ 21,579,180</u>	<u>\$ 1,421,116</u>
Business-type Activities:					
Interfund loan payable	\$ 509,537	\$ -	\$ 53,619	\$ 455,918	\$ 54,753
Compensated absences	43,742	39,967	36,273	47,436	39,335
Total Business-type Activities	<u>\$ 553,279</u>	<u>\$ 39,967</u>	<u>\$ 89,892</u>	<u>\$ 503,354</u>	<u>\$ 94,088</u>
WEDC					
Bonds payable	\$ 12,820,000	\$ 13,415,000	\$ 10,180,000	\$ 16,055,000	* \$ 610,000
Less deferred charges	-	(405,478)	27,033	(378,445)	*
Obligation to state	71,814	-	57,451	14,363	14,363
Total WEDC	<u>\$ 12,891,814</u>	<u>\$ 13,415,000</u>	<u>\$ 10,237,451</u>	<u>\$ 16,069,363</u>	<u>\$ 624,363</u>

* Debt associated with capital assets

Total debt associated with governmental activities	\$ 21,088,902
Total debt associated with WEDC	\$ 15,676,555

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

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

Long-term debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
Public Improvement Refunding Bonds		
Series 1996	4.25-5.05 %	\$ 856,264
Public Improvement Refunding Bonds		
Series 2000B	5.35-6.0 %	2,710,000
Total Public Improvement Bonds		<u>3,566,264</u>
General Obligation Refunding Bonds		
Series 2003	2.50-3.25%	3,945,000
General Obligation Refunding Bonds		
Series 2005	3.00-4.125%	10,245,000
Total General Obligation Bonds		<u>14,190,000</u>
Total Bonds		<u>17,756,264</u>
Tax and Revenue Certificates of Obligation		
Series 2000A	5.90-6.00 %	2,950,000
Tax and Revenue Certificates of Obligation		
Series 2005	3.25-4.125%	1,260,000
Total Certificates of Obligation		<u>4,210,000</u>
Total General Long-Term Debt		<u>\$ 21,966,264</u>
<u>WEDC</u>		
Sales Tax Revenue Bonds		
Series 2000	5.2-5.75 %	\$ 2,640,000
Sales Tax Revenue Improvement and Refunding Bonds		
Series 2006	3.75-5.00%	13,415,000
Total WEDC		<u>\$ 16,055,000</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

The annual requirements to amortize debt issues outstanding at year ending were as follows:

Year Ending Sept. 30	City of Webster		WEDC		Total
	Principal	Interest	Principal	Interest	
2007	\$ 1,010,266	\$ 1,107,864	\$ 610,000	\$ 699,710	\$ 3,427,840
2008	860,998	1,447,632	645,000	668,905	3,622,535
2009	1,210,000	857,974	675,000	636,010	3,378,984
2010	1,135,000	804,077	710,000	601,416	3,250,493
2011	1,175,000	762,991	1,025,000	564,496	3,527,487
2012-2016	6,835,000	3,080,621	5,775,000	2,178,463	17,869,084
2017-2021	9,740,000	1,180,685	6,615,000	861,668	18,397,353
Total	\$ 21,966,264	\$ 9,241,844	\$ 16,055,000	\$ 6,210,668	\$ 53,473,776

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Advance Refunding

In 2003, the City defeased certain public improvement bonds, series 1992 in the amount of \$1,360,000 and public improvement bonds, series 1993 in the amount of \$4,100,000 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2006, \$1,000,000 of public improvement bonds, series 1992 and \$3,400,000 of public improvement bonds, series 1993 outstanding were considered defeased related to the 2003 refunding.

In 2005, the City defeased certain portions of tax and revenue certificates of obligation, series 2000A in the amount of \$5,550,000 and certain portions of public improvement and refunding bonds, series 2000B in the amount of \$3,665,000 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2006, \$5,550,000 of tax and revenue certificates of obligation, series 2000A and \$3,665,000 of public improvement and refunding bonds, series 2000B outstanding were considered defeased related to the 2005 refunding.

Advance Refunding - WEDC

The Webster Economic Development Corporation issued \$13,415,000 of sales tax improvement and refunding bonds to provide resources to purchase direct obligations of the United States of America that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments in the amount of \$9,595,000 for a portion of the Corporation's outstanding sales tax revenue bonds, series 2000. As a result, the refunded portions of the bonds are considered to be defeased and the liability has been removed from the component unit column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$394,020. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. At September 30, 2006, \$9,595,000 of sale tax revenue bonds, series 2000 were considered defeased relating to the 2006 refunding.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Obligations to State – Refund of Sales Tax

During the year 2003, the Texas State Comptroller of Public Accounts notified the City that the State had remitted \$919,209 in sales tax receipts to the City, which was not collected within the City. The terms of the settlement required the City to repay the State in 48 monthly non-interest installments of \$19,150 being withheld from the sales tax remittance each month from the Texas State Comptroller of Public Accounts. Accordingly, this liability has been allocated between the City and WEDC, the balance due as of September 30, 2006 is \$287,255 and of this amount \$215,441 has been allocated to the City and \$71,814 to the WEDC.

E. Interfund Transactions

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General Fund	Enterprise Fund	\$ 800,000
General Fund	Nonmajor Governmental	489,950
Hotel and Motel Tax - Special Revenue	General Fund	39,750
Hotel and Motel Tax - Special Revenue	Nonmajor Governmental	175,000
Nonmajor Governmental Funds		
Public Safety	General Fund	20,000
Municipal Court Programs - Special Revenue	General Fund	23,590
Equipment Replacement	General Fund	396,650
Equipment Replacement	Enterprise Fund	50,530
Certificates of Obligation, Series 2000	Debt Service	884
Certificates of Obligation, Series 2000	Nonmajor Governmental	188,817
Enterprise Fund	General Fund	250,000
Enterprise Fund	Nonmajor Governmental	37,020
		<u>\$ 2,472,191</u>

Capital assets related to the component unit in the amount of \$4,143,859 were transferred to governmental funds. No amounts were reported in the governmental funds. Other amounts transferred between funds related to amounts collected by general, enterprise, hotel and motel tax - special revenue, and other nonmajor governmental funds for various governmental expenditures and debt payments.

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

The advance loan from the general fund to the enterprise fund is a ten-year note for the painting of the Magnolia and Blossom/Plumley water plant. The loan bears interest at the rate of 2.1 percent per annum and is payable in quarterly installments. The following is the repayment schedule:

Years	Principal	Interest	Annual Requirement
2007	\$ 54,753	\$ 9,147	\$ 63,900
2008	55,913	7,987	63,900
2009	57,096	6,804	63,900
2010	58,305	5,595	63,900
2011	59,539	4,361	63,900
2012	60,799	3,101	63,900
2013	62,087	1,813	63,900
2014	47,426	488	47,914
	<u>\$ 455,918</u>	<u>\$ 39,296</u>	<u>\$ 495,214</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

F. Fund Equity

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances reserved or designated recognized by the City:

	<u>Reserved</u>	<u>Designated</u>
General Fund		
Reserved for prepaid items	\$ 12,195	
Reserved for advances	401,165	
Designated for:		
public safety vehicles and equipment		\$ 289,749
software acquisition		18,065
Green Acres park improvements		28,756
land purchase		800,000
future capital expenditures		35,708
Debt Service Fund		
Reserved for debt service	933,696	
Hotel and Motel Tax		
Reserved for enhancement and promotion of tourism	1,394,267 *	
Street Construction		
Designated for construction		1,131,242
Nonmajor Other Governmental Funds		
Reserved for public safety	5,537 *	
Reserved for municipal court programs	237,830 *	
Reserved for capital projects	437,999	
Designated for equipment replacement		1,498,069
Designated for construction		565,787
Total Governmental Funds	<u>\$ 3,422,689</u>	<u>\$ 4,367,376</u>
Component Unit - WEDC		
Reserved for debt service	\$ 50,325	
Reserved for capital projects	5,026,415	
Reserved for economic development	2,200,824	
Total WEDC	<u>\$ 7,277,564</u>	

* Restricted by enabling legislation

Negative Net Assets of WEDC

WEDC has issued debt for the construction of capital assets owned by the City. These capital assets are included in the City's net asset in the category "invested in net assets, net of related debt". However, since the WEDC does not report the capital asset, WEDC's debt is included in unrestricted net assets. In total the WEDC reports negative net assets related to it reporting debt, while the City reports the related asset.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,596 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

The City was notified on August 10, 2006 by the Texas State Comptroller of Public Accounts that the State had remitted \$502,621 in local sales tax receipts to the City in error. Reportedly, a large taxpayer filed amended reports to correct a reporting error that had occurred from May 2002 through January 2006. The City is currently appealing the finding as reported by the Texas State Comptroller of Public Accounts.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or not performed correctly could result in a substantial liability to the City. Although the City does not anticipate that it will have any arbitrage liability it periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS's rules and regulations.

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

C. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City provides pension benefits for all of its full-time employees as well as part-time paid firefighters through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 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.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 7%, and the City's matching ratio is currently two to one, both as adopted by City Council. 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 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 (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly.

Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2005, valuation is effective for rates beginning January 2007).

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

All assumptions for the 12/31/05 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153. The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization Period	25 Years - Open period
Asset Valuation Method	Amortized cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation at	3.5%
Cost of Living Adjustments	None

Three-Year Contribution Information

Fiscal year	Annual Pension Percentage of ARC		Net Pension Obligation
	Cost (ARC)	Contributions	
2004	\$ 808,259	100%	\$ -
2005	935,036	100%	-
2006	943,394	100%	-

2. Texas Statewide Emergency Services Personnel Retirement Fund

The Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") year is from September 1 through the following August 31. Actuarial Valuations are performed biennially in even numbered years. The following is the latest information available on the Fund as of August 31, 2004.

Plan Description and Contribution Information

The Fire Fighters' Pension Commission is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund, a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without monetary remuneration. The Texas Statewide Emergency Services Personnel Retirement Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2004, there were 177 member departments participating in the pension system.

The table below summarizes the pension system membership as of August 31, 2004:

Retirees and beneficiaries currently receiving benefits	1,557
Terminated members entitled to benefits but not yet receiving them	1,827
Active participants (vested and nonvested)	4,610

The above membership count does not include retirees and beneficiaries who have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) fund before merging in S.B. 411. Of the 4,610 current members, 10 were covered by the City of Webster.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

The pension system was created by Senate Bill 411, 65th Legislature, Regular Session (1977), and it established the applicable benefit provisions. These benefit provisions include retirement benefits, as well as death and disability benefits.

Eligible members include emergency services personnel who provide services related to fire, rescue and emergency medical services and who serve without remuneration while members in good standing of a participating department. In addition, eligible members include auxiliary employees who receive limited compensation from a political subdivision of Texas and who are certified by the political subdivision as being regularly engaged in the performance of duties for a participating department. Members are vested beginning with the fifth year of service at 5% per year of service for the first ten years and 10% for each of the next five years of service.

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 7% compounded annually.

On and off duty death benefits and on duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death and disability. Death benefits include a lump-sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Contribution requirements were established by S.B. 411, 65th Legislature, Regular Session (1977). No contributions are required by volunteer emergency services personnel. The governing bodies of participating department members are required to contribute at least \$12 per month for each active member. Additional contributions may be required by a governing body to pay for unfunded prior service costs and buybacks of up to 15 years of qualified service. The State may also be required to make annual contributions of a limited amount to make the fund actuarially sound.

Funding Status and Progress

The "actuarial accrued liability" represents the value of the portion of the member's anticipated retirement, death, disability and termination benefits accrued as of the valuation date. The entry age actuarial cost method is used for determining the actuarial accrued liability. Projected salary increases and any step rate benefits are not applicable. Benefits are not based on salaries of the member. The actuarial accrued liability is intended to help users assess the pension system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. This measure is the same as the actuarial funding method used to perform the actuarial valuation.

The last actuarial valuation was conducted on August 31, 2004. Significant actuarial assumptions used included (a) of return on the investment of present and future assets of 8.00% per year, and (b) the future contribution level will increase at the same rate as the average increases in dues over the last five years for the plan in total.

On August 31, 2004, the unfunded actuarial accrued liability was \$13,426,925 for the statewide plan.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Contribution Required and Contribution Made

The contribution requirement of at least \$12 per member is not actuarially determined. Rather, the contribution amount was established by S.B. 411, 65th Legislature, Regular Session (1977). For the year ending August 31, 2004, contributions totaling \$1,891,243 for dues and prior service were paid into the fund by the governing bodies sponsoring the member participating departments. Contributions made were equal to the contributions required by the state statute but were equal to only 65% of the contributions required based on the August 31, 2002, actuarial valuation. For 2006, 2005, and 2004, \$13,000 or 0.69%, \$11,650 or 0.62%, and \$12,400 or 0.66%, respectively, of the contribution for dues and prior service was contributed by the City of Webster.

The purpose of the biennial actuarial valuation is to test the adequacy of the monthly contributions to determine if they fund the benefits that have been promised. The actuarial valuations as of August 31, 2004, revealed again the inadequacy of the expected contributions (dues and prior service contributions). The total contributions expected from the political subdivisions for the fiscal year ending August 31, 2005, are \$1,163,758 less than the required contribution for the year based on amortizing the unfunded actuarial accrued liability over 30 years. Expected contributions are equal to 64% of the contributions required.

In addition to the contributions for dues and prior service made to the Texas Statewide Emergency Services Personnel Retirement Fund, some cities are required to make additional deposits. The additional deposits are for retirees and beneficiaries who have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) fund before merging into S.B. 411 for Webster; this additional deposit was \$0.

Assumptions for the 08/31/04 valuations may be obtained by writing to Actuarial Business Consultants, Inc., P.O. Box 794295, Dallas, Texas 75379-4295.

D. Subsequent events

On November 21, 2006, the City issued \$6,165,000 of water and sewer system revenue bonds, series 2006, to finance expanding and improving the existing water and sewer system. The interest rate on the bonds range from 4.00 – 4.550 percent and the maturity date is September 15, 2024.

E. Joint Venture

Development Agreement/Utility Services Contract

The City, and in some cases the WEDC, have entered into a series of agreements with Cherokee Webster Limited Partnership (the “Developer”) and the Developer’s collective parent company (Cherokee Investment Partners III L.P. and Cherokee Investment Partners III Parallel Fund) on behalf of and to be created by the Harris County Municipal Utility District No. 481 (the “District”). The agreements provide for the creation of a municipal utility district (Harris County Municipal Utility District No. 481) and for construction, operation, maintenance, financing, and reimbursement of development costs within the development area and related matters.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

The Developer is in the process of creating the District consisting of 536 acres within the City to construct and finance a water distribution and a wastewater collection system, drainage facilities, navigation facilities, recreational facilities and certain other improvements. Upon completion of the facilities, with the exception of the detention facilities and navigation system, the District will convey the facilities to the City free and clear of all liens and encumbrances. The City shall incorporate the conveyed facilities into the City's system and provide services equivalent in quality to other City customers.

The District will own and maintain the detention facilities and navigation system and the City will have no responsibility with respect thereto. The City may dissolve the District after forty years or after construction of the facilities and reimbursement of the Developer. The agreements also provide that the Developer may utilize up to 3 million gallons per day of recycled water (effluent reuse) under certain conditions and specified costs.

The Developer will make certain improvements and incur financing costs of which up to \$8.1 million will be subject to incremental reimbursements by the City based on value increases sufficient to support debt issuances. The City shall be obligated to pay the Developer upon each \$90 million increase to the base value of the property as determined by the Harris County Appraisal District, prompting the issuance of certificates of obligation of no less than \$3 million. In addition, the EDC shall pay the developer the actual cost of certain improvements not to exceed \$3.75 million, pending completion of defined criteria by the developer.

As of September 30, 2006, the project is in early sitework, demolition, and plan review stages. The estimated date in which the value of the property will increase by \$90 million is December 31, 2008.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEBSTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)
GENERAL FUND

Year Ended September 30, 2006
With Comparative Totals for the Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance	2005 Actual
	Original Budget	Budget as Amended		with Final Budget Positive (Negative)	
Revenues					
Property taxes	\$ 524,220	\$ 524,220	\$ 441,265	\$ (82,955)	\$ 443,624
Sales taxes	8,754,000	9,728,610	9,767,677	39,067	8,800,250
Franchise fees	779,000	779,000	822,881	43,881	777,018
Other taxes	322,800	322,800	380,359	57,559	346,936
Licenses and permits	291,950	291,950	443,971	152,021	640,068
Fines and forfeitures	757,000	757,000	992,710	235,710	765,873
Charges for services	110,600	110,600	91,924	(18,676)	27,673
Other	29,310	29,310	163,094	133,784	68,979
Investment earnings	150,000	150,000	224,833	74,833	151,078
Contributions	700,000	700,000	700,000	-	700,000
Intergovernmental	-	31,490	8,735	(22,755)	127,573
Total Revenues	12,418,880	13,424,980	14,037,449	612,469	12,849,072
Expenditures					
Current:					
General government					
City council	171,930	196,930	233,959	(37,029) *	179,265
City secretary	277,030	299,600	300,789	(1,189) *	279,102
City manager	169,510	174,980	166,732	8,248	159,808
Finance	555,960	570,800	561,501	9,299	547,297
Municipal court	427,530	454,960	444,391	10,569	398,896
Information tech.	291,150	294,780	285,833	8,947	247,572
Human resources	313,670	334,480	287,623	46,857	252,404
Non departmental	546,670	578,410	495,125	83,285	319,482
Total General Government	2,753,450	2,904,940	2,775,953	128,987	2,383,826
Public safety					
Police	4,976,910	5,513,200	4,994,525	518,675	4,923,893
Fire	1,179,290	1,276,890	1,193,160	83,730	1,207,607
Total Public Safety	\$ 6,156,200	\$ 6,790,090	\$ 6,187,685	\$ 602,405	\$ 6,131,500

CITY OF WEBSTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND

Year Ended September 30, 2006
With Comparative Totals for the Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2005 Actual
	Original Budget	Budget as Amended			
Community development					
Community development:					
Administrative	\$ 460,260	\$ 514,090	\$ 490,566	\$ 23,524	\$ 436,367
Building	460,620	524,940	503,665	21,275	437,788
Engineering	158,870	160,920	123,793	37,127	151,046
Recreational	316,130	322,940	284,213	38,727	264,578
Public works:				-	
Administrative	262,650	289,330	287,430	1,900	255,055
Maintenance	1,036,850	1,058,810	1,003,536	55,274	1,051,375
Parks	529,390	572,580	507,480	65,100	389,409
Economic development:				-	
Economic devel.	354,750	356,600	201,481	155,119	179,318
Public relations	83,540	83,540	54,972	28,568	76,086
Total community development	3,663,060	3,883,750	3,457,136	426,614	3,241,022
Total Expenditures	12,572,710	13,578,780	12,420,774	1,158,006	11,756,348
Revenues Over (Under) Expenditures	(153,830)	(153,800)	1,616,675	1,770,475	1,092,724
Other financing sources (uses)					
Transfers in	391,840	756,530	729,990	(26,540)	310,830
Transfers out	(208,820)	(1,313,440)	(1,289,950)	23,490	(1,100,640)
Sale of capital assets	100	100	36,528	36,428	-
Total other financing sources (uses)	183,120	(556,810)	(523,432)	33,378	(789,810)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	\$ 29,290	\$ (710,610)	1,093,243	\$ 1,803,853	\$ 302,914
Beginning Fund Balance			6,685,279		
Ending Fund Balance			\$ 7,778,522		

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

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CITY OF WEBSTER, TEXAS
SPECIAL REVENUE FUNDS-HOTEL AND MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2006
With Comparative Totals for the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>	<u>2005</u> <u>Actual</u>
	<u>Original</u> <u>Budget</u>	<u>Budget as</u> <u>Amended</u>			
Revenues					
Hotel and motel taxes	\$ 410,000	\$ 410,000	\$ 489,531	\$ 79,531	\$ 401,720
Charges for services - civic center	22,000	22,000	31,260	9,260	26,136
Other revenue	750	750	366	(384)	2,208
Investment earnings	32,700	32,700	63,116	30,416	29,914
Total Revenues	<u>465,450</u>	<u>465,450</u>	<u>584,273</u>	<u>118,823</u>	<u>459,978</u>
Expenditures					
General government	44,900	44,900	37,766	7,134	37,068
Community services	271,270	271,270	246,870	24,400	258,123
Total Expenditures	<u>316,170</u>	<u>316,170</u>	<u>284,636</u>	<u>31,534</u>	<u>295,191</u>
Revenues Over Expenditures	<u>149,280</u>	<u>149,280</u>	<u>299,637</u>	<u>150,357</u>	<u>164,787</u>
Other Financing Sources (Uses)					
Transfers out	(39,750)	(214,750)	(214,750)	-	(37,930)
Total Other Financing (Uses)	<u>(39,750)</u>	<u>(214,750)</u>	<u>(214,750)</u>	<u>-</u>	<u>(37,930)</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	<u>\$ 109,530</u>	<u>\$ (65,470)</u>	<u>84,887</u>	<u>\$ 150,357</u>	<u>\$ 126,857</u>
Beginning Fund Balance			<u>1,309,380</u>		
Ending Fund Balance			<u>\$ 1,394,267</u>		

Note to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF WEBSTER, TEXAS
SCHEDULE OF FUNDING PROGRESS-
TEXAS MUNICIPAL RETIREMENT SYSTEM

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Fiscal year	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Actuarial Valuation date	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Actuarial Value of Assets	\$ 14,422,387	\$ 13,197,647	\$ 11,444,526	\$ 9,901,914	\$ 9,024,033
Actuarial Accrued Liability	\$ 18,380,137	\$ 16,969,658	\$ 15,749,703	\$ 13,314,651	\$ 11,956,108
Percentage Funded	78.5%	77.8%	72.7%	74.4%	75.5%
Unfunded Actuarial					
Accrued Liability	\$ 3,957,750	\$ 3,772,011	\$ 4,305,177	\$ 3,412,737	\$ 2,932,075
Annual Covered Payroll	\$ 6,171,175	\$ 5,848,356	\$ 5,796,429	\$ 5,744,057	\$ 5,606,027
Unfunded Actuarial Accrued Liability					
(UAAL) % of Covered Payroll	64.1%	64.5%	74.3%	59.4%	52.3%
Net Pension Obligation (NPO)					
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 943,394	\$ 935,036	\$ 808,259	\$ 761,737	\$ 701,280
Contributions Made	\$ 943,394	\$ 935,036	\$ 808,259	\$ 761,737	\$ 701,280
NPO at the End of Period	\$ -	\$ -	\$ -	\$ -	\$ -

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***COMBINING STATEMENTS
AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The Public Safety Fund is used to account for the City's equitable share of cash and proceeds realized from forfeited property from cases aided by the City's law enforcement and prosecuted by appropriate governmental agencies, as well as donations to the City's fire department. All equitable shared cash must be used for public safety purposes.

The Municipal Court Program Fund is used to account for court fines and fees that are legally restricted to be used in child safety, court security, judicial efficiency, and court technology programs.

The Equipment Replacement Fund is used to account for all financial resources to be used for vehicle and equipment replacement.

Capital Projects Funds

The Capital Projects Funds account for financial resources used for the acquisition and/or construction of major capital improvements

The Parks and Landscape Fund accounts for the acquisition and improvements of the City's parks and landscaping and beautification projects of facilities and right of ways. These funds have been contributed by the General Fund and the Enterprise Fund.

The Drainage Construction Fund accounts for drainage improvements within the City. The principle resources of this fund are proceeds from the sale of bonds.

The Certificates Obligation Series 2000 accounts for the construction of a new City Hall facility and the expansion of the Police Department facility. The funding for these improvements are through Certificates of Obligation, Series 2000.

The Building Construction Fund accounts for the cost of construction and improvements of the City's facilities and buildings. These funds have been provided from the General Fund, Enterprise Fund, and Street Construction Fund.

The 2000 General Obligation Bonds - Streets, Roads and Drainage Fund accounts for the cost of right of way purchases and street, road, and drainage improvements within the City. The funding for these improvements are through Public Improvement Bonds, Series 2000.

The 2005 General Obligation Refunding Bonds were issued to refund a portion of outstanding Tax and Revenue Certificates of Obligation, Series 2000A, and the Public Improvement and Refunding Bonds, Series 2000B.

CITY OF WEBSTER, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2006

<u>Assets</u>	Special Revenue Funds			
	Public Safety	Municipal Court Programs	Equipment Replacement	Parks and Landscape
Cash and cash equivalents	\$ 9,056	\$ 10,771	\$ 698,797	\$ 227,821
Investments	-	225,000	796,282	-
Receivables	-	2,453	2,990	-
Total Assets	\$ 9,056	\$ 238,224	\$ 1,498,069	\$ 227,821
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts payable	\$ 3,519	\$ 394	\$ -	\$ -
Total Liabilities	3,519	394	-	-
<u>Fund Balances</u>				
Reserved:				
Public safety	5,537	-	-	-
Municipal court	-	237,830	-	-
Capital projects	-	-	-	-
Unreserved and designated:				
Construction	-	-	-	227,821
Equipment replacement	-	-	1,498,069	-
Total Fund Balance	5,537	237,830	1,498,069	227,821
Total Liabilities and Fund Balance	\$ 9,056	\$ 238,224	\$ 1,498,069	\$ 227,821

Capital Project Funds

<u>Drainage Improvement</u>	<u>Certificates Obligation Series 2000</u>	<u>Building Construction</u>	<u>General Obligation Bonds 2000</u>	<u>Certificates of Obligation Series 2005</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 8,570	\$ -	\$ 137,552	\$ 116,751	\$ 324,948	\$ 1,534,266
-	-	195,000	-	-	1,216,282
-	-	4,518	-	-	9,961
<u>\$ 8,570</u>	<u>\$ -</u>	<u>\$ 337,070</u>	<u>\$ 116,751</u>	<u>\$ 324,948</u>	<u>\$ 2,760,509</u>
\$ -	\$ -	\$ 7,674	\$ -	\$ 3,700	\$ 15,287
-	-	7,674	-	3,700	15,287
-	-	-	-	-	5,537
-	-	-	-	-	237,830
-	-	-	116,751	321,248	437,999
8,570	-	329,396	-	-	565,787
-	-	-	-	-	1,498,069
<u>8,570</u>	<u>-</u>	<u>329,396</u>	<u>116,751</u>	<u>321,248</u>	<u>2,745,222</u>
<u>\$ 8,570</u>	<u>\$ -</u>	<u>\$ 337,070</u>	<u>\$ 116,751</u>	<u>\$ 324,948</u>	<u>\$ 2,760,509</u>

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2006

Special Revenue Funds

	<u>Public Safety</u>	<u>Municipal Court Programs</u>	<u>Equipment Replacement</u>	<u>Parks and Landscape</u>
<u>Revenues</u>				
Fines and forfeitures	\$ 25,409	\$ 76,661	\$ -	\$ -
Investment earnings	534	9,270	69,478	2,432
Intergovernmental	4,523	-	-	-
Other revenue	1,250	-	-	-
Total Revenues	<u>31,716</u>	<u>85,931</u>	<u>69,478</u>	<u>2,432</u>
<u>Expenditures</u>				
General government	-	73,756	-	-
Public safety	43,197	-	-	-
Capital projects	-	-	-	1,097
Total Expenditures	<u>43,197</u>	<u>73,756</u>	<u>-</u>	<u>1,097</u>
Revenues Over (Under) Expenditures	<u>(11,481)</u>	<u>12,175</u>	<u>69,478</u>	<u>1,335</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	526,970	175,000
Transfers out	(20,000)	(23,590)	(447,180)	-
Total Other Financing (Uses)	<u>(20,000)</u>	<u>(23,590)</u>	<u>79,790</u>	<u>175,000</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(31,481)</u>	<u>(11,415)</u>	<u>149,268</u>	<u>176,335</u>
Beginning Fund Balances	<u>37,018</u>	<u>249,245</u>	<u>1,348,801</u>	<u>51,486</u>
Ending Fund Balances	<u>\$ 5,537</u>	<u>\$ 237,830</u>	<u>\$ 1,498,069</u>	<u>\$ 227,821</u>

Capital Project Funds

Drainage Improvement	Certificates Obligation Series 2000	Building Construction	General Obligation Bonds 2000	Certificates of Obligation Series 2005	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,070
357	749	17,835	5,275	26,075	132,005
-	-	-	-	-	4,523
-	-	-	-	-	1,250
<u>357</u>	<u>749</u>	<u>17,835</u>	<u>5,275</u>	<u>26,075</u>	<u>239,848</u>
-	-	-	-	-	73,756
-	-	-	-	-	43,197
-	9,736	136,635	-	1,002,387	1,149,855
-	9,736	136,635	-	1,002,387	1,266,808
<u>357</u>	<u>(8,987)</u>	<u>(118,800)</u>	<u>5,275</u>	<u>(976,312)</u>	<u>(1,026,960)</u>
-	-	188,817	-	-	890,787
-	(189,701)	-	-	-	(680,471)
-	(189,701)	188,817	-	-	210,316
357	(198,688)	70,017	5,275	(976,312)	(816,644)
<u>8,213</u>	<u>198,688</u>	<u>259,379</u>	<u>111,476</u>	<u>1,297,560</u>	<u>3,561,866</u>
<u>\$ 8,570</u>	<u>\$ -</u>	<u>\$ 329,396</u>	<u>\$ 116,751</u>	<u>\$ 321,248</u>	<u>\$ 2,745,222</u>

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CITY OF WEBSTER, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2006
With Comparative Totals for the Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2005 Actual
Revenues				
Property taxes	\$ 1,805,150	\$ 1,791,699	\$ (13,451)	\$ 1,831,868
Contributions	330,030	330,030	-	330,030
Other revenue	-	-	-	56,304
Investment earnings	20,270	50,560	30,290	19,373
Total Revenues	2,155,450	2,172,289	16,839	2,237,575
Expenditures				
Principal	940,180	940,182	(2)	819,689
Interest and fiscal charges	1,154,290	1,151,919	2,371	1,143,918
Total Expenditures	2,094,470	2,092,101	2,369	1,963,607
Revenues Over (Under) Expenditures	60,980	80,188	19,208	273,968
Other Financing Sources (Uses)				
Transfers in	-	884	884	212,478
Total Other Financing Sources (Uses)	-	884	884	212,478
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	\$ 60,980	81,072	\$ 20,092	\$ 486,446
Beginning Fund Balance		852,624		
Ending Fund Balance		\$ 933,696		

CITY OF WEBSTER, TEXAS
SPECIAL REVENUE FUNDS - PUBLIC SAFETY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2006
With Comparative Totals for the Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2005 Actual
<u>Revenues</u>				
Fines and forfeitures	35,000	\$ 25,409	\$ (9,591)	\$ 25,409
Investment earnings	1,100	534	(566)	534
Intergovernmental	6,150	4,523	(1,627)	4,523
Other revenue	700	1,250	550	1,250
Total Revenues	42,950	31,716	(11,234)	31,716
<u>Expenditures</u>				
Public safety	63,500	43,197	20,303	43,197
Revenues Over (Under) Expenditures	(20,550)	(11,481)	9,069	(11,481)
<u>Other Financing Sources</u>				
Transfers out	-	(20,000)	(20,000)	-
Total Other Financing Sources	-	(20,000)	(20,000)	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	\$ (20,550)	(31,481)	\$ (10,931)	\$ (11,481)
Beginning Fund Balance		37,018		
Ending Fund Balance		\$ 5,537		

CITY OF WEBSTER, TEXAS
SPECIAL REVENUE FUNDS - MUNICIPAL COURT PROGRAMS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2006
With Comparative Totals for the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2005 Actual</u>
	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>			
<u>Revenues</u>					
Fines and forfeitures	\$ 57,850	57,850	\$ 76,661	\$ 18,811	\$ 76,661
Investment earnings	5,500	5,500	9,270	3,770	9,270
Total Revenues	<u>63,350</u>	<u>63,350</u>	<u>85,931</u>	<u>22,581</u>	<u>85,931</u>
<u>Expenditures</u>					
General government	39,690	85,430	73,756	(34,066)	73,756
Revenues Over (Under) Expenditures	<u>23,660</u>	<u>(22,080)</u>	<u>12,175</u>	<u>(11,485)</u>	<u>12,175</u>
<u>Other Financing Sources (Uses)</u>					
Transfers out	(23,590)	(23,590)	(23,590)	-	(23,590)
Total Other Financing (Uses)	<u>(23,590)</u>	<u>(23,590)</u>	<u>(23,590)</u>	<u>-</u>	<u>(23,590)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	<u>\$ 70</u>	<u>\$ (45,670)</u>	<u>(11,415)</u>	<u>\$ (11,485)</u>	<u>\$ (11,415)</u>
Beginning Fund Balance			<u>249,245</u>		
Ending Fund Balance			<u>\$ 237,830</u>		

CITY OF WEBSTER, TEXAS
SPECIAL REVENUE FUNDS - EQUIPMENT REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2006
With Comparative Totals for the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2005 Actual</u>
	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>			
<u>Revenues</u>					
Investment earnings	\$ 40,710	40,710	\$ 69,478	\$ 28,768	\$ 69,478
Total Revenues	<u>40,710</u>	<u>40,710</u>	<u>69,478</u>	<u>28,768</u>	<u>69,478</u>
<u>Other Financing Sources (Uses)</u>					
Transfer in	245,840	526,970	526,970	281,130	526,970
Transfers out	(80,630)	(447,180)	(447,180)	(366,550)	-
Total Other Financing Sources (Uses)	<u>165,210</u>	<u>79,790</u>	<u>79,790</u>	<u>(85,420)</u>	<u>526,970</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	<u>\$ 205,920</u>	<u>\$ 120,500</u>	149,268	<u>\$ (56,652)</u>	<u>\$ 596,448</u>
Beginning Fund Balance			<u>1,348,801</u>		
Ending Fund Balance			<u>\$ 1,498,069</u>		

STATISTICAL SECTION

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CITY OF WEBSTER, TEXAS

NET ASSETS BY COMPONENT

Last Four Years (1)
(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 27,733,166	\$ 29,047,446	\$ 28,559,397	\$ 33,987,295
Restricted	1,501,035	2,145,738	3,909,606	2,864,520
Unrestricted	9,434,518	8,047,965	9,753,629	10,633,293
Total governmental activities net assets	\$ 38,668,719	\$ 39,241,149	\$ 42,222,632	\$ 47,485,108
Business-type activities				
Invested in capital assets, net of related debt	\$ 13,676,380	\$ 13,113,572	\$ 13,018,963	\$ 12,990,258
Restricted	-	-	-	-
Unrestricted	2,023,318	2,167,830	2,808,641	4,455,735
Total business-type activities net assets	15,699,698	15,281,402	15,827,604	17,445,993
Primary government				
Invested in capital assets, net of related debt	\$ 41,409,546	\$ 42,161,018	\$ 41,578,360	\$ 46,977,553
Restricted	1,501,035	2,145,738	3,909,606	2,864,520
Unrestricted	11,457,836	10,215,795	12,562,270	15,089,028
Total primary government net assets	\$ 54,368,417	\$ 54,522,551	\$ 58,050,236	\$ 64,931,101

(1) The requirement for statistical data is ten years; only four years are available at this time.

CITY OF WEBSTER, TEXAS

CHANGES IN NET ASSETS

Last Four Years (1)

(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 3,379,338	\$ 3,319,970	\$ 3,266,448	\$ 3,715,779
Public safety	6,160,314	6,105,672	6,436,542	6,485,161
Community development	3,659,727	3,505,191	3,817,687	4,187,250
Interest and fiscal agent fees on long-term debt	1,138,356	1,121,506	1,165,289	1,242,184
Total governmental activities expenses	<u>14,337,735</u>	<u>14,052,339</u>	<u>14,685,966</u>	<u>15,630,374</u>
Business-type activities				
Water	1,131,837	1,343,896	1,331,436	1,314,426
Sewer	1,033,796	1,168,643	1,181,352	1,172,291
Total business-type activities expenses	<u>2,165,633</u>	<u>2,512,539</u>	<u>2,512,788</u>	<u>2,486,717</u>
Total primary government expenses	<u>\$ 16,503,368</u>	<u>\$ 16,564,878</u>	<u>\$ 17,198,754</u>	<u>\$ 18,117,091</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 39,212	\$ 43,253	\$ 53,809	\$ 123,184
Public safety	652,594	819,980	841,367	1,094,780
Community development	233,376	305,699	640,068	443,971
Operating grants and contributions	1,118,955	1,074,146	1,664,269	1,043,288
Total governmental activities program revenues	<u>2,044,137</u>	<u>2,243,078</u>	<u>3,199,513</u>	<u>2,705,223</u>
Business-type activities				
Charges for services				
Water	1,143,080	1,115,767	1,298,509	1,436,718
Sewer	946,727	939,458	1,057,025	1,280,748
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	377,000
Total business-type activities program revenues	<u>2,089,807</u>	<u>2,055,225</u>	<u>2,355,534</u>	<u>3,094,466</u>
Total primary government program revenues	<u>\$ 4,133,944</u>	<u>\$ 4,298,303</u>	<u>\$ 5,555,047</u>	<u>\$ 5,799,689</u>
Net (Expense)/Revenue				
Governmental activities	\$ (12,293,598)	\$ (11,809,261)	\$ (11,486,453)	\$ (12,925,151)
Business-type activities	(75,826)	(457,314)	(157,254)	607,749
Total primary government net expense	<u>\$ (12,369,424)</u>	<u>\$ (12,266,575)</u>	<u>\$ (11,643,707)</u>	<u>\$ (12,317,402)</u>

CITY OF WEBSTER, TEXAS

CHANGES IN NET ASSETS (Continued)

Last Four Years (1)
(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes				
Ad valorem taxes	\$ 1,828,882	\$ 1,979,032	\$ 2,274,512	\$ 2,228,993
Sales taxes	7,682,515	7,739,590	8,972,603	9,940,030
Franchise and local taxes	771,355	740,553	777,018	822,881
Other taxes	786,138	677,721	748,656	869,890
Investment earnings	184,263	158,718	299,161	544,246
Other revenues	34,779	75,861	127,736	201,238
Gain on sale of capital assets	20,568	21,955	-	-
Capital contributions from component unit	729,851	717,841	972,830	4,143,859
Transfers	(144,483)	270,420	295,420	(563,510)
Total governmental activities	11,893,868	12,381,691	14,467,936	18,187,627
Business-type activities				
Investment earnings	30,828	37,997	82,182	197,176
Other revenues	136,000	271,441	916,694	249,954
Transfers	144,483	(270,420)	(295,420)	563,510
Total business-type activities	311,311	39,018	703,456	1,010,640
Total primary government	\$ 12,205,179	\$ 12,420,709	\$ 15,171,392	\$ 19,198,267
Change in Net Assets				
Governmental activities	\$ (399,730)	\$ 572,430	\$ 2,981,483	\$ 5,262,476
Business-type activities	235,485	(418,296)	546,202	1,618,389
Total primary government	\$ (164,245)	\$ 154,134	\$ 3,527,685	\$ 6,880,865

(1) The requirement for statistical data is ten years; only four years are available at this time.

CITY OF WEBSTER, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
 Last Four Years (1)
 (accrual basis of accounting)

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Change 2005-2006</u>
Ad valorem	\$ 1,828,882	\$ 1,979,032	\$ 2,274,512	\$ 2,228,993	-2.0%
Sales	7,682,515	7,739,590	8,972,603	9,940,030	10.8%
Franchise fee	771,355	740,553	777,018	822,881	5.9%
Other taxes	786,138	677,721	748,656	869,890	16.2%
	<u>\$ 11,068,890</u>	<u>\$ 11,136,896</u>	<u>\$ 12,772,789</u>	<u>\$ 13,861,794</u>	8.5%

(1) The requirement for statistical data is ten years; only four years are available at this time.

CITY OF WEBSTER, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Four Years (1)
 (modified accrual basis of accounting)

	Year			
	2003	2004	2005	2006
General Fund				
Reserved	\$ 13,263	\$ 522,680	\$ 585,378	\$ 413,360
Unreserved	6,163,015	5,859,685	6,099,901	7,365,162
Total general fund	<u>\$ 6,176,278</u>	<u>\$ 6,382,365</u>	<u>\$ 6,685,279</u>	<u>\$ 7,778,522</u>
All Other Governmental Funds				
Reserved	\$ 1,598,960	\$ 2,291,890	\$ 4,055,991	\$ 3,009,329
Unreserved, reported in:				
Capital project funds	654,344	606,322	1,898,544	1,697,029
Special revenue funds	3,015,725	1,726,899	1,667,879	1,498,069
Total all other governmental funds	<u>\$ 5,269,029</u>	<u>\$ 4,625,111</u>	<u>\$ 7,622,414</u>	<u>\$ 6,204,427</u>

(1) The requirement for statistical data is ten years; only four years are available at this time.

CITY OF WEBSTER, TEXAS
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
 Last Four Years (1)
 (modified accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 11,087,784	\$ 10,991,009	\$ 12,601,416	\$ 13,693,412
Fees and permits	233,376	305,699	640,068	443,971
Fines and penalties	652,594	819,980	841,367	1,094,780
Charges for services	39,212	43,253	53,809	123,184
Intergovernmental	63,925	44,116	134,239	13,258
Investment earnings	184,263	158,718	299,161	544,246
Contributions	1,055,030	1,030,030	1,530,030	1,030,030
Other revenues	34,779	75,861	127,736	164,710
Total revenues	13,350,963	13,468,666	16,227,826	17,107,591
Expenditures				
General government	2,534,476	2,444,528	2,509,122	2,887,475
Public safety	5,777,489	5,650,560	6,166,468	6,230,882
Community development	3,427,866	3,226,909	3,423,059	3,704,006
Capital outlay	681,683	803,175	523,251	1,990,889
Debt service				
Principal	1,969,224	1,000,650	819,689	940,182
Interest	1,355,519	1,077,279	1,395,072	1,151,919
Total expenditures	15,746,257	14,203,101	14,836,661	16,905,353
Excess of revenues over (under) expenditures	(2,395,294)	(734,435)	1,391,165	202,238
Other Financing Sources (Uses)				
Issuance of debt	4,935,000	-	11,705,000	-
Premium on debt	13,711	-	4,470	-
Discount on debt	-	-	(46,545)	-
Payment to refunded bond escrow agent	(4,816,625)	-	(10,049,293)	-
Transfers in	1,125,040	556,063	1,669,368	1,621,661
Transfers out	(894,020)	(285,643)	(1,373,948)	(2,185,171)
Sale of capital assets	36,773	26,184	-	36,528
Total other financing sources	399,879	296,604	1,909,052	(526,982)
Net change in fund balances	\$ (1,995,415)	\$ (437,831)	\$ 3,300,217	\$ (324,744)
Debt service as a percentage of noncapital expenditures	22.07%	15.51%	15.47%	14.03%

(1) The requirement for statistical data is ten years; only four years are available at this time.

CITY OF WEBSTER, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
 Last Four Years (1)
 (modified accrual basis of accounting)

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Change 2005-2006</u>
Ad valorem	\$ 1,847,776	\$ 2,005,495	\$ 2,275,492	\$ 2,232,964	-1.9%
Sales	7,682,515	7,567,240	8,800,250	9,767,677	11.0%
Franchise fee	771,355	740,553	777,018	822,881	5.9%
Other taxes	786,138	677,721	748,656	869,890	16.2%
	<u>\$ 11,087,784</u>	<u>\$ 10,991,009</u>	<u>\$ 12,601,416</u>	<u>\$ 13,693,412</u>	8.7%

(1) The requirement for statistical data is ten years; only four years are available at this time.

CITY OF WEBSTER, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Years (1)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Residential Property	\$ -	\$ -	\$ -	\$ -
Commercial Property	-	-	-	-
Industrial Property	-	-	-	-
Less: Tax Exempt Property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Taxable Assessed Value (2)	623,111,120	635,943,801	657,498,793	719,784,010
Total Direct Tax Rate	0.29010	0.29010	0.29010	0.26070

Source: Harris County Certified / Uncertified Tax Roll.

(1) The requirement for statistical data is ten years; only six years of detailed data is available at this time.

(2) Property is assessed at estimated actual value.

Presented are the estimated actual value for each fiscal year as of September 30, 2006.

Tax rates are per \$100 of assessed value.

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 161,749,510	\$ 171,310,610	\$ 183,423,560	\$ 188,198,130	\$ 185,975,120	\$ 203,262,549
530,530,650	573,020,560	569,548,840	578,364,880	588,612,900	702,914,741
36,484,450	39,377,650	38,938,490	39,320,230	48,278,150	57,450,684
<u>12,337,670</u>	<u>15,414,720</u>	<u>22,946,700</u>	<u>25,094,880</u>	<u>26,258,880</u>	<u>100,046,297</u>
716,426,940	768,294,100	768,964,190	780,788,360	796,607,290	863,581,677
0.26000	0.26000	0.24000	0.25100	0.26800	0.25750

CITY OF WEBSTER, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
City of Webster by fund:				
General	0.04000	0.04000	0.00243	-
Debt service	<u>0.25006</u>	<u>0.25006</u>	<u>0.28763</u>	<u>0.26073</u>
Total Direct Rates	<u><u>0.29006</u></u>	<u><u>0.29006</u></u>	<u><u>0.29006</u></u>	<u><u>0.26073</u></u>
Clear Creek School District	1.47000	1.59000	1.54150	1.59856
Harris County	0.41866	0.41660	0.39483	0.39483
Harris County Flood Control District	0.07967	0.08000	0.08000	0.08000
Port of Houston Authority	0.01959	0.02320	0.02040	0.02040
Harris County Hospital District	0.12381	0.12381	0.14650	0.14650
Harris County Dept. of Education	0.00610	0.00611	0.00629	0.00629
Total Direct and Overlapping Rates (1)	<u><u>2.40789</u></u>	<u><u>2.52978</u></u>	<u><u>2.47958</u></u>	<u><u>2.50731</u></u>

Tax rates per \$100 of assessed valuation.

Source: Harris County Appraisal District, Clear Creek School District.

(1) Overlapping rates are those of local and county governments that apply within the City of Webster. Not all overlapping rates apply to all City of Webster property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
0.02000	0.02000	0.02000	0.04053	0.05446	0.05000
<u>0.24000</u>	<u>0.24000</u>	<u>0.22000</u>	<u>0.21047</u>	<u>0.21354</u>	<u>0.20750</u>
<u>0.26000</u>	<u>0.26000</u>	<u>0.24000</u>	<u>0.25100</u>	<u>0.26800</u>	<u>0.25750</u>
1.70080	1.74000	1.74000	1.73000	1.74500	1.77500
0.35902	0.38814	0.38814	0.38803	0.39986	0.39986
0.06173	0.04174	0.04174	0.04174	0.03318	0.03322
0.01830	0.01989	0.01989	0.02000	0.01673	0.01474
0.20268	0.19021	0.19021	0.19021	0.19021	0.19216
0.00629	0.00629	0.00629	0.00629	0.00629	0.00629
<u>2.60882</u>	<u>2.64627</u>	<u>2.62627</u>	<u>2.62727</u>	<u>2.65927</u>	<u>2.67877</u>

CITY OF WEBSTER, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Four Years Ago

Property Tax Payer	2006			2002		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Clear Lake Regional Medical Center	\$ 35,655,870	1	4.13%	\$ 51,777,010	1	6.74%
Exxon Corp	33,727,485	2	3.91%	13,806,150	10	1.80%
CHCA Clear Lake, LP	33,562,370	3	3.89%			
Rockwell International	20,070,750	4	2.32%	19,877,290	3	2.59%
Price Baybrook, Ltd.	19,065,200	5	2.21%	20,869,540	2	2.72%
Benton Parkwood Partners	18,999,950	6	2.20%	17,749,960	5	2.31%
Walden Drever Operating, LP	16,749,980	7	1.94%	19,794,340	4	2.58%
Eastfield Realty, Inc.	16,042,940	8	1.86%	16,057,810	6	2.09%
CenterPoint Energy, Inc.	15,231,526	9	1.76%	15,628,230	7	2.03%
Clear Lake Center, LP	14,899,980	10	1.73%			
Fiesta Mart, Inc. (1)		n/a		14,553,000	8	1.89%
MBS Windward Ltd.		n/a		13,849,980	9	1.80%
Subtotal	\$ 224,006,051		25.94%	\$ 203,963,310		26.55%
Other Taxpayers	639,575,626		74.06%	564,330,790		73.45%
Total	\$ 863,581,677		100.00%	\$ 768,294,100		100.00%

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

(1) Fiesta Mart, Inc. closed in 2003.

CITY OF WEBSTER, TEXAS
PRINCIPAL SALES TAX REMITTERS
 Current Year and Three Years Ago

Sales Tax Remitter	2006 Rank	2003 Rank
Fry's Electronics	1	n/a
Home Depot	2	1
Star Furniture	3	2
Conn's Appliances	4	6
Garden Ridge	5	4
Burlington Coat Factory	6	10
Office Depot	7	8
Bed Bath & Beyond	8	12
Barnes & Noble	9	11
Cinemark USA	10	7
Old Navy	11	14
CompUSA Stores	12	3
The Roomstore	13	18
Pappa's Seafood House/Pappasito's Cantina	14	9
Jared - The Galleria of Jewelry	15	19
The Sports Authority (2)	16	13

Source: State Comptroller's Office.

(1) Periods range from May thru April.

(2) Oshman's Sporting Goods changed to The Sports Authority.

(3) The requirement for statistical data is ten years; only the current year and three years ago is available at this time.

CITY OF WEBSTER, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Tax levy	\$ 1,807,396	\$ 1,844,777	\$ 1,907,141	\$ 1,689,594
Current tax collected	\$ -	\$ -	\$ -	\$ -
Percent of current tax collections				
Delinquent tax collections (1)	\$ -	\$ -	\$ -	\$ -
Total tax collections	\$ -	\$ -	\$ -	\$ -
Total collections as a percentage of current levy	-	-	-	-
Outstanding delinquent taxes	\$ -	\$ -	\$ -	\$ -
Outstanding delinquent taxes as percentage of current levy	-	-	-	-

(1) Collections prior to 2001 are not available

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$	1,854,800	\$ 1,976,524	\$ 1,818,570	\$ 1,940,214	\$ 2,115,135	\$ 2,223,263
\$	-	\$ 1,921,917	\$ 1,788,647	\$ 1,912,018	\$ 2,075,818	\$ 2,186,611
		97.24%	98.35%	98.55%	98.14%	98.35%
\$	-	\$ 37,292	\$ 17,789	\$ 6,016	\$ -	\$ 7,092
\$	-	\$ 1,959,209	\$ 1,806,436	\$ 1,918,034	\$ 2,075,818	\$ 2,193,703
	-	99.12%	99.33%	98.86%	98.14%	98.67%
\$	-	\$ 58,098	\$ 29,897	\$ 29,172	\$ 39,317	\$ 29,560
	-	2.94%	1.64%	1.50%	1.86%	1.33%

CITY OF WEBSTER, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Five Years (1)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
General obligation bonds	\$ 14,219,035	\$ 13,179,035	\$ 12,659,035	\$ 18,551,445
Certificates of obligation	9,275,000	8,900,000	8,500,000	4,355,000
Capital leases	575,772	239,257	158,655	-
Subtotal	<u>\$ 24,069,807</u>	<u>\$ 22,318,292</u>	<u>\$ 21,317,690</u>	<u>\$ 22,906,445</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 24,069,807</u>	<u>\$ 22,318,292</u>	<u>\$ 21,317,690</u>	<u>\$ 22,906,445</u>
COMPONENT UNIT				
Activities (2):				
Sales Tax Revenue Bonds	\$ 14,410,000	\$ 13,905,000	\$ 13,375,000	\$ 12,820,000
PERSONAL INCOME (3)(4)	-	-	240,081,856	246,785,110
DEBT AS A PERCENTAGE OF PERSONAL INCOME	-	-	8.88%	9.28%
POPULATION	9,083	9,083	9,083	8,852
DEBT PER CAPITA	\$ 2,650	\$ 2,457	\$ 2,347	\$ 2,588

(1) The requirement for statistical data is ten years; only five years are available at this time.

(2) Component unit activities are not included in the calculation of debt as a percentage of personal income or debt per capita.

(3) Personal income data prior to 2004 is not available.

(4) Personal income information is a total for the year.

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

2006

\$ 17,756,264
4,210,000

\$ 21,966,264

\$ 21,966,264

\$ 16,055,000

284,140,348

7.73%

8,852

\$ 2,482

CITY OF WEBSTER, TEXAS
RATIO OF NET BONDED DEBT TO ASSESSED VALUE,
NET BONDED DEBT PER CAPITA, AND ASSESSED
AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
NET TAXABLE ASSESSED VALUE (1)				
All property	\$ 623,111,120	\$ 635,943,801	\$ 657,498,793	\$ 719,784,010
NET BONDED DEBT				
Gross bonded debt	\$ 18,119,036	\$ 17,374,036	\$ 16,204,036	\$ 25,104,035
Less debt service funds	861,050	959,901	817,356	1,006,858
Net Bonded Debt	<u>\$ 17,257,986</u>	<u>\$ 16,414,135</u>	<u>\$ 15,386,680</u>	<u>\$ 24,097,177</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	2.77%	2.58%	2.34%	3.35%
POPULATION	6,515	8,217	8,240	9,083
NET BONDED DEBT PER CAPITA	\$ 2,649	\$ 1,998	\$ 1,867	\$ 2,653

(1) Shown are estimated actual values for each fiscal year as of September 30, 2006.

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 716,426,940	\$ 768,294,100	\$ 768,964,190	\$ 780,788,360	\$ 796,607,290	\$ 863,581,677
\$ 24,314,035	\$ 23,494,035	\$ 22,079,035	\$ 21,159,035	\$ 22,906,445	\$ 21,966,264
992,109	727,646	304,315	366,178	852,624	933,696
<u>\$ 23,321,926</u>	<u>\$ 22,766,389</u>	<u>\$ 21,774,720</u>	<u>\$ 20,792,857</u>	<u>\$ 22,053,821</u>	<u>\$ 21,032,568</u>
3.26%	2.96%	2.83%	2.66%	2.77%	2.44%
9,083	9,083	9,083	9,083	8,852	8,852
\$ 2,568	\$ 2,506	\$ 2,397	\$ 2,289	\$ 2,491	\$ 2,376

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CITY OF WEBSTER, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2006

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Clear Creek ISD (3)	\$ 511,800,000	5.850%	\$ 29,940,300
Clear Lake City Water Authority (3)	4,815,828	0.070%	3,371
Harris County (2)(4)	1,483,721,590	0.320%	4,747,909
Harris Co. Flood Control District (4)	366,254,985	0.320%	1,172,016
Port of Houston Authority (4)	314,705,000	0.320%	<u>1,007,056</u>
Subtotal, overlapping debt			36,870,652
City direct debt	21,966,264	100.000%	<u>21,966,264</u>
Total direct and overlapping debt			<u><u>\$ 58,836,916</u></u>

Source: Coastal Securities, Ltd.

(1) Estimated Percentage Applicable obtained from Municipal Advisory Council of Texas.

(2) Excludes Toll Road Tax Bonds. The County's policy and practice has been to provide payment of debt service on the outstanding Toll Road Tax Bonds from toll revenues and certain other funds, and to date, no tax has been collected to provide for such debt service.

(3) Debt outstanding is as of August 31, 2006

(4) Debt outstanding is as of January 31, 2006

CITY OF WEBSTER, TEXAS
LEGAL DEBT MARGIN INFORMATION
 Last Four Years (1)

	Year			
	2003	2004	2005	2006
Debt limit	\$ 76,896,419	\$ 78,078,836	\$ 79,660,729	\$ 86,358,168
Total net debt applicable to limit	21,774,720	20,792,857	22,053,821	21,032,568
Legal debt margin	\$ 55,121,699	\$ 57,285,979	\$ 57,606,908	\$ 65,325,600
Total net debt applicable to the limit as a percentage of debt limit	28.32%	26.63%	27.68%	24.36%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 863,581,677
Debt limit (10% of assessed value)	86,358,168
Debt applicable to limit:	
General obligation bonds	21,966,264
Less: amount set aside for repayment of general obligation debt	(933,696)
Total net debt applicable to limit	21,032,568
Legal debt margin	\$ 65,325,600

Note: Under state finance law, the City of Webster's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) The requirement for statistical data is ten years; only four years are available at this time.

CITY OF WEBSTER, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

Fiscal Year Ended Sept. 30,	Population(1)	Personal Income(5)(6)	Per Capita Personal Income(2)	Median Age (5)	School Enrollment(3)	Unemployment Rate(4)
1997	6,515	\$ -	\$ -	-	1,557	2.2%
1998	8,217	\$ -	\$ -	-	1,555	1.8%
1999	8,240	\$ -	\$ -	-	1,532	2.0%
2000	9,083	\$ -	\$ -	-	1,756	1.8%
2001	9,083	\$ -	\$ -	-	1,872	1.9%
2002	9,083	\$ -	\$ -	-	1,507	2.6%
2003	9,083	\$ -	\$ -	-	1,359	3.0%
2004	9,083	\$ 240,081,856	\$ 26,432	34.0	1,332	2.7%
2005	8,852	\$ 246,785,110	\$ 27,170	34.6	1,390	5.3%
2006	8,852	\$ 284,140,348	\$ 32,099	36.1	870	* 3.1%

Data sources:

- (1) Bureau of the Census
- (2) Claritas
- (3) Clear Creek Independent School District
- (4) Texas Workforce Commission
- (5) Personal income and median age data prior to 2004 are not available.
- (6) Personal income information is a total for the year.
- * Intermediate school converted to a high school.

CITY OF WEBSTER, TEXAS

PRINCIPAL EMPLOYERS

Current Year

Employer

Academy Sports and Outdoors
Boeing
City of Webster
Clear Lake Regional Medical Center
Clear Lake Rehabilitation Hospital
Deke Slayton Cancer Center
Diagnostic Systems Laboratories
Fry's Electronics
HealthSouth
Lockheed Martin
Medical Plaza at Clear Lake
State Farm Operations Center
Texas Gulf Coast Medical Group
Triumph Hospital - Clear Lake
United Space Alliance

Source: Bay Area Economic Partnership

Note: Principal employers in the City are concentrated in the fields of medical/healthcare and aerospace. The City also has a high concentration of medium to small retailers. Number of employees data is not available at this time; therefore, the principal employers have not been ranked or presented for the current year along with ten years ago.

CITY OF WEBSTER, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund:										
City Secretary	3	5	3	3	3.5	4	4	4	4	4
Public Relations	1						1	1	1	1
City Manager	1	1	1	1	1	1	1	1	1	1
Finance	5	5	6	8	9	8	8	7	7	7
Municipal Court	3	3	3	3.5	4	4	4	5	5	6
Information Technology			1	1	2	2	2	2	2	2
Human Resources		2	2	2	3	3	3	2.75	2.75	3
Community Development	7	8	13	16	17	17				
Administration							5.9	4.9	4.9	5.8
Building							7	6	6	6
Engineering							2	2	2	2
Recreation Programs							2	1	1	1
Public Works	13	11	19	20	20	20				
Administration							3	3	2	2
Maintenance							12	10	10	10
Parks Maintenance							4	4	4	5
Police	49	51	56	58	59	61				
Administration							6	5	6	6
Criminal Investigation							7	7	7	7
Patrol							30	31	34	34
Communications							16	15	13	14
Technical Support								1	1	1
Fire	2	2	3	4	4.5	4.5				
Prevention							3	2.35	2.35	2.35
Operations							2	2	2	2
Economic Development		1	2	4	3	4	3	3	3	2
General Fund Total	84	89	109	120.5	126	128.5	125.9	120	121	124.15
Enterprise Fund:										
Water	9.5	9.5	9.5	7	7	7	7	7	7	7
Sewer	9.5	10.5	10.5	9	9	9	7	6	6	6
Enterprise Fund Total	19	20	20	16	16	16	14	13	13	13
TOTAL CITY POSITIONS	103	109	129	136.5	142	144.5	139.9	133	134	137.15

NOTES:

Around 17-24 temporary and seasonal employees are hired during the summer months as camp counselors and pool personnel. This count is not reflected above.

Around 16 contract personnel are used year round to augment landscaping and maintenance crews. This count is not reflected above.

Prior to 2002-03, a number of positions were split and reported in separate departments. There are no splits reported since prior years were not restated.

Part-time firefighters (17) are not included.

Auxiliary (Volunteer) firefighters (10) are not included.

A part-time seasonal school crossing guard is not included.

Excludes Recreation intern.

CITY OF WEBSTER, TEXAS
OPERATING INDICATORS BY FUNCTION / PROGRAM
 Last Four Years (1)

Function / Program	Year			
	2003	2004	2005	2006
Police				
Arrests	1,646	1,920	2,115	1,927
Accident reports	1,200	1,151	1,078	1,087
Citations	4,639	5,661	6,342	9,228
Offense reports	2,585	2,586	2,616	2,431
Calls for service	19,522	20,298	21,794	20,002
Fire				
Emergency responses	1,083	1,048	993	947
Fire incidents	78	57	83	91
Average response time	5 min, 0 sec	5 min, 31 sec	5 min, 56 sec	5 min, 30 sec
Water				
New accounts	82	99	142	132
Average daily consumption (millions of gallons)	1.409	1.446	1.419	1.637
Total Consumption (millions of gallons)	514.277	527.667	518.260	597.816
Peak daily consumption (millions of gallons)	2.474	2.705	2.927	2.879
Sewer				
Average daily sewage treatment (millions of gallons)	1.220	1.234	1.161	1.271
Total Consumption (millions of gallons)	445.412	451.755	416.620	464.230
Peak daily consumption (millions of gallons)	2.856	3.462	2.245	2.831

Source: Various City departments

(1) The requirement for statistical data is ten years; only four years are available at this time.

CITY OF WEBSTER, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
 Last Four Years (1)

Function / Program	Year			
	2003	2004	2005	2006
Police				
Stations	1	1	1	1
Patrol units	41	38	43	43
Fire stations	2	2	2	2
Other public works				
Streets (miles - centerlines)	19.0	19.0	20.2	28.0
Streetlights	716	749	708	708
Parks and recreation				
Parks	3	3	4	4
Parks acreage	12.0	12.0	23.2	23.2
Baseball / softball diamonds	3	3	2	2
Swimming pools	1	1	1	1
Community centers	1	1	1	1
Water				
Water mains (miles)	39.2	39.8	39.1	43.2
Fire hydrants	464	484	492	568
Storage capacity (millions of gallons)	2.95	2.95	2.95	2.95
Sewer				
Sanitary sewers (miles)	26.8	26.9	27.2	27.8
Storm sewers (miles)	16.1	16.1	16.4	17.0
Open ditch / creek / canal drainage (miles)	3.5	3.5	3.5	5.4
Treatment capacity (millions of gallons)	1.65	1.65	1.65	1.65

Source: Various City departments

(1) The requirement for statistical data is ten years; only four years are available at this time.