

City of Webster

Comprehensive Annual Financial Report

Fiscal Year Ended
September 30, 2007



Texas

CITY OF WEBSTER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
September 30, 2007**

CITY MANAGER

Michael W. Jez

Prepared by:

William Michael Rodgers, CPA

Director of Finance

Melinda Caperton, CGFO

Accounting Manager

Stephen Shen, CGFO

Accountant

Carol Fontenot

Accounting Technician

Debbie Pinkston

Accounting Technician

Barbara George

Accounting Technician

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

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

TABLE OF CONTENTS

September 30, 2007

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	3
Organization Chart	8
Certificate of Achievement for Excellence in Financial Reporting	9
Principal Officials	10
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	13
Management's Discussion and Analysis	17
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Assets	28
Statement of Activities	30
Fund Financial Statements	
Balance Sheet-Governmental Funds	32
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	37
Proprietary Fund Financial Statements	
Statement of Net Assets	39
Statement of Revenues, Expenses, and Changes in Fund Net Assets	41
Statement of Cash Flows	42
Notes to Financial Statements	45
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual:	
General Fund	74
Hotel and Motel Tax Fund	77
Schedule of Funding Progress-Texas Municipal Retirement System	79
<u>COMBINING STATEMENTS AND SCHEDULES</u>	
Combining Balance Sheet-Nonmajor Governmental Funds	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance-Nonmajor Governmental Funds	86

CITY OF WEBSTER, TEXAS

TABLE OF CONTENTS

September 30, 2007

	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual:	
Debt Service Fund	89
Special Revenue:	
Public Safety Fund	90
Municipal Court Programs Fund	91
Equipment Replacement Fund	92
Emergency Management Fund	93

STATISTICAL SECTION

Net Assets by Component – Last Five Years	96
Changes in Net Assets – Last Five Years	98
Tax Revenues by Source, Governmental Activities – Last Five Years	102
Fund Balances, Governmental Funds – Last Five Years	104
Changes in Fund Balance, Governmental Funds – Last Five Years	106
Tax Revenues by Source, Governmental Activities – Last Five Years	108
Assessed Value and Actual Value of Taxable Property – Last Ten Years	110
Property Tax Rates – Direct and Overlapping Governments – Last Ten Years	112
Principal Property Taxpayers – Current Year and Five Years Ago	114
Principal Sales Tax Remitters – Current Year and Four Years Ago	115
Property Tax Levies and Collections – Last Ten Years	116
Ratios of Outstanding Debt by Type – Last Five Years	118
Ratios of General Bonded Debt Outstanding – Last Ten Years	120
Direct and Overlapping Governmental Activities Debt	123
Legal Debt Margin Information-Last Five Years	124
Demographic and Economic Statistics – Last Ten Years	126
Principal Employers – Current Year	127
Full-Time Equivalent City Government Employees by Function/Program – Last Ten Years	129
Operating Indicators by Function/Program – Last Five Years	130
Capital Asset Statistics by Function/Program – Last Five Years	132

INTRODUCTORY SECTION

(This page intentionally left blank.)



December 26, 2007

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

It is with great pleasure that I present to you a copy of the Comprehensive Annual Financial Report (CAFR) of the City of Webster, Texas (the "City"), for the fiscal year ended September 30, 2007. The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the end results of operation 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 CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements and Other Supplemental Information, as well as the independent auditor's report. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Webster was considered a village from 1879 until 1959, the year it was incorporated. Webster's population grew from 329 in 1960 to just under 10,000 today. The City adopted a council-manager form of 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 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 provides a full range of municipal services as authorized by ordinance and the City Charter. This includes public safety (police and fire protection); community development (construction and maintenance of streets, planning, and recreation services); general government activities (City administration); and utilities (water and wastewater treatment and distribution). The reporting units are the City's funds, all of which are included in

this report. The Webster Economic Development Corporation is reported as a component unit for which the City is financially accountable.

Local Economy

The City of Webster, Texas, is the “Gateway to the Bay Area.” Twenty-five miles from downtown Houston, the City is ideally located 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. Webster is rapidly developing as a center for excellence within the medical care community, proven by the addition of several new facilities. Directly to the east of the City lies NASA’s Johnson Space Center, a major employer and popular tourist destination that is contributing to the construction of new hotels in Webster.

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 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. The restaurateurs and other hospitality venues enjoy a favorable economic environment with continued stability.

Fiscal year 2006-07 brought exciting news in economic development. Listed below are just a few of the highlights.

- A 255,000 square foot expansion of Clear Lake Regional Hospital, the Heart & Vascular Hospital celebrated its opening in March 2007.
- Medical Plaza at Clear Lake, the area’s foremost 113,000 square foot integrated medical facility, began accepting patients during the year.
- St. Luke’s Hospital-Clear Lake announced that it will soon break ground on a nine-story, full-service, 175-bed hospital encompassing approximately 375,000 square feet.
- Construction will begin on three new hotels: Staybridge Suites, Marriott Springhill Suites, and Holiday Inn. Plans have been submitted for Hilton Garden Inn. Upon completion, a total of sixteen hotels will be located in the City.
- Circuit City, Cost Plus World Market, and Linens & Things will soon occupy space within Baybrook Gateway.
- Main Event opened its 65,000 square foot family entertainment venue in May 2007.
- Over 450,000 square feet of new class-A office space from four buildings is currently in development.
- Construction continues at Webster’s newest residential community, Edgewater. This 574-acre development will add 2,600 residents and a minimum of 375,000 square feet of retail over several years.

Major Initiatives

The largest revenue source in the General Fund is sales tax. For each of the last three years, the City has experienced sales tax revenue growth in excess of 10%. The fiscal year 2007-08 budget estimates revenue to increase only 3.3% due to the closing or relocation of two major retailers. Coupled with anticipated increases from the general sales tax base, it is expected that the 3.3% increase may be conservative. Any sales tax received in excess of budgeted projections will be dedicated to one-time capital purchases.

Another large source of revenue is the ad valorem tax. The City's 2007 taxable value increased 11% over the adjusted 2006 taxable value. The fiscal year 2007-08 budget provides service enhancements to citizens and meets all of the directives of City Council without a property tax increase.

The City is committed to maintaining a competitive compensation program to attract and retain employees. Also, recognizing employees for their job performance through merit increases is essential to motivating them. To this end, the fiscal year 2007-08 budget includes a 2.5% pay increase for all employees and an additional 2.5% for top performers.

Public safety continues to be a major initiative for the City. Another warrant officer will be hired in fiscal year 2007-08 to concentrate on warrant service and arrests. The replacement of nine vehicles is included in the budget as well. The Fire Department will replace its aging microwave communication system with fiber optics and convert to digital technology for its radios.

Street and storm sewer maintenance remains a priority for the citizens of Webster. Public Works will initiate a program of regular, more frequent street sweeping and storm sewer cleaning. It is investing in a new street sweeper. The department is also adding a Staff Assistant position to answer phone calls, track work orders, and assist other personnel within Public Works.

In January 2008, the Utility Fund will issue \$2.25 million of revenue bonds. This debt, along with the \$6.165 million issued in 2006 will fund the expansion of the wastewater treatment plant. In December 2004, City Council approved a 5-year schedule of rate changes according to a consultant's study. Council has proven its commitment to this study by increasing water and wastewater rates as recommended. A new rate study is included in the fiscal year 2007-08 budget.

Financial Information

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

Budgeting Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Debt Service Fund, Special Revenue Funds (Hotel Occupancy Tax Fund, Equipment Replacement Fund, Municipal Court Fund, Public Safety Fund, and Emergency Management Fund), Utility Fund, and Utility Interest and Sinking Fund are included in the annual operating budget. The Webster Economic Development Corporation, a component unit of the City, is also included in the annual operating budget. A capital improvement plan is approved each year. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the division level within an individual fund. The City maintains an encumbrance accounting system as a means of accomplishing budgetary controls and a technique of budgetary “lock out” which will prevent a transaction from exceeding legally appropriated budgetary amounts. 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.

Debt Administration

The City may issue General Obligation bonds that are approved by voters in a capital improvements plan. Certificates of Obligation are used for short-term construction projects and financing vehicles and equipment. When available, sales tax revenue in excess of budgeted projections can be dedicated to one-time capital purchases.

Cash Management

The City follows an active program of cash management, keeping all temporarily idle funds in interest-bearing accounts. These accounts are in the form of money market (government-based) funds, U.S. Treasury issues, and federal government agency instrumentalities. The City’s investment policy is used to safeguard assets with a minimal amount of risk, while maintaining the necessary level of liquidity and maximizing the yield on investments. Accordingly, all of the City’s deposits are either insured by the Federal Deposit Insurance Corporation or are collateralized by governmental securities. A third-party financial institution in the City of Webster’s name holds all collateral for deposits. State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies; obligations of the State of Texas and related agencies; fully collateralized repurchase agreements; local government investment pools; SEC-registered, no-load money market mutual funds; fully collateralized certificates of deposit; and municipal securities of any state rated “AA” or above by a nationally recognized rating service.

Independent Audit

The City Charter requires an independent audit of the accounts of the City by an independent auditor. Sanderson Knox and Belt, L.L.P., Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Webster’s financial statements for the year ended September 30, 2007. The independent auditor’s report is located at the front 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 for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006, for the 21st consecutive year. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. I believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements, and I am submitting it to GFOA to determine its eligibility for another certificate.

The City also received GFOA's Distinguished Budget Presentation Award for its fiscal year 2006-07 Annual Budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that the City of Webster's budget is proficient as an operations guide, financial plan, policy document, and communication device. The City has submitted its fiscal year 2007-08 Annual Budget to GFOA to determine its eligibility for another certificate. I believe it continues to meet the Distinguished Budget Presentation Award criteria.

Acknowledgements

I would like to thank the Mayor, members of the City Council, and the City Manager for their strong leadership and support that helped make this report possible. I would also like to thank the entire Finance Department staff for the tremendous amount of time and effort that went into the preparation of this report.

Respectfully submitted,

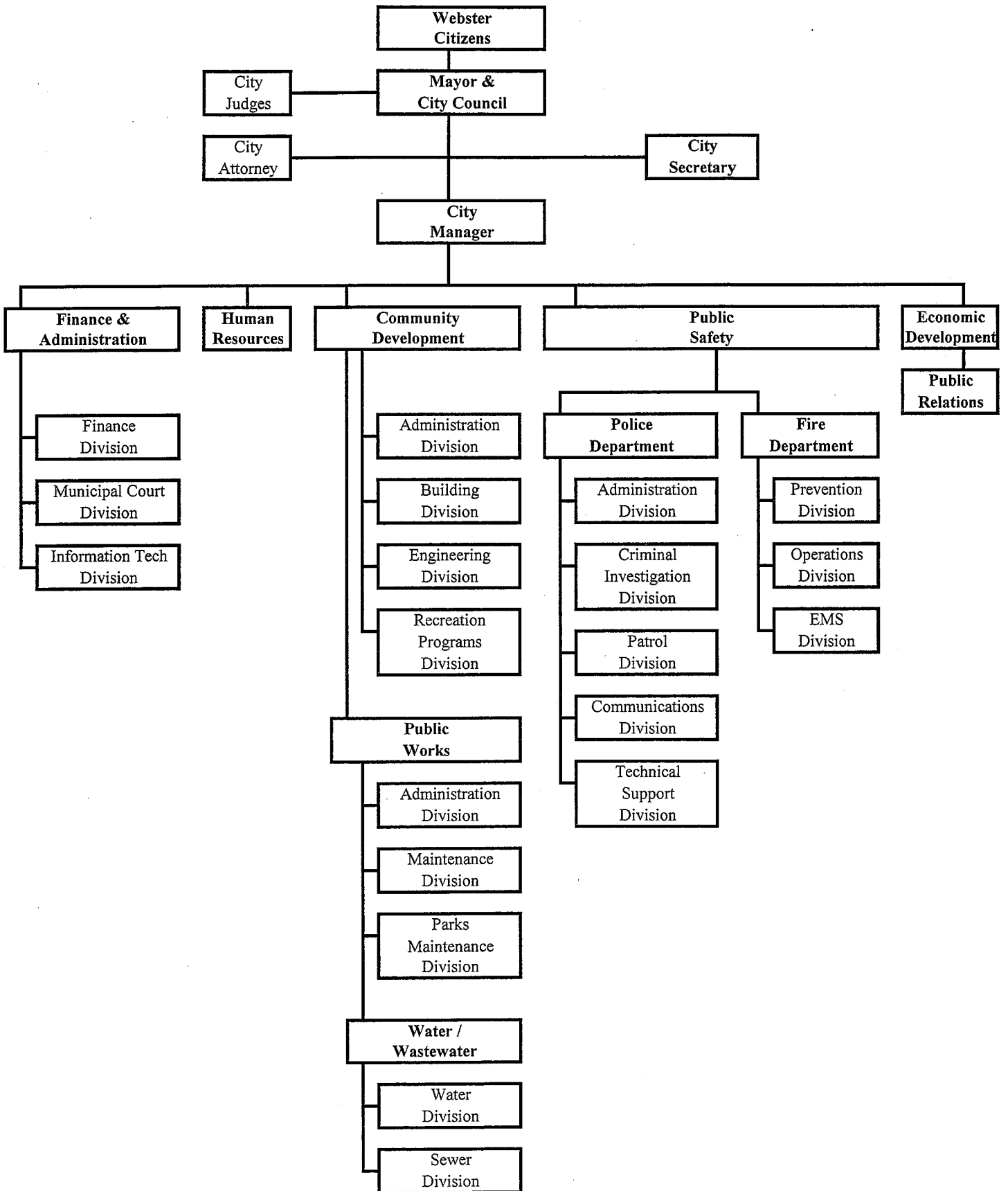
A handwritten signature in black ink that reads "William Michael Rodgers". The signature is written in a cursive style with a prominent underline.

William Michael Rodgers, CPA
Director of Finance

CITY OF WEBSTER, TEXAS

Organization Chart

September 30, 2007



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, 2006

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



Oliver S. Cox

President

Jeffrey R. Egan

Executive Director

CITY OF WEBSTER, TEXAS

PRINCIPAL OFFICIALS

September 30, 2007

City Officials	Elective Position	Term Expires
Donna Rogers	Mayor	05/2008
Melvin Ellis	Council Member – Position No. 1	05/2009
Beverly Gaines	Council Member – Position No. 2	05/2009
Bill Coleman	Council Member – Position No. 3	05/2010
Steve Waltz	Council Member – Position No. 4	05/2010
Carlos Villagomez	Council Member – Position No. 5/Mayor Pro-Tem	05/2010
Floyd Myers	Council Member – Position No. 6	05/2008

Key Staff	Position
Michael W. Jez	City Manager
Wm. Michael Rodgers, CPA	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
Dr. Betsy Giusto	Director of Economic Development

FINANCIAL SECTION

(This page intentionally left blank.)

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, 2007, 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, 2007, 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 17 through 25, budgetary comparison information on pages 74 through 77, and pension information on page 79 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 26, 2007

(This page intentionally left blank.)

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

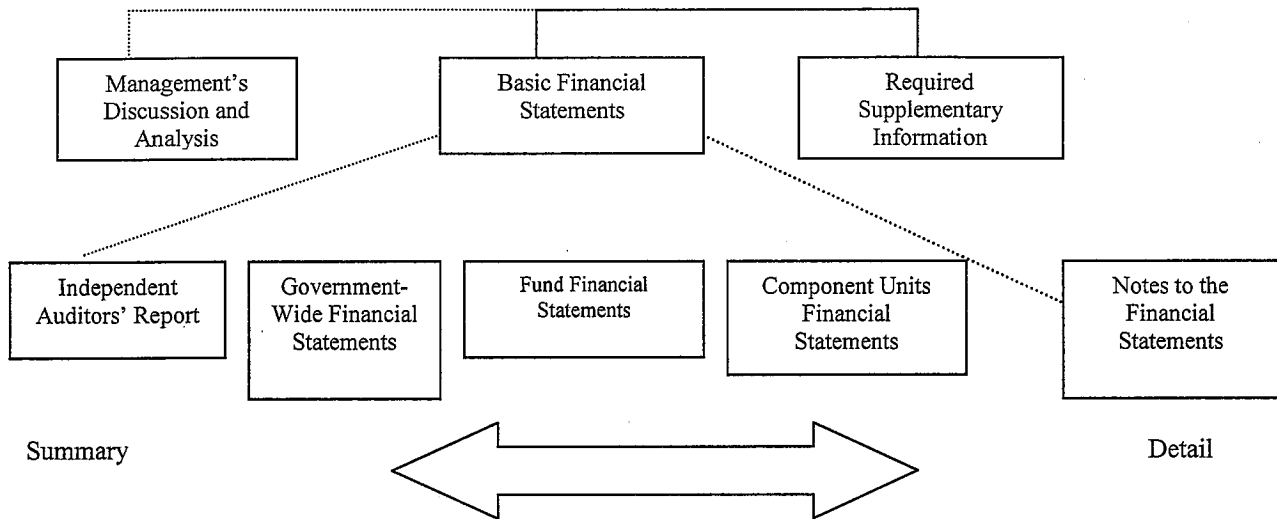
(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 September 30, 2007

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 (the "City") financial activities for the year ending September 30, 2007. 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, 2007

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, 2007

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 and the debt service 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 ten 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 45.

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 \$68,688,029 as of September 30, 2007, 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, 2007

The largest portion of the City's net assets (70.5%) 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 cannot 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 17,977,399	\$ 15,532,032	\$ 12,322,648	\$ 5,321,266	\$ 30,300,047	\$ 20,853,298
Capital assets, net	54,570,620	54,769,910	13,239,394	12,990,258	67,810,014	67,760,168
Total Assets	72,548,019	70,301,942	25,562,042	18,311,524	98,110,061	88,613,466
Long-term liabilities	20,966,220	21,956,145	6,448,395	503,354	27,414,615	22,459,499
Other liabilities	1,169,037	1,237,654	838,380	362,177	2,007,417	1,599,831
Total Liabilities	22,135,257	23,193,799	7,286,775	865,531	29,422,032	24,059,330
Net Assets:						
Invested in capital assets, net of related debt	34,682,185	33,987,295	13,239,394	12,990,258	47,921,579	46,977,553
Restricted	5,080,935	2,864,520	2,743,668	1,782,536	7,824,603	4,647,056
Unrestricted	10,649,642	10,256,328	2,292,205	2,673,199	12,941,847	12,929,527
Total Net Assets	\$ 50,412,762	\$ 47,108,143	\$ 18,275,267	\$ 17,445,993	\$ 68,688,029	\$ 64,554,136

A portion of the primary government's net assets, \$5,080,935 or 7.4%, 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, \$15,185,909 or 22.1%, 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, 2007

Statement of Activities:

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

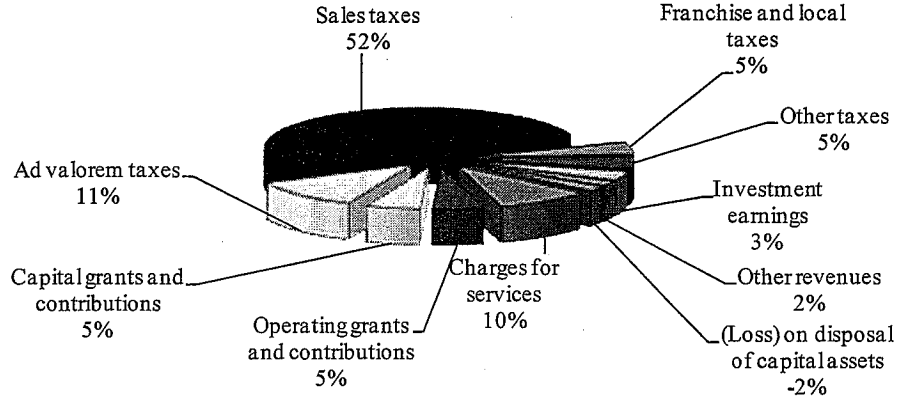
CHANGES IN NET ASSETS

	Governmental		Business-Type		Total	
	Activities		Activities		Primary	
	2007	2006	2007	2006	Government	2006
Revenues						
Program revenues:						
Charges for services	\$ 1,998,056	\$ 1,661,935	\$ 2,900,859	\$ 2,717,466	\$ 4,898,915	\$ 4,379,401
Operating grants and contributions	1,082,168	1,043,288	-	-	1,082,168	1,043,288
Capital grants and contributions	1,147,059	4,143,859	-	377,000	1,147,059	4,520,859
General revenues:						
Ad valorem taxes	2,407,997	2,228,993	-	-	2,407,997	2,228,993
Sales taxes	10,773,089	9,563,065	-	-	10,773,089	9,563,065
Franchise and local taxes	982,871	822,881	-	-	982,871	822,881
Other taxes	999,567	869,890	-	-	999,567	869,890
Investment earnings	709,934	201,238	531,946	249,954	1,241,880	451,192
Other revenues	381,250	544,246	601,777	197,176	983,027	741,422
(Loss) on disposal of capital assets	(372,365)	-	-	-	(372,365)	-
Total Revenues	20,109,626	21,079,395	4,034,582	3,541,596	24,144,208	24,620,991
Expenses						
General government	3,127,988	3,715,779	-	-	3,127,988	3,715,779
Public safety	7,186,632	6,485,161	-	-	7,186,632	6,485,161
Community development	5,562,641	4,187,250	-	-	5,562,641	4,187,250
Interest and fiscal agent fees on long-term debt	1,317,336	1,242,184	-	-	1,317,336	1,242,184
Water	-	-	1,347,623	1,314,426	1,347,623	1,314,426
Sewer	-	-	1,468,095	1,172,291	1,468,095	1,172,291
Total Expenses	17,194,597	15,630,374	2,815,718	2,486,717	20,010,315	18,117,091
Increase in Net Assets						
Before Transfers	2,915,029	5,449,021	1,218,864	1,054,879	4,133,893	6,503,900
Transfers	389,590	(563,510)	(389,590)	563,510	-	-
Change in Net Assets	3,304,619	4,885,511	829,274	1,618,389	4,133,893	6,503,900
Beginning Net Assets	47,108,143	42,222,632	17,445,993	15,827,604	64,554,136	58,050,236
Ending Net Assets	\$ 50,412,762	\$ 47,108,143	\$ 18,275,267	\$ 17,445,993	\$ 68,688,029	\$ 64,554,136

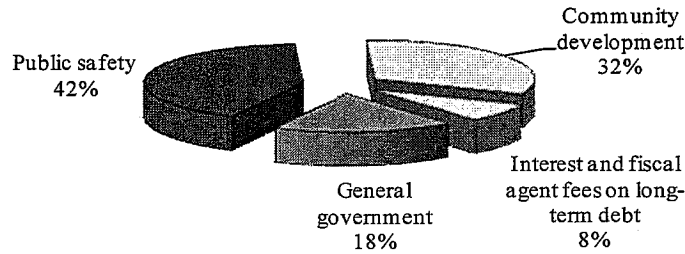
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 September 30, 2007

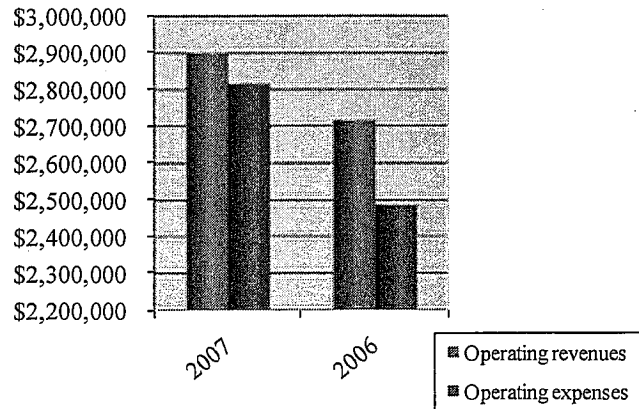
Governmental Activities - Revenues



Governmental Activities - Expenses



Business-Type Activities - Revenues and Expenses



CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2007

For the year ended September 30, 2007, revenues from governmental activities totaled \$20,109,626. Property and sales tax revenues continue to be the City's largest revenue sources. Sales tax revenue increased by \$1,210,024 because of the economic vitality of the City and the continued growth of several large retailers. Charges for services increased by \$336,121 over the last year with the largest attributing factors being from the addition of police personnel, revising fee schedules for permits, and entering into several interlocal agreements. Investment income rose by \$508,766 as a result of higher interest rates.

Other taxes increased 14.9% over the prior year primarily as a result of an increase in hotel and motel taxes with the additional of two new hotels. Franchise fees, collected from electric, gas, cable and telephone/telecommunications utilities, totaled \$982,871 for the year ended September 30, 2007, an increase from the prior year of 19.4%. This growth is a result of the continued commercial expansion of the City.

For the year ended September 30, 2007, expenses for governmental activities totaled \$17,194,597. This represents an increase of \$1,564,293 over last year. During the year, energy/utilities and gasoline costs increased dramatically resulting in increased expenses. Expenses per capita were \$1,817, up from last year.

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 \$183,393 or 6.7%. The City raised residential and commercial rates in accordance with a five-year capital improvement plan. Operating costs are higher than the prior year due to an increase in maintenance and repair during the year.

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 \$16,670,030. Of this, \$3,487,303 is designated and \$5,757,195 is reserved for outside restrictions, prepaid expenses, and a fund advance.

There was an increase in the combined fund balance of \$2,687,081 over the prior year. This is largely attributable to an increase in transfers in to a variety of special revenue and capital project funds. The City's fund balance policy for the general fund is a minimum 3-month reserve. The general fund's unreserved, undesignated fund balance of \$7,425,532 is estimated to be \$3,949,746 over the minimum. Due to the volatility of sales tax revenue and the City's dependence upon it, maintaining a fund balance above the minimum is prudent.

There was an increase of \$271,744 in the debt service fund balance to \$1,205,440. Principal and interest debt service payments totaled \$2,120,861 for the year.

The hotel and motel tax fund experienced a positive change in fund balance of \$314,412. This increase can be primarily attributed to the increase in hotel and motel taxes received as well as investment earnings.

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

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2007

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenue and other financing sources exceeded expenditures and other financing uses by \$63,559 in the general fund for year 2007.

Actual general fund revenues exceeded original and amended budgeted revenues by \$569,428 during 2007. This increase is primarily attributable to the positive variance of \$337,783 for fines and forfeitures as a result of an increase in police personnel for traffic.

During the 2007 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 re-appropriate monies to pay for additional attorney fees, and for a transfer to the TIRZ fund;
- To transfer funds to a project fund to purchase a fire truck

Total expenditures closely paralleled total amended budgeted expenditures, with a modest positive budget variance of \$940,495.

CAPITAL ASSETS

At the end of year 2007, the City's governmental activities funds had invested \$72,252,110 in a variety of capital assets and infrastructure. This represents a net increase of \$3,363,213. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with an increase in the amount of \$2,010,456.

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

- Completion of the Texas Avenue North Street Project in the amount of \$1,595,677;
- Completion of Orchard Street Project in the amount of \$1,332,978.

Construction in progress at year end represents numerous ongoing projects, the largest of which relates to the NASA Road 1 Bypass Phase II.

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, obligations to the State, and lease agreements outstanding of \$26,985,998. Of this amount, \$16,900,998 was general obligation debt, and certificates of obligation account for \$4,055,000. The remaining \$6,030,000 consisted of business-type revenue bonds.

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

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2007

Current underlying ratings on debt issues are as follows:

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Webster City Council approved a \$24.8 million budget for the 2008 year, including the component unit. This is a 17.9% increase which includes implementing City Council directives and organizational strategies adopted in the past year. The budget incorporates a property tax rate of \$.24887 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 11% to \$1.03 billion. Budgeted sales tax receipts comprise 58% of all city-wide revenue sources and 72% 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.

The City has added employee positions in public safety and public works in order to maintain municipal services. Building permits remain relatively strong. Construction value of \$79.6 million was generated by 132 commercial permits, and a \$353,163 valuation increase from nine residential permits issued in the 2007 fiscal year. Construction continues at Webster's new residential community, Edgewater, which will add 2,600 residents and 375,000 square feet of retail over several years. St. Luke's Hospital-Clear Lake will soon break ground on a nine-story full-service hospital. Construction will begin on three new hotels, and plans have been submitted for a fourth, which upon completion will bring the total number of hotels to sixteen located in the City.

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.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

CITY OF WEBSTER, TEXAS

STATEMENT OF NET ASSETS

September 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,791,781	\$ 8,379,855	\$ 17,171,636
Investments	6,345,049	3,372,298	9,717,347
Receivables (net of allowance for uncollectible)	2,493,927	344,156	2,838,083
Internal balances	(3,350)	3,350	-
Prepaid items	71,497	448	71,945
Deferred charges	278,495	222,541	501,036
Capital assets:			
Non-depreciable	6,372,751	911,139	7,283,890
Net depreciable capital assets	48,197,869	12,328,255	60,526,124
Total Assets	72,548,019	25,562,042	98,110,061
Liabilities			
Accounts payable and accrued liabilities	892,681	602,356	1,495,037
Customer deposits	12,700	224,646	237,346
Accrued interest payable	259,711	11,378	271,089
Unearned revenue	3,945	-	3,945
Noncurrent liabilities:			
Long-term liabilities due within one year	1,364,702	247,386	1,612,088
Long-term liabilities due in more than one year	19,601,518	6,201,009	25,802,527
Total Liabilities	22,135,257	7,286,775	29,422,032
Net Assets			
Invested in capital assets, net of related debt	34,682,185	13,239,394	47,921,579
Restricted for:			
Debt service	945,729	-	945,729
Special projects	1,957,501	-	1,957,501
Capital projects	2,177,705	2,743,668	4,921,373
Economic development	-	-	-
Unrestricted	10,649,642	2,292,205	12,941,847
Total Net Assets	\$ 50,412,762	\$ 18,275,267	\$ 68,688,029

See Notes to Financial Statements.

	Component Unit
\$	6,126,673
	1,872,459
	856,034
	-
	-
	423,384
	-
	-
	<u>9,278,550</u>
	32,213
	-
	27,565
	-
	676,413
	<u>14,519,271</u>
	<u>15,255,462</u>
	-
	72,547
	-
	4,859,112
	3,761,633
	(14,670,204)
\$	<u><u>(5,976,912)</u></u>

CITY OF WEBSTER, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 3,127,988	\$ 150,143	\$ 1,030,030
Public safety	7,186,632	1,331,735	52,138
Community development	5,562,641	516,178	-
Interest and fiscal agent fees	1,317,336	-	-
Total Governmental Activities	17,194,597	1,998,056	1,082,168
Business-Type Activities			
Water	1,347,623	1,502,776	-
Sewer	1,468,095	1,398,083	-
Total Business-Type Activities	2,815,718	2,900,859	-
Total Primary Government	\$ 20,010,315	\$ 4,898,915	\$ 1,082,168
Component Units			
Webster Economic Development Corporation	\$ 3,038,138	\$ -	\$ -
Total Component Units	\$ 3,038,138	\$ -	\$ -

General Revenues:

- Ad valorem taxes
- Sales taxes
- Franchise and local taxes
- Other taxes
- Investment earnings
- Other revenues
- (Loss) on sale/retirement of capital assets

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	
\$ -	\$ (1,947,815)	\$ -	\$ (1,947,815)	\$ -
-	(5,802,759)	-	(5,802,759)	-
1,147,059	(3,899,404)	-	(3,899,404)	-
-	(1,317,336)	-	(1,317,336)	-
<u>1,147,059</u>	<u>(12,967,314)</u>	<u>-</u>	<u>(12,967,314)</u>	<u>-</u>
-	-	155,153	155,153	-
-	-	(70,012)	(70,012)	-
-	-	85,141	85,141	-
<u>\$ 1,147,059</u>	<u>(12,967,314)</u>	<u>\$ 85,141</u>	<u>(12,882,173)</u>	<u>-</u>
<u>\$ 1,105,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,932,901)</u>
<u>\$ 1,105,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,932,901)</u>
	2,407,997	-	2,407,997	-
	10,773,089	-	10,773,089	3,591,030
	982,871	-	982,871	-
	999,567	-	999,567	-
	709,934	531,946	1,241,880	421,719
	381,250	601,777	983,027	38,135
	(372,365)	-	(372,365)	-
	389,590	(389,590)	-	-
	<u>16,271,933</u>	<u>744,133</u>	<u>17,016,066</u>	<u>4,050,884</u>
	3,304,619	829,274	4,133,893	2,117,983
	47,108,143	17,445,993	64,554,136	(8,094,895)
	<u>\$ 50,412,762</u>	<u>\$ 18,275,267</u>	<u>\$ 68,688,029</u>	<u>\$ (5,976,912)</u>

CITY OF WEBSTER, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2007

	General	Debt Service	Hotel and Motel Tax Special Revenue	Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,344,520	\$ 1,200,406	\$ 885,964	\$ 4,360,891
Investments	3,914,864	-	770,338	1,659,847
Receivables (net of allowance for uncollectible)	1,907,072	109,850	65,980	9,860
Due from other funds	-	-	-	-
Deposits	200	-	-	-
Advances to other funds	401,165	-	-	-
Prepaid items	71,297	-	-	-
Total Assets	\$ 8,639,118	\$ 1,310,256	\$ 1,722,282	\$ 6,030,598
Liabilities				
Accounts payable and accrued liabilities	\$ 778,955	\$ -	\$ 903	\$ 112,823
Customer deposits	-	-	12,700	-
Matured interest payable	-	-	-	-
Due to other funds	3,350	-	-	-
Deferred revenue	14,732	104,816	-	3,945
Total Liabilities	797,037	104,816	13,603	116,768
Fund Balances				
Reserved for:				
Prepaid items	71,297	-	-	-
Debt service	-	1,205,440	-	-
Special revenue	-	-	1,708,679	248,822
Capital projects	-	-	-	2,177,705
Advances	345,252	-	-	-
Unreserved, designated for, reported in:				
Capital projects funds	-	-	-	1,504,370
Special revenue funds	-	-	-	1,982,933
Unreserved and undesignated	7,425,532	-	-	-
Total Fund Balances	7,842,081	1,205,440	1,708,679	5,913,830
Total Liabilities and Fund Balances	\$ 8,639,118	\$ 1,310,256	\$ 1,722,282	\$ 6,030,598

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.

**Total
Governmental
Funds**

\$ 8,791,781
6,345,049

2,092,762
-
200
401,165
71,297
\$ 17,702,254

\$ 892,681
12,700
-
3,350
123,493
1,032,224

71,297
1,205,440
1,957,501
2,177,705
345,252

1,504,370
1,982,933
7,425,532
16,670,030

54,570,620

119,548

(20,947,436)
\$ 50,412,762

CITY OF WEBSTER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2007

	General	Debt Service	Hotel and Motel Tax Special Revenue	Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 465,991	\$ 1,972,409	\$ -	\$ -
Sales taxes	10,659,321	-	-	-
Franchise fees	982,871	-	-	-
Other taxes	401,298	-	598,269	-
Licenses and permits	516,178	-	-	-
Fines and forfeitures	1,243,793	-	-	87,942
Charges for services	119,600	-	30,543	-
Other revenue	172,050	7,577	23	201,600
Investment earnings	309,845	71,802	72,488	255,799
Contributions	700,000	330,030	-	-
Intergovernmental	43,242	-	-	8,896
Total Revenues	15,614,189	2,381,818	701,323	554,237
Expenditures				
Current:				
General government	2,835,829	-	51,455	64,816
Public safety	6,785,801	-	-	9,979
Community development	4,281,515	-	288,296	-
Capital outlay	-	-	-	572,345
Debt Service:				
Principal	-	1,010,266	-	-
Interest and fiscal charges	-	1,110,595	-	-
Total Expenditures	13,903,145	2,120,861	339,751	647,140
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,711,044	260,957	361,572	(92,903)
Other Financing Sources (Uses)				
Transfers in	242,160	10,787	-	2,446,056
Transfers out	(1,946,466)	-	(47,160)	(315,787)
Proceeds from capital lease	26,453	-	-	-
Sale of capital assets	30,368	-	-	-
Total Other Financing Sources (Uses)	(1,647,485)	10,787	(47,160)	2,130,269
Net Change in Fund Balances	63,559	271,744	314,412	2,037,366
Beginning Fund Balances	7,778,522	933,696	1,394,267	3,876,464
Ending Fund Balances	\$ 7,842,081	\$ 1,205,440	\$ 1,708,679	\$ 5,913,830

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 2,438,400
10,659,321
982,871
999,567
516,178
1,331,735
150,143
381,250
709,934
1,030,030
52,138

19,251,567

2,952,100
6,795,780
4,569,811
572,345

1,010,266
1,110,595

17,010,897

2,240,670

2,699,003
(2,309,413)
26,453
30,368

446,411

2,687,081

13,982,949

\$ 16,670,030

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

Net changes in fund balances - total governmental funds	\$ 2,687,081
Amounts reported for governmental activities in the statement of activities are different because:	
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	(2,010,456)
Capital outlay	1,066,840
Capital contributions from component units are not reported as revenues in the governmental funds.	1,147,059
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.	(402,733)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(30,403)
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.	
Capital lease financing	(26,453)
Principal repayments	1,012,472
Payment of obligation to the state	113,768
Amortization of deferred charges	(91,839)
Accrued interest	(114,902)
Compensated absences	(45,815)
Change in Net Assets of Governmental Activities	\$ 3,304,619

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

September 30, 2007

	Business-Type Activities
	Utility Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 8,379,855
Investments	3,372,298
Receivables, net	344,156
Due from other funds	3,350
Prepaid expenses	448
Total Current Assets	12,100,107
Noncurrent Assets:	
Deferred charges	222,541
Capital assets:	
Land	102,269
Building and improvements	11,540,791
Furniture and equipment	266,489
Vehicles	247,595
Water and sewer system	9,294,607
Construction in progress	808,870
Less: accumulated depreciation	(9,021,227)
Total Capital Assets, Net of Accumulated Depreciation	13,239,394
Total Noncurrent Assets	13,461,935
Total Assets	25,562,042
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	613,734
Current portion of advances from other funds	55,913
Current portion of compensated absences	41,473
Customer deposits	224,646
Matured bonds payable	150,000
Total Current Liabilities	1,085,766
Noncurrent Liabilities:	
Advances from other funds	345,252
Compensated absences	8,541
Revenue bonds payable (net of unamortized discount)	5,847,216
Total Noncurrent Liabilities	6,201,009
Total Liabilities	7,286,775
Net Assets	
Invested in capital assets, net of related debt	13,239,394
Restricted	2,743,668
Unrestricted	2,292,205
Total Net Assets	\$ 18,275,267

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended September 30, 2007

	Business-Type Activities
	Utility Fund
<u>Operating Revenues</u>	
Water charges	\$ 1,423,867
Sewer charges	1,324,671
Penalties and reconnect fees	56,375
Other revenue	95,946
Total Operating Revenues	2,900,859
<u>Operating Expenses</u>	
Personnel	954,622
Supplies	447,387
Maintenance	143,290
Services	506,405
Depreciation	516,331
Total Operating Expenses	2,568,035
Operating Income	332,824
<u>Nonoperating Revenues (Expenses)</u>	
Investment earnings	531,946
Interest expense	(247,683)
Impact fees	601,777
Total Nonoperating Revenues	886,040
Income Before Transfers	1,218,864
Transfers (out)	(389,590)
Change in Net Assets	829,274
Beginning Net Assets	17,445,993
Ending Net Assets	\$ 18,275,267

See Notes to Financial Statements.

CITY OF WEBSTER, TEXAS

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

For the Year Ended September 30, 2007

	<u>Business-Type Activities</u>
	<u>Utility Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 2,891,571
Payments to suppliers	(623,005)
Payments to employees	(952,044)
Net Cash Provided by Operating Activities	<u>1,316,522</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Impact fees	601,777
Transfers (out) to other funds	(389,590)
Net Cash Provided by Noncapital Financing Activities	<u>212,187</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from capital debt	6,247,000
Interfund loan payments	(54,753)
Acquisition and construction of capital assets	(765,467)
Interest paid on debt	(247,683)
Net Cash Provided by Capital and Related Financing Activities	<u>5,179,097</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of investments	(2,810,754)
Interest on investments	518,135
Net Cash (Used) by Investing Activities	<u>(2,292,619)</u>
Net Increase in Cash and Equivalents	4,415,187
Beginning Cash and Cash Equivalents	<u>3,964,668</u>
Ending Cash and Cash Equivalents	<u>\$ 8,379,855</u>

CITY OF WEBSTER, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2007

	<u>Business-Type Activities</u>
	<u>Utility Fund</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 332,824
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	516,331
(Increase) Decrease in:	
Accounts receivable	(16,633)
Due from other funds	2,226
Prepaid expenses	2,993
Increase (Decrease) in:	
Accounts payable and accrued liabilities	468,858
Compensated absences	2,578
Customer deposits	7,345
Net Cash Provided by Operating Activities	<u><u>\$ 1,316,522</u></u>

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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. In addition, the City of Webster Tax Increment Reinvestment Zone (TIRZ) No. 1 has been included as a blended component unit. 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 Unit

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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.

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.

Blended Component Unit

City of Webster Tax Increment Reinvestment Zone (TIRZ) No.1

The entity was created under the authority of Chapter 311 of the Texas Tax Code to provide a financing mechanism to assist with the cost of constructing roads, utilities, and other public improvements within a primarily undeveloped area along Interstate 45 and NASA Parkway/FM 528 to foster private development. Most of the eleven members of the governing Board are appointed by City Council, of which seven are on the City Council. The City may by ordinance or resolution delegate to the Board any of the City's powers with respect to the administration, management, or operation of the TIRZ or implementation of the project plan for the TIRZ, except the power to issue bonds, the power to impose taxes or fees, the exercise of the power of eminent domain, and the final approval of the project plan.

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*. 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

- **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.

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 are those funds through which most governmental functions are typically financed. For the City, the governmental funds include:

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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 hotel and motel tax fund, public safety fund, municipal court program fund, equipment replacement fund, and emergency management 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.

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.

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 capital projects fund include the street construction capital project fund, building construction, other capital projects, and certificates of obligation 2005, all of which are considered nonmajor for reporting purposes.

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 City's only proprietary fund is the utility fund. It 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 utility 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, 2007

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, 2007

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, and 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 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, 2007

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 City 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 unit, 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, 2007

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, 2007

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	\$ 16,900,998
Certificates of Obligations	4,055,000
Less: Deferred charges	(1,091,810)
Obligation to state	306,286
Capital lease	24,247
Compensated absences	493,004
Total Long-term Debt	<u>20,687,725</u>
Accrued interest payable	<u>259,711</u>
Net adjustment to reduce fund balance- total governmental funds to arrive at net assets-governmental activities	<u><u>\$ 20,947,436</u></u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2007, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. agencies	\$ 11,494,806	0.50
Certificates of deposit	95,000	0.44
External investment pools	<u>21,279,805</u>	0.00
Total fair value	<u>\$ 32,869,611</u>	
Portfolio weighted average maturity		0.18

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, 2007 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, 2007, consist of a variety of bonds and discount notes issued by the Federal Home Loan Bank, Federal Home Loan 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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, 2007, market values of pledged securities were \$8,084,691 and bank balances were \$2,177,175.

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, 2007

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>Nonmajor Funds</u>	<u>Component Unit</u>
Ad valorem taxes	\$ 16,104	\$ 110,194	\$ -	\$ -	\$ -
Other taxes	1,806,942	-	63,718	-	542,864
Accounts	18,981	-	-	-	-
Accrued interest	30,316	-	2,262	1,592	28,170
Other	34,937	-	-	8,268	285,000
Less allowance	(208)	(344)	-	-	-
	<u>\$ 1,907,072</u>	<u>\$ 109,850</u>	<u>\$ 65,980</u>	<u>\$ 9,860</u>	<u>\$ 856,034</u>

Proprietary Funds

	<u>Enterprise</u>
Accounts	\$ 331,986
Accrued interest	17,020
Less allowance	(4,850)
	<u>\$ 344,156</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

C. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Primary Government (Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,306,167	\$ 473,890	\$ -	\$ 2,780,057
Construction in progress	6,605,883	1,658,723	(4,671,912)	3,592,694
Total capital assets not being depreciated	<u>8,912,050</u>	<u>2,132,613</u>	<u>(4,671,912)</u>	<u>6,372,751</u>
Other capital assets:				
Buildings and improvements	18,171,273	164,444	(113,812)	18,221,905
Furniture and equipment	7,287,530	529,405	(1,271,856)	6,545,079
Infrastructure	37,057,343	4,059,348	(4,316)	41,112,375
Total other capital assets	<u>62,516,146</u>	<u>4,753,197</u>	<u>(1,389,984)</u>	<u>65,879,359</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,029,973)	(520,270)	101,266	(5,448,977)
Furniture and equipment	(4,242,227)	(601,994)	884,475	(3,959,746)
Infrastructure	(7,386,086)	(888,192)	1,511	(8,272,767)
Total accumulated depreciation	<u>(16,658,286)</u>	<u>(2,010,456)</u>	<u>987,252</u>	<u>(17,681,490)</u>
Other capital assets, net	45,857,860	2,742,741	(402,732)	48,197,869
Totals	<u>\$ 54,769,910</u>	<u>\$ 4,875,354</u>	<u>\$ (5,074,644)</u>	<u>\$ 54,570,620</u>
			Less debt associated with capital assets	(20,166,930)
			Deferred charges	278,495
			Invested in capital assets, net of related debt	<u>\$ 34,682,185</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	\$ 194,802
Public safety	736,486
Community development	<u>1,079,168</u>
Total governmental activities depreciation expense	<u>\$ 2,010,456</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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
Bay Area Blvd Traffic Study	\$ 35,000	\$ 22,700	\$ 12,300
NASA Road 1 Bypass Phase 2	2,669,240	1,293,938	1,375,302
TRED Agreement - Methodist Tract	460,000	-	460,000
FM 270 Signage and Landscaping	175,000	3,323	171,677
Kobayashi and Magnolia Landscaping	20,798	20,798	-
Service Center Property Acquisition	800,000	568	799,432
Professional Park Overlay	115,000	-	115,000
NASA Road 1 Bypass Phase 3	46,000	25,783	20,217
FM 270 Park	193,500	4,866	188,634
Totals	\$ 4,514,538	\$ 1,371,976	\$ 3,142,562

WEDC:

NASA Road 1 Bypass Extension	\$ 142,300	\$ 50,612	\$ 91,688
NASA Road 1 Bypass Comprehensive Plan	2,185,540	2,007,485	178,055
Rice Creek Lane Phase 2	180,000	98,710	81,290
Totals	\$ 2,926,000	\$ 86,611	\$ 2,839,389
	\$ 5,433,840	\$ 2,243,418	\$ 3,190,422

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 102,269	\$ -	\$ -	\$ 102,269
Construction in progress	478,033	706,750	(375,913)	808,870
Total capital assets not being depreciated	580,302	706,750	(375,913)	911,139
Other capital assets:				
Building and improvements	11,164,878	375,913	-	11,540,791
Furniture and equipment	393,493	36,001	(163,005)	266,489
Vehicles	247,595	-	-	247,595
Water and sewer system	9,271,891	22,716	-	9,294,607
Total other capital assets	21,077,857	434,630	(163,005)	21,349,482
Less accumulated depreciation for:				
Building and improvements	(2,986,640)	(238,420)	-	(3,225,060)
Furniture and equipment	(305,335)	(12,772)	163,005	(155,102)
Vehicles	(169,885)	(26,724)	-	(196,609)
Water and sewer system	(5,206,041)	(238,415)	-	(5,444,456)
Total accumulated depreciation	(8,667,901)	(516,331)	163,005	(9,021,227)
Other capital assets, net	12,409,956	(81,701)	-	12,328,255
Totals	\$ 12,990,258	\$ 625,049	\$ (375,913)	\$ 13,239,394
			Less debt associated with capital assets	(5,997,216)
			Deferred charges	222,541
			Unspent revenue bond proceeds	5,774,675
			Invested in capital assets, net of related debt	\$ 13,239,394

Depreciation was charged to business-type functions as follows:

Water	\$ 230,961
Sewer	285,370
Total business-type activities depreciation expense	\$ 516,331

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Cherokee Regional Lift Station	\$ 59,710	\$ -	\$ 59,710
2007 Impact Fee Study	36,000	33,142	2,858
SEWPP/Beamer Rd Water Line	1,677,000	-	1,677,000
Magnolia WWTP Expansion	6,247,000	739,585	5,507,415
Plumley Plant Emergency Water Line	380,000	36,143	343,857
Total	\$ 8,399,710	\$ 808,870	\$ 7,590,840

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

D. Long-term Debt

The following is a summary of changes in the City's long-term liabilities for the year. 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	\$ 17,756,264	\$ -	\$ (855,266)	\$ 16,900,998	(1) \$ 695,998
Certificates of obligation	4,210,000	-	(155,000)	4,055,000	(1) 165,000
Less deferred charges	(877,362)	-	64,047	(813,315)	(1) 64,047
Obligation to state	43,089	376,965	(113,768)	306,286	94,239
Capital lease	-	26,453	(2,206)	24,247	(1) 4,026
	<u>21,131,991</u>	<u>403,418</u>	<u>(1,062,193)</u>	<u>20,448,969</u>	<u>1,023,310</u>
Other liabilities:					
Compensated absences	447,189	413,576	(367,761)	493,004	405,439
Total Governmental Activities	<u>\$ 21,579,180</u>	<u>\$ 816,994</u>	<u>\$ (1,429,954)</u>	<u>\$ 20,941,973</u>	<u>\$ 1,428,749</u>
Business-Type Activities:					
Interfund loan payable	\$ 455,918	\$ -	\$ (54,753)	\$ 401,165	\$ 55,913
Revenue bonds	-	6,165,000	(135,000)	6,030,000	(2) 150,000
Less bond discount	-	(34,036)	1,252	(32,784)	(2) 1,366
Compensated absences	47,436	41,913	(39,335)	50,014	41,473
Total Business-Type Activities	<u>\$ 503,354</u>	<u>\$ 6,172,877</u>	<u>\$ (227,836)</u>	<u>\$ 6,448,395</u>	<u>\$ 248,752</u>
WEDC					
Bonds payable	\$ 16,055,000	\$ -	\$ (610,000)	\$ 15,445,000	(1) \$ 645,000
Less deferred charges	(378,445)	-	27,033	(351,412)	(1) 27,033
Obligation to state	14,363	125,656	(37,923)	102,096	31,413
Total WEDC	<u>\$ 15,690,918</u>	<u>\$ 125,656</u>	<u>\$ (620,890)</u>	<u>\$ 15,195,684</u>	<u>\$ 703,446</u>

(1) Debt associated with governmental capital assets

Total debt associated with governmental activities \$ 20,166,930

Total debt associated with WEDC \$ 15,093,588

(2) Debt associated with business-type capital assets

\$ 5,997,216

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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:

Description	Interest Rates	Balance
<u>Governmental Activities</u>		
Public Improvement Bonds		
Public Improvement Refunding Bonds Series 1996	4.25-5.05 %	\$ 595,998
Public Improvement Refunding Bonds Series 2000B	5.35-6.0 %	2,710,000
Total Public Improvement Bonds		3,305,998
General Obligation Bonds		
General Obligation Refunding Bonds Series 2003	2.50-3.25%	3,445,000
General Obligation Refunding Bonds Series 2005	3.00-4.125%	10,150,000
Total General Obligation Bonds		13,595,000
Total Bonds		16,900,998
Certificates of Obligation		
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%	1,105,000
Total Certificates of Obligation		4,055,000
Capital Leases		
Vehicle	7.90%	24,247
Total Capital Leases		24,247
Total Governmental Activities Long-Term Debt		\$ 20,955,998
<u>Business-type Activities</u>		
Revenue Bonds		
Water and Sewer, series 2006	4.00-4.50%	\$ 6,030,000
Total Business-type Activities Long-Term Debt		\$ 6,030,000
<u>WEDC</u>		
Sales Tax Revenue Bonds Series 2000	5.2-5.75 %	\$ 2,030,000
Sales Tax Revenue Improvement and Refunding Bonds Series 2006	3.75-5.00%	13,415,000
Total WEDC		\$ 15,445,000

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

The City is not obligated in any manner for special assessment debt.

General Obligation and Public Improvement Bonds

The City issues general obligation and public improvement bonds to provide funds for the acquisition and construction of major capital facilities. General obligation and public improvement bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds is from taxes levied on all taxable property located within the City. Annual debt service requirements to maturity for these bonds are as follows:

Year Ending Sept. 30	Governmental Activities	
	Principal	Interest
2008	\$ 695,998	\$ 1,231,990
2009	1,040,000	647,998
2010	1,080,000	598,028
2011	1,115,000	558,955
2012	1,160,000	519,148
2013-2017	6,460,000	1,829,730
2018-2021	5,350,000	459,134
Total	\$ 16,900,998	\$ 5,844,983

Certificates of Obligation

The City has issued tax and revenue certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment of certificates is from taxes levied on all taxable property located within the City as well as a lien on water and sewer system revenues. Annual debt service requirements to maturity for these obligations are as follows:

Year Ending Sept. 30	Governmental Activities	
	Principal	Interest
2008	\$ 165,000	\$ 215,643
2009	170,000	209,986
2010	55,000	206,049
2011	60,000	204,036
2012	60,000	201,861
2013-2017	965,000	945,293
2018-2021	2,580,000	306,141
Total	\$ 4,055,000	\$ 2,289,009

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay for debt service. During the year \$6,165,000 of revenue bonds were issued to finance construction and improvements to the water and sewer system. Annual debt service requirements to maturity for these bonds are as follows:

Year Ending Sept. 30	Business-type Activities	
	Principal	Interest
2008	\$ 150,000	\$ 260,444
2009	160,000	254,444
2010	165,000	248,044
2011	170,000	241,444
2012	175,000	234,644
2013-2017	995,000	1,061,619
2018-2022	1,225,000	838,349
2023-2027	1,515,000	542,765
2028-2031	1,475,000	169,650
Total	\$ 6,030,000	\$ 3,851,403

Revenue Bonds-WEDC

The City's component unit, the Webster Economic Development Corporation has also issued revenue bonds to finance economic improvements, payable from a lien on and pledge of revenues which includes the proceeds of a ½ of 1% sales and use tax. Annual debt service to maturity for these bonds are as follows:

Year Ending Sept. 30	WEDC	
	Principal	Interest
2008	\$ 645,000	\$ 668,905
2009	675,000	636,010
2010	710,000	601,416
2011	1,025,000	564,496
2012	1,025,000	526,059
2013-2017	6,080,000	1,936,669
2018-2021	5,285,000	577,403
Total	\$ 15,445,000	\$ 5,510,958

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

Advance 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, 2007, \$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

In 2006, 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. At September 30, 2007, \$9,595,000 of sale tax revenue bonds, series 2000 were considered defeased relating to the 2006 refunding.

Capital Lease

The City has entered into a lease agreement as lessee for the financing the acquisition of a vehicle for the City Manager. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007 are as follows:

Year Ending Sept. 30	Governmental Activities	
	Principal	Interest
2008	\$ 4,026	\$ 1,772
2009	4,356	1,442
2010	15,865	403
Total	\$ 24,247	\$ 3,617

The historical cost of the vehicle was \$26,453. After deducting accumulated depreciation of \$2,404, the net book value is \$24,049.

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. During 2007, the City completed the terms of the repayment agreement. The balance of the liability as of September 30, 2007 is zero.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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. A large taxpayer filed amended reports to correct an alleged reporting error that had occurred from May 2002 through January 2006. The City has agreed to repay the State in 47 monthly installments of \$10,471 being withheld from the sales tax remittance each month from the Texas State Comptroller of Public Accounts that began in March 2007 with the final payment of \$10,483.70 being withheld in February of 2010. While the City has entered into a repayment agreement, the City is currently appealing the finding as reported by the Texas Comptroller of Public Accounts.

E. Interfund Transactions

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

Transfer Out	Transfer In	Amounts
General Fund	Nonmajor Governmental	\$ 1,946,466
Hotel and Motel Tax - Special Revenue	General Fund	47,160
Nonmajor Governmental Funds		
Building Construction	Debt Service	10,787
Municipal Court Programs	General Fund	27,300
Emergency Management	General Fund	17,700
Building Construction	Nonmajor Governmental	260,000
Utility Fund	General Fund	150,000
Utility Fund	Nonmajor Governmental	239,590
		<u>\$ 2,699,003</u>

Capital assets related to the component unit in the amount of \$1,147,059 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.

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
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>\$ 401,165</u>	<u>\$ 30,149</u>	<u>\$ 431,314</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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.

As of September 30, 2007, \$1,957,501 of the City's total fund balance is 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.

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. A large taxpayer filed amended reports to correct an alleged 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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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.

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 821 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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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, 2006, valuation is effective for rates beginning January 2008).

All assumptions for the 12/31/06 valuations are contained in the 2006 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	
2005	\$ 935,036	100%	\$ -
2006	943,394	100%	-
2007	1,009,045	100%	-

Future Funding Requirements

In early December 2007 the TMRS Board of Trustees met and adopted actuarial changes that include a change from the Unit Credit actuarial cost method to the Projected Unit Credit actuarial cost method for all TMRS city plans as well as a closed amortization period of 30 years. The effect of these changes will result in an increase in city contribution rates for most Texas cities. Cities will have the option to increase their contributions over an eight-year phase-in period. All cities will receive their 2009 contribution rate letter in May 2008 that will specify exactly how these changes will affect the future annual required contribution rate upon completion of an actuarial valuation to be performed as of 12/31/07. These changes are intended to help the TMRS system remain well-funded, to preserve members' benefits, and to give cities a more complete picture of the cost of benefits currently adopted. While the impact of TMRS changes is not presently known, the City's contribution rate is expected to increase significantly. Tentative estimates of the City's future contribution rate show an increase from 13.45 to 19.00. Management believes that while these possible increases will present

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

additional challenges to the City during the budget process the City will be able to make necessary changes to mitigate any adverse financial impact to the City.

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, 2006.

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, 2006, there were 181 member departments participating in the pension system.

The table below summarizes the pension system membership as of August 31, 2006:

Retirees and beneficiaries currently receiving benefits	1,766
Terminated members entitled to benefits but not yet receiving them	1,815
Active participants (vested and nonvested)	4,480

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 4,480 current members, seven were covered by the City of Webster.

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 50 % vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

Contribution requirements were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended in 2006. No contributions are required by volunteer emergency services personnel. The governing bodies of participating department members are required to contribute at least the minimum prescribed amount per month for each active member. Additional contributions may be 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, 2006. Significant actuarial assumptions used included (a) 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, 2006, the unfunded actuarial accrued liability was \$15,814,523 for the statewide plan.

Contribution Required and Contribution Made

The contribution requirement 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, 2006, contributions totaling \$2,077,728 for dues and prior service were paid into the Fund by the governing bodies sponsoring the member participating departments. In addition, the state appropriated \$675,307 for the fiscal year ending August 31, 2006. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the August 31, 2004, actuarial valuation. For 2007, 2006, and 2005, \$7,600 or 0.37%, \$13,000 or 0.69%, and \$11,650 or 0.62%, 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, 2006, revealed the adequacy of the expected contributions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2007 (\$709,613 as the maximum state contribution according to state law plus approximately \$400,000 to help pay for the System’s administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$400,000 each year to help pay for the System’s administrative expenses. Expected contributions for the fiscal year ending August 31, 2007 are equal to the contributions required.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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.

D. 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.

The District consists 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 40 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 WEDC 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, 2007, several sections of the project have been platted. Construction continues on the thoroughfare through the development. The estimated date in which the value of the property will increase by \$90 million is December 31, 2008.

E. Subsequent Event

On December 4, 2007, the City approved an ordinance authorizing the issuance of \$2,250,000 of water and sewer system revenue bonds, series 2008, to finance expanding and improving the existing water and sewer system. The interest rate on the bonds range from 3.30 – 4.30 percent and the maturity date is September 15, 2031.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

F. Restatement

The City has restated beginning net assets for governmental activities and the WEDC, component unit, for the remittance of \$502,621 in local sales tax receipts to the City allegedly in error from the Texas State Comptroller of Public Accounts.

	<u>Governmental Activities</u>	<u>Component Unit</u>
Prior year ending net assets as reported	\$ 47,485,108	\$ (7,969,239)
Increase in obligation to State	(376,965)	(125,656)
Restated beginning net assets	<u>\$ 47,108,143</u>	<u>\$ (8,094,895)</u>

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 (BUDGET BASIS)
For the Year Ended September 30, 2007
With Comparative Totals for the Year Ended September 30, 2006

	Budgeted Amounts		Actual (Budget Basis)	Variance with Final Budget Positive (Negative)	2006 Actual (Budget Basis)
	Original Budget	Budget as Amended			
Revenues					
Property taxes	\$ 632,260	\$ 632,260	\$ 465,991	\$ (166,269)	\$ 441,265
Sales taxes	10,750,000	10,750,000	10,659,321	(90,679)	9,767,677
Franchise fees	836,040	836,040	982,871	146,831	822,881
Other taxes	379,010	379,010	401,298	22,288	380,359
Licenses and permits	426,200	426,200	516,178	89,978	443,971
Fines and forfeitures	906,010	906,010	1,243,793	337,783	992,710
Charges for services	80,250	80,250	119,600	39,350	91,924
Other	36,090	36,090	172,050	135,960	105,685
Investment earnings	225,001	288,901	309,845	20,944	221,480
Contributions	700,000	700,000	700,000	-	700,000
Intergovernmental	10,000	10,000	43,242	33,242	8,735
Total Revenues	14,980,861	15,044,761	15,614,189	569,428	13,976,687
Expenditures					
Current:					
General government					
City council	207,770	252,770	213,384	39,386	233,959
City secretary	301,530	306,960	297,502	9,458	300,789
City manager	208,850	211,650	206,920	4,730	166,732
Finance	595,750	595,750	576,163	19,587	561,501
Municipal court	527,170	527,170	483,387	43,783	444,391
Information tech.	309,750	309,750	295,371	14,379	285,833
Human resources	331,700	352,990	336,854	16,136	287,623
Non departmental	744,570	554,570	426,248	128,322	485,755
Total General Government	3,227,090	3,111,610	2,835,829	275,781	2,766,583
Public safety					
Police	5,608,830	5,780,920	5,540,605	240,315	4,994,525
Fire	1,328,060	1,342,410	1,245,196	97,214	1,193,160
Total Public Safety	6,936,890	7,123,330	6,785,801	337,529	6,187,685
Community development					
Community development:					
Administrative	594,180	533,480	517,810	15,670	490,566
Building	507,080	509,040	477,878	31,162	503,665
Engineering	154,560	168,190	161,384	6,806	123,793
Recreational	342,150	347,150	315,933	31,217	284,213
Public works:					
Administrative	375,490	379,490	352,156	27,334	287,430
Maintenance	1,250,990	1,230,990	1,127,270	103,720	1,003,536
Parks	584,490	618,050	565,811	52,239	507,480

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

For the Year Ended September 30, 2007
 With Comparative Totals for the Year Ended September 30, 2006

	Budgeted Amounts		Actual (Budget Basis)	Variance with Final Budget Positive (Negative)	2006 Actual (Budget Basis)
	Original Budget	Budget as Amended			
Community development					
Economic development:					
Economic devel.	\$ 695,000	\$ 733,440	\$ 678,356	\$ 55,084	\$ 199,233
Public relations	88,870	88,870	84,917	3,953	54,972
Total Community Development	<u>4,592,810</u>	<u>4,608,700</u>	<u>4,281,515</u>	<u>327,185</u>	<u>3,454,888</u>
Total Expenditures	<u>14,756,790</u>	<u>14,843,640</u>	<u>13,903,145</u>	<u>940,495</u>	<u>12,409,156</u>
Revenues Over (Under) Expenditures	<u>224,071</u>	<u>201,121</u>	<u>1,711,044</u>	<u>1,509,923</u>	<u>1,567,531</u>
Other financing sources (uses)					
Transfers in	342,160	342,160	242,160	(100,000)	729,990
Transfers (out)	(383,710)	(1,812,900)	(1,812,900)	-	(1,289,950)
Proceeds from capital lease	-	-	26,453	26,453	-
Sale of capital assets	2,000	2,000	30,368	28,368	36,528
Total other financing sources (uses)	<u>(39,550)</u>	<u>(1,468,740)</u>	<u>(1,513,919)</u>	<u>(45,179)</u>	<u>(523,432)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 184,521</u>	<u>\$ (1,267,619)</u>	<u>197,125</u>	<u>\$ 1,464,744</u>	<u>\$ 1,044,099</u>

1. Reconciliation to Net Change in Fund Balance (GAAP Basis)

In the prior year the City elected to consolidate sub funds within the general fund, during the current year, the City elected to separately present these funds. Accordingly, there is a transfer out being reported at the GAAP level which is not included with in the consolidated general fund budget.

(133,566)

**Revenues and Other Financing Sources Over (Under)
Expenditures and Other Financing (Uses)**

\$ 63,559

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
SPECIAL REVENUE FUNDS-HOTEL AND MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2007
With Comparative Totals for the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2006 Actual</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>			
Revenues					
Hotel and motel taxes	\$ 440,000	\$ 472,660	\$ 598,269	\$ 125,609	\$ 489,531
Charges for services - civic center	24,000	24,000	30,543	6,543	31,260
Other revenue	500	500	23	(477)	366
Investment earnings	35,000	35,000	72,488	37,488	63,116
Total Revenues	<u>499,500</u>	<u>532,160</u>	<u>701,323</u>	<u>169,163</u>	<u>584,273</u>
Expenditures					
General government	72,560	72,560	51,455	21,105	37,766
Community services	273,120	305,780	288,296	17,484	246,870
Total Expenditures	<u>345,680</u>	<u>378,340</u>	<u>339,751</u>	<u>38,589</u>	<u>284,636</u>
Revenues Over Expenditures	<u>153,820</u>	<u>153,820</u>	<u>361,572</u>	<u>207,752</u>	<u>299,637</u>
Other Financing Sources (Uses)					
Transfers (out)	(47,160)	(47,160)	(47,160)	-	(214,750)
Total Other Financing (Uses)	<u>(47,160)</u>	<u>(47,160)</u>	<u>(47,160)</u>	<u>-</u>	<u>(214,750)</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	<u>\$ 106,660</u>	<u>\$ 106,660</u>	314,412	<u>\$ 207,752</u>	<u>\$ 84,887</u>
Beginning Fund Balance			<u>1,394,267</u>		
Ending Fund Balance			<u>\$ 1,708,679</u>		

Note to Required Supplementary Information:

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

(This page intentionally left blank.)

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial Valuation date	12/31/2002	12/31/2003	12/31/2004	12/31/2005	12/31/2006
Actuarial Value of Assets	\$ 9,901,914	\$ 11,444,526	\$ 13,197,647	\$ 14,422,387	\$ 15,824,518
Actuarial Accrued Liability	\$ 13,314,651	\$ 15,749,703	\$ 16,969,658	\$ 18,380,137	\$ 19,877,538
Percentage Funded	74.4%	72.7%	77.8%	78.5%	79.6%
Unfunded Actuarial					
Accrued Liability	\$ 3,412,737	\$ 4,305,177	\$ 3,772,011	\$ 3,957,750	\$ 4,053,020
Annual Covered Payroll	\$ 5,744,057	\$ 5,796,429	\$ 5,848,356	\$ 6,171,175	\$ 6,619,487
Unfunded Actuarial Accrued Liability					
(UAAL) % of Covered Payroll	59.4%	74.3%	64.5%	64.1%	61.2%
Net Pension Obligation (NPO)					
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 761,737	\$ 808,259	\$ 935,036	\$ 943,394	\$ 1,009,045
Contributions Made	\$ 761,737	\$ 808,259	\$ 935,036	\$ 943,394	\$ 1,009,045
NPO at the End of Period	\$ -	\$ -	\$ -	\$ -	\$ -

(This page intentionally left blank.)

***COMBINING STATEMENTS
AND SCHEDULES***

(This page intentionally left blank.)

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.

The Emergency Management Fund is used to account for funds received from the State or Federal Government restricted in use for the purpose of preparation, reaction, and post-disaster clean up to emergency conditions.

The TIRZ Fund is used to account for revenues associated with the creation of the City of Webster Tax Increment Reinvestment Zone No. 1 and to pay for associated project costs.

Capital Projects Funds

Capital projects funds account for financial resources used for the acquisition and/or construction of major capital improvements

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

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 Other Capital Projects fund accounts for various capital improvements, including: parks and landscaping, drainage, streets, and Cherokee project and development costs. Funding has been provided through contributions from other funds as well as the issuance of debt.

The 2005 Certificates of Obligation were issued to purchase a fire truck as well as patrol vehicles for the police department.

The General Projects Fund accounts for the acquisition of capital related items. Funding has been provided from the General Fund.

CITY OF WEBSTER, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2007

	Special Revenue Funds			
	Public Safety	Municipal Court Programs	Equipment Replacement	Emergency Management
Assets				
Cash and cash equivalents	\$ 11,259	\$ 241,769	\$ 467,579	\$ 125,138
Investments	-	-	1,389,788	-
Receivables	420	-	428	-
Total Assets	\$ 11,679	\$ 241,769	\$ 1,857,795	\$ 125,138
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 681	\$ -	\$ -
Deferred revenue	3,945	-	-	-
Total Liabilities	3,945	681	-	-
 Fund Balances				
Reserved:				
Public safety	7,734	-	-	-
Municipal court	-	241,088	-	-
Capital projects	-	-	-	-
Unreserved and designated:				
Emergencies	-	-	-	125,138
Construction	-	-	-	-
Equipment replacement	-	-	1,857,795	-
Total Fund Balances	7,734	241,088	1,857,795	125,138
Total Liabilities and Fund Balance	\$ 11,679	\$ 241,769	\$ 1,857,795	\$ 125,138

Special Revenue	Capital Project Funds					Total Nonmajor Governmental Funds
TIRZ	Street Construction	Building Construction	Other Capital Projects	Certificates of Obligation Series 2005	General Projects Fund	
\$ 100,272	\$ 1,157,025	\$ 920,772	\$ 558,437	\$ 303,162	\$ 475,478	\$ 4,360,891
-	270,059	-	-	-	-	1,659,847
7,848	1,164	-	-	-	-	9,860
<u>\$ 108,120</u>	<u>\$ 1,428,248</u>	<u>\$ 920,772</u>	<u>\$ 558,437</u>	<u>\$ 303,162</u>	<u>\$ 475,478</u>	<u>\$ 6,030,598</u>
\$ -	\$ 112,142	\$ -	\$ -	\$ -	\$ -	\$ 112,823
-	-	-	-	-	-	3,945
-	<u>112,142</u>	-	-	-	-	<u>116,768</u>
-	-	-	-	-	-	7,734
-	-	-	-	-	-	241,088
-	1,316,106	-	558,437	303,162	-	2,177,705
-	-	-	-	-	-	125,138
108,120	-	920,772	-	-	-	1,028,892
-	-	-	-	-	475,478	2,333,273
<u>108,120</u>	<u>1,316,106</u>	<u>920,772</u>	<u>558,437</u>	<u>303,162</u>	<u>475,478</u>	<u>5,913,830</u>
<u>\$ 108,120</u>	<u>\$ 1,428,248</u>	<u>\$ 920,772</u>	<u>\$ 558,437</u>	<u>\$ 303,162</u>	<u>\$ 475,478</u>	<u>\$ 6,030,598</u>

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

	<u>Special Revenue Funds</u>			
	<u>Public Safety</u>	<u>Municipal Court Programs</u>	<u>Equipment Replacement</u>	<u>Emergency Management</u>
Revenues				
Fines and forfeitures	\$ 2,691	\$ 85,251	\$ -	\$ -
Investment earnings	337	10,123	86,426	7,025
Intergovernmental	8,896	-	-	-
Other revenue	252	-	-	-
Total Revenues	<u>12,176</u>	<u>95,374</u>	<u>86,426</u>	<u>7,025</u>
Expenditures				
General government	-	64,816	-	-
Public safety	9,979	-	-	-
Capital projects	-	-	-	-
Total Expenditures	<u>9,979</u>	<u>64,816</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>2,197</u>	<u>30,558</u>	<u>86,426</u>	<u>7,025</u>
Other Financing Sources (Uses)				
Transfers in	-	-	273,300	135,813
Transfers out	-	(27,300)	-	(17,700)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(27,300)</u>	<u>273,300</u>	<u>118,113</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>2,197</u>	<u>3,258</u>	<u>359,726</u>	<u>125,138</u>
Beginning Fund Balances	<u>5,537</u>	<u>237,830</u>	<u>1,498,069</u>	<u>-</u>
Ending Fund Balances	<u>\$ 7,734</u>	<u>\$ 241,088</u>	<u>\$ 1,857,795</u>	<u>\$ 125,138</u>

Special Revenue	Capital Project Funds					Total Nonmajor Governmental Funds
TIRZ	Street Construction	Building Construction	Other Capital Projects	Certificates of Obligation Series 2005	General Projects Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,942
272	74,034	31,693	28,146	16,455	1,288	255,799
-	-	-	-	-	-	8,896
7,848	-	-	193,500	-	-	201,600
<u>8,120</u>	<u>74,034</u>	<u>31,693</u>	<u>221,646</u>	<u>16,455</u>	<u>1,288</u>	<u>554,237</u>
-	-	-	-	-	-	64,816
-	-	-	-	-	-	9,979
-	479,170	24,530	34,104	34,541	-	572,345
-	<u>479,170</u>	<u>24,530</u>	<u>34,104</u>	<u>34,541</u>	-	<u>647,140</u>
<u>8,120</u>	<u>(405,136)</u>	<u>7,163</u>	<u>187,542</u>	<u>(18,086)</u>	<u>1,288</u>	<u>(92,903)</u>
100,000	590,000	855,000	17,753	-	474,190	2,446,056
-	-	(270,787)	-	-	-	(315,787)
<u>100,000</u>	<u>590,000</u>	<u>584,213</u>	<u>17,753</u>	<u>-</u>	<u>474,190</u>	<u>2,130,269</u>
108,120	184,864	591,376	205,295	(18,086)	475,478	2,037,366
-	1,131,242	329,396	353,142	321,248	-	3,876,464
<u>\$ 108,120</u>	<u>\$ 1,316,106</u>	<u>\$ 920,772</u>	<u>\$ 558,437</u>	<u>\$ 303,162</u>	<u>\$ 475,478</u>	<u>\$ 5,913,830</u>

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2007
With Comparative Totals for the Year Ended September 30, 2006

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2006 Actual
Revenues				
Property taxes	\$ 1,805,150	\$ 1,972,409	\$ 167,259	\$ 1,791,699
Contributions	330,030	330,030	-	330,030
Other revenue	-	7,577	7,577	-
Investment earnings	47,000	71,802	24,802	50,560
Total Revenues	<u>2,182,180</u>	<u>2,381,818</u>	<u>199,638</u>	<u>2,172,289</u>
Expenditures				
Principal	1,010,270	1,010,266	4	940,182
Interest and fiscal charges	1,113,280	1,110,595	2,685	1,151,919
Total Expenditures	<u>2,123,550</u>	<u>2,120,861</u>	<u>2,689</u>	<u>2,092,101</u>
Revenues Over (Under) Expenditures	<u>58,630</u>	<u>260,957</u>	<u>202,327</u>	<u>80,188</u>
Other Financing Sources (Uses)				
Transfers in	-	10,787	10,787	884
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,787</u>	<u>10,787</u>	<u>884</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 58,630</u>	271,744	<u>\$ 213,114</u>	<u>\$ 81,072</u>
Beginning Fund Balance		<u>933,696</u>		
Ending Fund Balance		<u>\$ 1,205,440</u>		

CITY OF WEBSTER, TEXAS
SPECIAL REVENUE FUNDS - PUBLIC SAFETY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2007
With Comparative Totals for the Year Ended September 30, 2006

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2006 Actual
<u>Revenues</u>				
Fines and forfeitures	\$ 35,000	\$ 2,691	\$ (32,309)	\$ 2,691
Investment earnings	1,000	337	(663)	337
Intergovernmental	5,100	8,896	3,796	8,896
Other revenue	600	252	(348)	252
Total Revenues	41,700	12,176	(29,524)	12,176
<u>Expenditures</u>				
Public safety	44,000	9,979	34,021	9,979
Revenues Over (Under) Expenditures	\$ (2,300)	2,197	\$ 4,497	\$ 2,197
Beginning Fund Balance		5,537		
Ending Fund Balance		\$ 7,734		

CITY OF WEBSTER, TEXAS

SPECIAL REVENUE FUNDS - MUNICIPAL COURT PROGRAMS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2007

With Comparative Totals for the Year Ended September 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2006 Actual</u>
<u>Revenues</u>				
Fines and forfeitures	\$ 63,000	\$ 85,251	\$ 22,251	\$ 76,661
Investment earnings	5,000	10,123	5,123	9,270
Total Revenues	68,000	95,374	27,374	85,931
<u>Expenditures</u>				
General government	100,420	64,816	35,604	73,756
Revenues Over (Under) Expenditures	(32,420)	30,558	62,978	12,175
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(27,300)	(27,300)	-	(23,590)
Total Other Financing (Uses)	(27,300)	(27,300)	-	(23,590)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	\$ (59,720)	3,258	\$ 62,978	\$ (11,415)
Beginning Fund Balance		237,830		
Ending Fund Balance		\$ 241,088		

CITY OF WEBSTER, TEXAS

SPECIAL REVENUE FUNDS - EQUIPMENT REPLACEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2007

With Comparative Totals for the Year Ended September 30, 2006

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2006 Actual</u>
<u>Revenues</u>				
Investment earnings	\$ 83,000	\$ 86,426	\$ 3,426	\$ 69,478
Total Revenues	<u>83,000</u>	<u>86,426</u>	<u>3,426</u>	<u>69,478</u>
<u>Other Financing Sources (Uses)</u>				
Transfer in	273,300	273,300	-	526,970
Transfers (out)	-	-	-	(447,180)
Total Other Financing Sources (Uses)	<u>273,300</u>	<u>273,300</u>	<u>-</u>	<u>79,790</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	<u>\$ 356,300</u>	359,726	<u>\$ 3,426</u>	<u>\$ 149,268</u>
Beginning Fund Balance		<u>1,498,069</u>		
Ending Fund Balance		<u>\$ 1,857,795</u>		

CITY OF WEBSTER, TEXAS

SPECIAL REVENUE FUNDS - EMERGENCY MANAGEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2007

With Comparative Totals for the Year Ended September 30, 2006

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive Negative (Negative)	2006 Actual
<u>Revenues</u>				
Investment earnings	\$ -	\$ 7,025	\$ 7,025	\$ 7,095
Other revenue	-	-	-	57,409
Total Revenues	-	7,025	7,025	64,504
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	135,813	135,813	-
Transfers (out)	(17,700)	(17,700)	-	(17,700)
Total Other Financing Sources (Uses)	(17,700)	118,113	135,813	(17,700)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	\$ (17,700)	125,138	\$ 142,838	\$ 46,804
Beginning Fund Balance		-		
Ending Fund Balance		\$ 125,138		

(This page intentionally left blank.)

STATISTICAL SECTION

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

Contents	Page
-----------------	-------------

Financial Trends	96
------------------	----

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	110
------------------	-----

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity	118
---------------	-----

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	126
--------------------------------------	-----

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	129
-----------------------	-----

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF WEBSTER, TEXAS

NET ASSETS BY COMPONENT

Last Five 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	10,256,328
Total governmental activities net assets	<u>\$ 38,668,719</u>	<u>\$ 39,241,149</u>	<u>\$ 42,222,632</u>	<u>\$ 47,108,143</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 13,676,380	\$ 13,113,572	\$ 13,018,963	\$ 12,990,258
Restricted	694,529	968,225	1,711,882	1,782,536
Unrestricted	1,328,789	1,199,605	1,096,759	2,673,199
Total business-type activities net assets	<u>\$ 15,699,698</u>	<u>\$ 15,281,402</u>	<u>\$ 15,827,604</u>	<u>\$ 17,445,993</u>
Primary government				
Invested in capital assets, net of related debt	\$ 41,409,546	\$ 42,161,018	\$ 41,578,360	\$ 46,977,553
Restricted	2,195,564	3,113,963	5,621,488	4,647,056
Unrestricted	10,763,307	9,247,570	10,850,388	12,929,527
Total primary government net assets	<u>\$ 54,368,417</u>	<u>\$ 54,522,551</u>	<u>\$ 58,050,236</u>	<u>\$ 64,554,136</u>

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

2007

\$ 34,682,185
5,080,935
10,649,642
\$ 50,412,762

\$ 13,239,394
2,743,668
2,292,205
\$ 18,275,267

\$ 47,921,579
7,824,603
12,941,847
\$ 68,688,029

CITY OF WEBSTER, TEXAS

CHANGES IN NET ASSETS

Last Five 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
Capital grants and contributions	729,851	717,841	972,830	4,143,859
Total governmental activities program revenues	<u>2,773,988</u>	<u>2,960,919</u>	<u>4,172,343</u>	<u>6,849,082</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
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>\$ 4,863,795</u>	<u>\$ 5,016,144</u>	<u>\$ 6,527,877</u>	<u>\$ 9,943,548</u>
Net (Expense)/Revenue				
Governmental activities	\$ (11,563,747)	\$ (11,091,420)	\$ (10,513,623)	\$ (8,781,292)
Business-type activities	(75,826)	(457,314)	(157,254)	607,749
Total primary government net expense	<u>\$ (11,639,573)</u>	<u>\$ (11,548,734)</u>	<u>\$ (10,670,877)</u>	<u>\$ (8,173,543)</u>

2007

\$ 3,127,988
7,186,702
5,562,641
1,317,336
17,194,667

1,347,623
1,468,095
2,815,718
\$ 20,010,385

\$ 150,143
1,331,735
516,178
1,082,168
1,147,059
4,227,283

1,502,776
1,398,083
-
2,900,859
\$ 7,128,142

\$ (12,967,384)
85,141
\$ (12,882,243)

CITY OF WEBSTER, TEXAS

CHANGES IN NET ASSETS (Continued)

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

	Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities				
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	9,563,065
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 (loss) on sale of capital assets	20,568	21,955	-	-
Transfers	(144,483)	270,420	295,420	(563,510)
Total governmental activities	<u>11,164,017</u>	<u>11,663,850</u>	<u>13,495,106</u>	<u>13,666,803</u>
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	<u>311,311</u>	<u>39,018</u>	<u>703,456</u>	<u>1,010,640</u>
Total primary government	<u>\$ 11,475,328</u>	<u>\$ 11,702,868</u>	<u>\$ 14,198,562</u>	<u>\$ 14,677,443</u>
Change in Net Assets				
Governmental activities	\$ (399,730)	\$ 572,430	\$ 2,981,483	\$ 4,885,511
Business-type activities	235,485	(418,296)	546,202	1,618,389
Total primary government	<u>\$ (164,245)</u>	<u>\$ 154,134</u>	<u>\$ 3,527,685</u>	<u>\$ 6,503,900</u>

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

2007

\$ 2,407,997
10,773,089
982,871
999,567
710,004
381,250
(372,365)
389,590
16,272,003

531,946
601,777
(389,590)
744,133
\$ 17,016,136

\$ 3,304,619
829,274
\$ 4,133,893

CITY OF WEBSTER, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES

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

Source	2003	2004	2005	2006
Ad valorem	\$ 1,828,882	\$ 1,979,032	\$ 2,274,512	\$ 2,228,993
Sales	7,682,515	7,739,590	8,972,603	9,563,065
Franchise fees	771,355	740,553	777,018	822,881
Other taxes	786,138	677,721	748,656	869,890
	<u>\$ 11,068,890</u>	<u>\$ 11,136,896</u>	<u>\$ 12,772,789</u>	<u>\$ 13,484,829</u>

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

<u>2007</u>	<u>Change 2006-2007</u>
\$ 2,407,997	8.0%
10,773,089	12.7%
982,871	19.4%
<u>999,567</u>	14.9%
<u>\$ 15,163,524</u>	12.4%

CITY OF WEBSTER, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS

Last Five 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 five years are available at this time.

2007

\$ 416,549
7,425,532
\$ 7,842,081

\$ 5,340,646

1,629,508
1,857,795
\$ 8,827,949

CITY OF WEBSTER, TEXAS
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Five 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
Licenses and permits	233,376	305,699	640,068	443,971
Fines and forfeitures	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)
Proceeds from capital lease	-	-	-	-
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 five years are available at this time.

2007

\$ 15,080,159
516,178
1,331,735
150,143
52,138
710,004
1,030,030
381,250

19,251,637

2,952,100
6,795,850
4,569,811
572,345

1,010,266
1,110,595
17,010,967

2,240,670

-
-
-
-

2,699,003
(2,309,413)
26,453
30,368

446,411

\$ 2,687,081

12.90%

CITY OF WEBSTER, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES

Last Five Years ⁽¹⁾
(modified accrual basis of accounting)

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

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

<u>2007</u>	<u>Change 2006-2007</u>
\$ 2,438,400	9.2%
10,659,321	9.1%
982,871	19.4%
<u>999,567</u>	14.9%
<u>\$ 15,080,159</u>	10.1%

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Residential Property	\$ -	\$ -	\$ -	\$ 161,749,510
Commercial Property	-	-	-	530,530,650
Industrial Property	-	-	-	36,484,450
Less: Tax Exempt Property	-	-	-	12,337,670
Total Taxable Assessed Value (2)	<u>\$ 635,943,801</u>	<u>\$ 657,498,793</u>	<u>\$ 719,784,010</u>	<u>\$ 716,426,940</u>
Total Direct Tax Rate	0.29010	0.29010	0.26070	0.26000

Source: Harris County Certified / Uncertified Tax Roll.

(1) The requirement for statistical data is ten years; only seven 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, 2007.

Tax rates are per \$100 of assessed value.

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 171,310,610	\$ 183,423,560	\$ 188,198,130	\$ 185,853,920	\$ 203,358,348	\$ 220,709,618
573,020,560	569,548,840	577,844,650	588,166,020	706,100,328	752,655,187
39,377,650	38,938,490	39,320,230	48,278,150	57,356,684	57,158,522
<u>15,414,720</u>	<u>22,946,700</u>	<u>25,094,880</u>	<u>26,274,610</u>	<u>100,650,221</u>	<u>98,904,993</u>
<u>\$ 768,294,100</u>	<u>\$ 768,964,190</u>	<u>\$ 780,268,130</u>	<u>\$ 796,023,480</u>	<u>\$ 866,165,139</u>	<u>\$ 931,618,334</u>
0.26000	0.24000	0.25100	0.26800	0.25750	0.25750

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
City of Webster by fund:				
General	0.04000	0.00243	-	0.02000
Debt service	0.25006	0.28763	0.26073	0.24000
Total Direct Rates	<u>0.29006</u>	<u>0.29006</u>	<u>0.26073</u>	<u>0.26000</u>
Clear Creek School District	1.59000	1.54150	1.59856	1.70080
Harris County	0.41660	0.39483	0.39483	0.35902
Harris County Flood Control District	0.08000	0.08000	0.08000	0.06173
Port of Houston Authority	0.02320	0.02040	0.02040	0.01830
Harris County Hospital District	0.12381	0.14650	0.14650	0.20268
Harris County Dept. of Education	0.00611	0.00629	0.00629	0.00629
Total Direct and Overlapping Rates (1)	<u>2.52978</u>	<u>2.47958</u>	<u>2.50731</u>	<u>2.60882</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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
0.02000	0.02000	0.04053	0.05446	0.05000	0.04904
<u>0.24000</u>	<u>0.22000</u>	<u>0.21047</u>	<u>0.21354</u>	<u>0.20750</u>	<u>0.20846</u>
<u>0.26000</u>	<u>0.24000</u>	<u>0.25100</u>	<u>0.26800</u>	<u>0.25750</u>	<u>0.25750</u>
1.74000	1.74000	1.73000	1.74500	1.77500	1.63000
0.38814	0.38814	0.38803	0.39986	0.39986	0.40239
0.04174	0.04174	0.04174	0.03318	0.03322	0.03241
0.01989	0.01989	0.02000	0.01673	0.01474	0.01302
0.19021	0.19021	0.19021	0.19021	0.19216	0.19216
0.00629	0.00629	0.00629	0.00629	0.00629	0.00629
<u>2.64627</u>	<u>2.62627</u>	<u>2.62727</u>	<u>2.65927</u>	<u>2.67877</u>	<u>2.53377</u>

CITY OF WEBSTER, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Five Years Ago ⁽¹⁾

Property Tax Payer	2007			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	3.83%	\$ 51,777,010	1	6.74%
Exxon Corp	33,727,485	2	3.62%	13,806,150	10	1.80%
CHCA Clear Lake, LP	33,562,370	3	3.60%			
Rockwell International	20,070,750	4	2.15%	19,877,290	3	2.59%
Price Baybrook, Ltd.	19,065,200	5	2.05%	20,869,540	2	2.72%
Benton Parkwood Partners	18,999,950	6	2.04%	17,749,960	5	2.31%
Walden Drever Operating, LP	16,749,980	7	1.80%	19,794,340	4	2.58%
Eastfield Realty, Inc.	16,042,940	8	1.72%	16,057,810	6	2.09%
CenterPoint Energy, Inc.	15,231,526	9	1.63%	15,628,230	7	2.03%
Clear Lake Center, LP	14,899,980	10	1.60%			
Fiesta Mart, Inc.		n/a		14,553,000	8	1.89%
MBS Windward Ltd.		n/a		13,849,980	9	1.80%
Subtotal	\$ 224,006,051		24.04%	\$ 203,963,310		26.55%
Other Taxpayers	707,612,283		75.96%	564,330,790		73.45%
Total	\$ 931,618,334		100.00%	\$ 768,294,100		100.00%

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

(1) The requirement for statistical data is ten years; only the current year and five years ago is available.

CITY OF WEBSTER, TEXAS

PRINCIPAL SALES TAX REMITTERS

Current Year and Four Years Ago ⁽¹⁾

Sales Tax Remitter	Sales Tax Rate ^{(2) (3)}	2007 Rank ⁽⁴⁾	2003 Rank ⁽⁴⁾
Fry's Electronics	\$ 0.0200000	1	n/a
Home Depot	\$ 0.0200000	2	1
Star Furniture	\$ 0.0200000	3	2
Conn's Appliances	\$ 0.0200000	4	6
Academy Sports & Outdoors	\$ 0.0200000	5	n/a
Garden Ridge	\$ 0.0200000	6	4
Bed Bath & Beyond	\$ 0.0200000	7	12
Burlington Coat Factory	\$ 0.0200000	8	10
Office Depot	\$ 0.0200000	9	8
Cinemark USA	\$ 0.0200000	10	7
Pappa's Seafood House/Pappasito's Cantina	\$ 0.0200000	11	9
Barnes & Noble	\$ 0.0200000	12	11
CompUSA Stores	\$ 0.0200000	13	3
Old Navy	\$ 0.0200000	14	14
Jared - The Galleria of Jewelry	\$ 0.0200000	15	19
The Sports Authority ⁽⁵⁾	\$ 0.0200000	16	13
The Roomstore	\$ 0.0200000	17	18

Source: State Comptroller's Office.

(1) The requirement for statistical data is ten years; only the current year and four years ago is available.

(2) This represents the City's portion only; the state's rate is .0625

(3) The sales tax rate has remained the same since 2003.

(4) Periods range from May thru April.

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

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Tax levy	\$ 1,844,777	\$ 1,907,141	\$ 1,689,594	\$ 1,854,800
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 a percentage of current levy	-	-	-	-

(1) Collections prior to 2002 are not available

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	1,976,524	\$ 1,818,570	\$ 1,940,214	\$ 2,115,135	\$ 2,223,263	\$ 2,398,676
\$	1,921,917	\$ 1,788,647	\$ 1,912,018	\$ 2,075,818	\$ 2,186,611	\$ 2,379,571
	97.24%	98.35%	98.55%	98.14%	98.35%	99.20%
\$	37,292	\$ 17,789	\$ 6,016	\$ -	\$ 7,092	\$ 27,128
\$	1,959,209	\$ 1,806,436	\$ 1,918,034	\$ 2,075,818	\$ 2,193,703	\$ 2,406,699
	99.12%	99.33%	98.86%	98.14%	98.67%	100.33%
\$	58,098	\$ 29,897	\$ 29,172	\$ 39,317	\$ 29,560	\$ 107,193
	2.94%	1.64%	1.50%	1.86%	1.33%	4.47%

CITY OF WEBSTER, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Six 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>
Business-Type Activities ⁽²⁾:				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
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⁾	\$ -	\$ -	\$ 262,284,736	\$ 236,243,150
DEBT AS A PERCENTAGE				
OF PERSONAL INCOME	-	-	8.13%	9.70%
POPULATION ⁽⁵⁾				
	10,308	10,323	9,923	8,695
DEBT PER CAPITA	\$ 2,335	\$ 2,162	\$ 2,148	\$ 2,634

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

(2) Business-Type and 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.

(5) Population was estimated using data received from the Harris County Tax Office.

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

<u>2006</u>	<u>2007</u>
\$ 17,756,264	\$ 16,900,998
4,210,000	4,055,000
-	24,247
<u>\$ 21,966,264</u>	<u>\$ 20,980,245</u>

<u>\$ -</u>	<u>\$ 6,030,000</u>
<u>\$ 21,966,264</u>	<u>\$ 27,010,245</u>

\$ 16,055,000 \$ 15,445,000

\$ 280,866,250 \$ 223,392,930

7.82% 9.39%

8,750 9,465

\$ 2,510 \$ 2,217

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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
NET TAXABLE ASSESSED VALUE ⁽¹⁾				
All property	\$ 635,943,801	\$ 657,498,793	\$ 719,784,010	\$ 716,426,940
NET BONDED DEBT				
Gross bonded debt	\$ 17,374,036	\$ 16,204,036	\$ 25,104,035	\$ 24,314,035
Less debt service funds	959,901	817,356	1,006,858	992,109
Net Bonded Debt	<u>\$ 16,414,135</u>	<u>\$ 15,386,680</u>	<u>\$ 24,097,177</u>	<u>\$ 23,321,926</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	2.58%	2.34%	3.35%	3.26%
POPULATION ⁽²⁾	6,955	7,045	8,790	9,083
NET BONDED DEBT PER CAPITA	\$ 2,360	\$ 2,184	\$ 2,741	\$ 2,568

(1) Shown are estimated actual values for each fiscal year as of September 30, 2007.

(2) Population was estimated using data received from the Harris County Tax Office.

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 768,294,100	\$ 768,964,190	\$ 780,268,130	\$ 796,023,480	\$ 866,165,139	\$ 931,618,334
\$ 23,494,035	\$ 22,079,035	\$ 21,159,035	\$ 22,906,445	\$ 21,966,264	\$ 20,955,998
727,646	304,315	366,178	852,624	933,696	1,205,440
<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>	<u>\$ 19,750,558</u>
2.96%	2.83%	2.66%	2.77%	2.43%	2.12%
10,308	10,323	9,923	8,695	8,750	9,465
\$ 2,209	\$ 2,109	\$ 2,095	\$ 2,536	\$ 2,404	\$ 2,087

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2007

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Clear Creek ISD ⁽³⁾	\$ 563,085,000	5.850%	\$ 32,940,473
Clear Lake City Water Authority ⁽³⁾	6,607,912	0.070%	4,626
Harris County ⁽²⁾⁽³⁾	2,147,655,970	0.320%	6,872,499
Harris Co. Flood Control District ⁽³⁾	115,924,985	0.320%	370,960
Harris Co. Toll Road Authority	698,430,665	0.320%	2,234,978
Port of Houston Authority ⁽³⁾	343,965,000	0.320%	<u>1,100,688</u>
Subtotal, overlapping debt			43,524,223
City direct debt	20,955,998	100.000%	<u>20,955,998</u>
Total direct and overlapping debt			<u><u>\$ 64,480,221</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 September 30, 2007.

CITY OF WEBSTER, TEXAS
LEGAL DEBT MARGIN INFORMATION

Last Five Years ⁽¹⁾

	Year			
	2003	2004	2005	2006
Debt limit	\$ 76,896,419	\$ 78,026,813	\$ 79,602,348	\$ 86,616,514
Total net debt applicable to limit	21,774,720	20,792,857	22,053,821	21,032,567
Legal debt margin	<u>\$ 55,121,699</u>	<u>\$ 57,233,956</u>	<u>\$ 57,548,527</u>	<u>\$ 65,583,947</u>
Total net debt applicable to the limit as a percentage of debt limit	28.32%	26.65%	27.70%	24.28%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 931,618,334
Debt limit (10% of assessed value)	93,161,833
Debt applicable to limit:	
General obligation bonds	20,955,998
Less: amount set aside for repayment of general obligation debt	<u>(1,205,440)</u>
Total net debt applicable to limit	<u>19,750,558</u>
Legal debt margin	<u>\$ 73,411,275</u>

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 five years are available at this time.

2007

\$ 93,161,833

19,750,558

\$ 73,411,275

21.20%

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	6,955	\$ -	\$ -	-	1,555	1.8%
1999	7,045	\$ -	\$ -	-	1,532	2.0%
2000	8,790	\$ -	\$ -	-	1,756	1.8%
2001	9,083	\$ -	\$ -	-	1,872	1.9%
2002	10,308	\$ -	\$ -	-	1,507	2.6%
2003	10,323	\$ -	\$ -	-	1,359	3.0%
2004	9,923	\$ 262,284,736	\$ 26,432	34.0	1,332	2.7%
2005	8,695	\$ 236,243,150	\$ 27,170	34.6	1,390	5.3%
2006	8,750	\$ 280,866,250	\$ 32,099	36.1	870	(7) 3.1%
2007	9,465	\$ 223,392,930	\$ 23,602	31.2	912	3.8%

Data sources:

- (1) Population was estimated using data received from the Harris County Tax Office.
- (2) Claritas, Sperling's BestPlaces
- (3) Clear Creek Independent School District, City-Data.com
- (4) Texas Workforce Commission, Sperling's BestPlaces
- (5) Sperling's BestPlaces, Personal income and median age data prior to 2004 are not available.
- (6) Personal income information is a total for the year.
- (7) 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.

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund:										
City Secretary	5	3	3	3.5	4	4	4	4	4	4
City Manager	1	1	1	1	1	1	1	1	1	1
Finance	5	6	8	9	8	8	7	7	7	7
Municipal Court	3	3	3.5	4	4	4	5	5	6	6
Information Technology		1	1	2	2	2	2	2	2	2
Human Resources	2	2	2	3	3	3	2.75	2.75	3	3
Community Development	8	13	16	17	17					
Administration						5.9	4.9	4.9	5.8	5.8
Building						7	6	6	6	7
Engineering						2	2	2	2	2
Recreation Programs						2	1	1	1	1
Public Works	11	19	20	20	20					
Administration						3	3	2	2	3
Maintenance						12	10	10	10	11
Parks Maintenance						4	4	4	5	6
Police	51	56	58	59	61					
Administration						6	5	6	6	6
Criminal Investigation						7	7	7	7	7
Patrol						30	31	34	34	35
Communications						16	15	13	14	15
Technical Support							1	1	1	1
Fire	2	3	4	4.5	4.5					
Prevention						3	2.35	2.35	2.35	2.7
Operations						2	2	2	2	2
Economic Development										
Economic Development	1	2	4	3	4	3	3	3	2	2
Public Relations						1	1	1	1	1
General Fund Total	89	109	120.5	126	128.5	125.9	120	121	124.15	130.5
Enterprise Fund:										
Water	9.5	9.5	7	7	7	7	7	7	7	8
Sewer	10.5	10.5	9	9	9	7	6	6	6	7
Enterprise Fund Total	20	20	16	16	16	14	13	13	13	15
TOTAL CITY POSITIONS	109	129	136.5	142	144.5	139.9	133	134	137.15	145.5

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.

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 Five 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 five years are available at this time.

2007

2,800
1,167
8,450
2,107
24,257

985
73
5 min, 43 sec

134

1.650
610.670

2.638

1.489
541.127

3.033

CITY OF WEBSTER, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM

Last Five 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 five years are available at this time.

2007

1
48
2

18.8
717

5
26
2
1
1

44.5
578
2.95

28.8
18.9
4
1.65