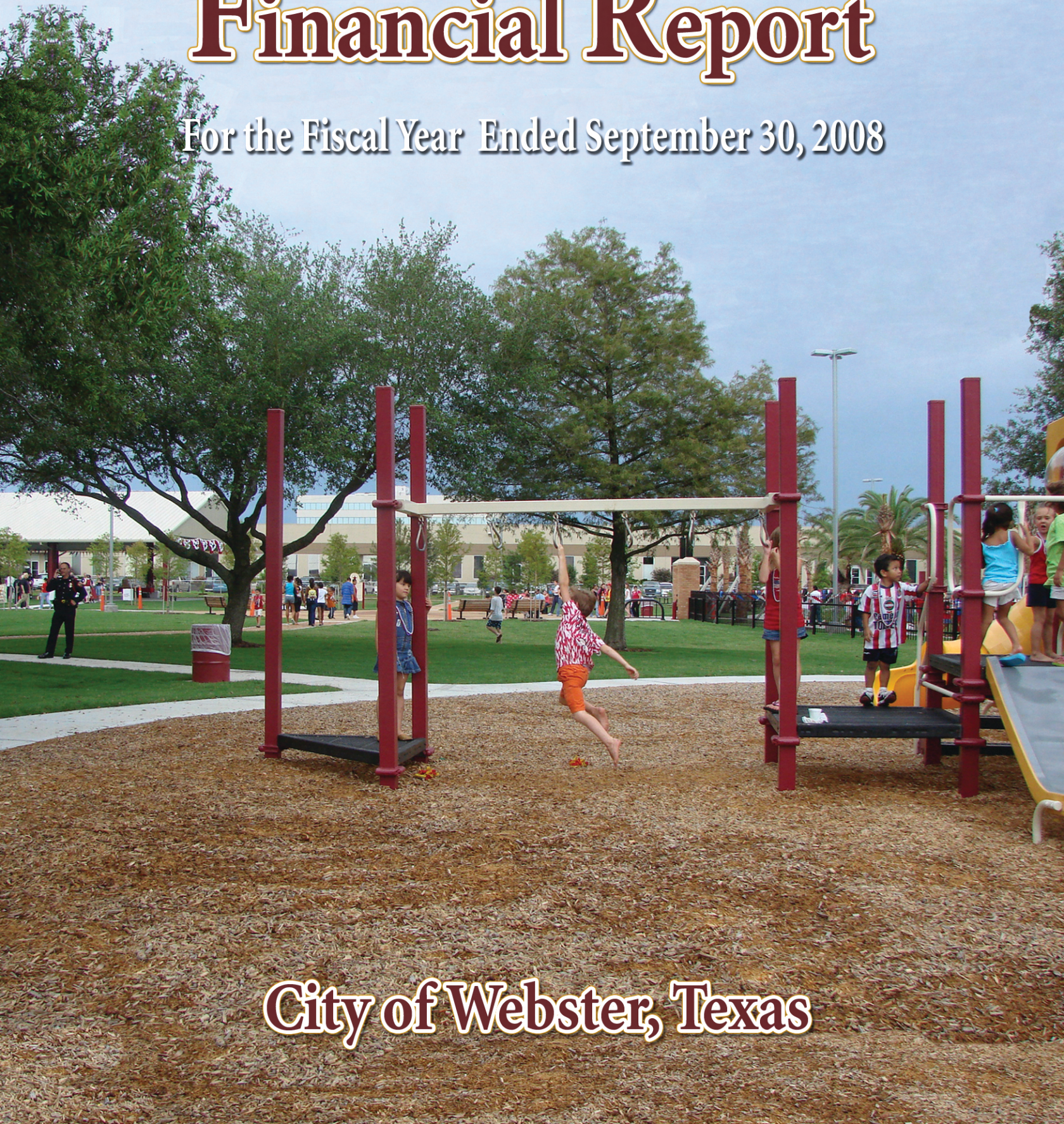


Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2008



City of Webster, Texas

CITY OF WEBSTER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
September 30, 2008**

CITY MANAGER

Wayne J. Sabo

Prepared by:

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Director of Finance

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

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CITY OF WEBSTER, TEXAS

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September 30, 2008

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CITY OF WEBSTER, TEXAS

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INTRODUCTORY SECTION



January 29, 2009

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, 2008. 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 1958, 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 along Interstate 45. Accordingly, the economy of the City is directly tied to activity in the Greater Bay Area Houston region. Webster is developing as a center for excellence within the medical care community, proven by the addition of 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 economy for the Houston region as a whole has fared better than the rest of the nation over the past year. While economic growth has slowed, commercial development does continue 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. Despite the economic downturn, the City is optimistic for future expansion of its sales tax base.

Fiscal year 2007-08 brought exciting news in economic development. Listed below are just a few of the highlights.

- Cranes are active as St. Luke’s Hospital-Clear Lake builds its nine-story, full-service, 175-bed hospital encompassing approximately 375,000 square feet.
- With two nearing completion, new hotels will be opening in the City: Staybridge Suites, Hilton Garden Inn, Holiday Inn, and Marriott Springhill Suites. With these additions, a total of 16 hotels will be located in the City.
- An award-winning LEED Gold Certified “green” building, 251 Medical Center Boulevard provides three stories and 48,000 square feet of medical office space in Webster’s medical district. Construction has already commenced on its twin building, 253 Medical Center Boulevard.
- Aptly named for its modern, aerospace-themed lobby, the new Galaxy II building adds 110,000 square feet of class-A office space in the City.
- 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. In recent years, the City has experienced sales tax revenue growth in excess of 10%. Growth slowed considerably during fiscal year 2007-08 to 2.3%. The fiscal year 2008-09 budget predicts revenue to actually decrease by 2.8% due to a weak economy and the closing or relocation of two major retailers. 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 2008 taxable value increased 23% over the adjusted 2007 taxable value. The fiscal year 2008-09 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. Recognizing employees for their job performance through merit increases is essential to motivating them. To this end, the fiscal year 2008-09 budget includes a 2.5% or 5% increase in pay depending upon an individual's performance during the year. In addition to the merit-based adjustment, each employee will receive up to \$2,000 to offset an escalated cost of living.

Public safety continues to be a major initiative for the City. A K-9 unit will be added in fiscal year 2008-09 to concentrate on narcotics detection and tracking. The Police Department budget increases considerably to cover computer software and the rising cost of fuel. The Fire Department will purchase P.A.S.S. devices and automatic external defibrillators which could save the lives of citizens and firefighters.

Street and sidewalk maintenance remains a priority for the citizens of Webster. Public Works will initiate a comprehensive sidewalk construction and maintenance program. Funding will be provided for upgrades to Green Acres Park and the replacement of two air conditioners and a chiller compressor.

In 2006, the City of Webster and the Webster Economic Development Corporation approved the commitment of financial resources towards the development of Edgewater, a commercial and residential area within the City. The developer agreed to make certain improvements to the property, subject to incremental reimbursements by the City based upon the additional property value for the site. The first incremental payment is expected to occur in fiscal year 2008-09.

In January 2008, the Utility Fund issued \$2.25 million of revenue bonds. This debt, along with the \$6.165 million issued in 2006 has funded the expansion of the wastewater treatment plant. The plant expansion is nearing completion at this time. In December 2004, City Council approved a five-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 five-year rate design will be presented to City Council in the coming months.

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, Emergency Management Fund, and TIRZ 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. Belt Harris & Associates, 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, 2008. 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, 2007, for the 22nd 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 2007-08 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 2008-09 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,

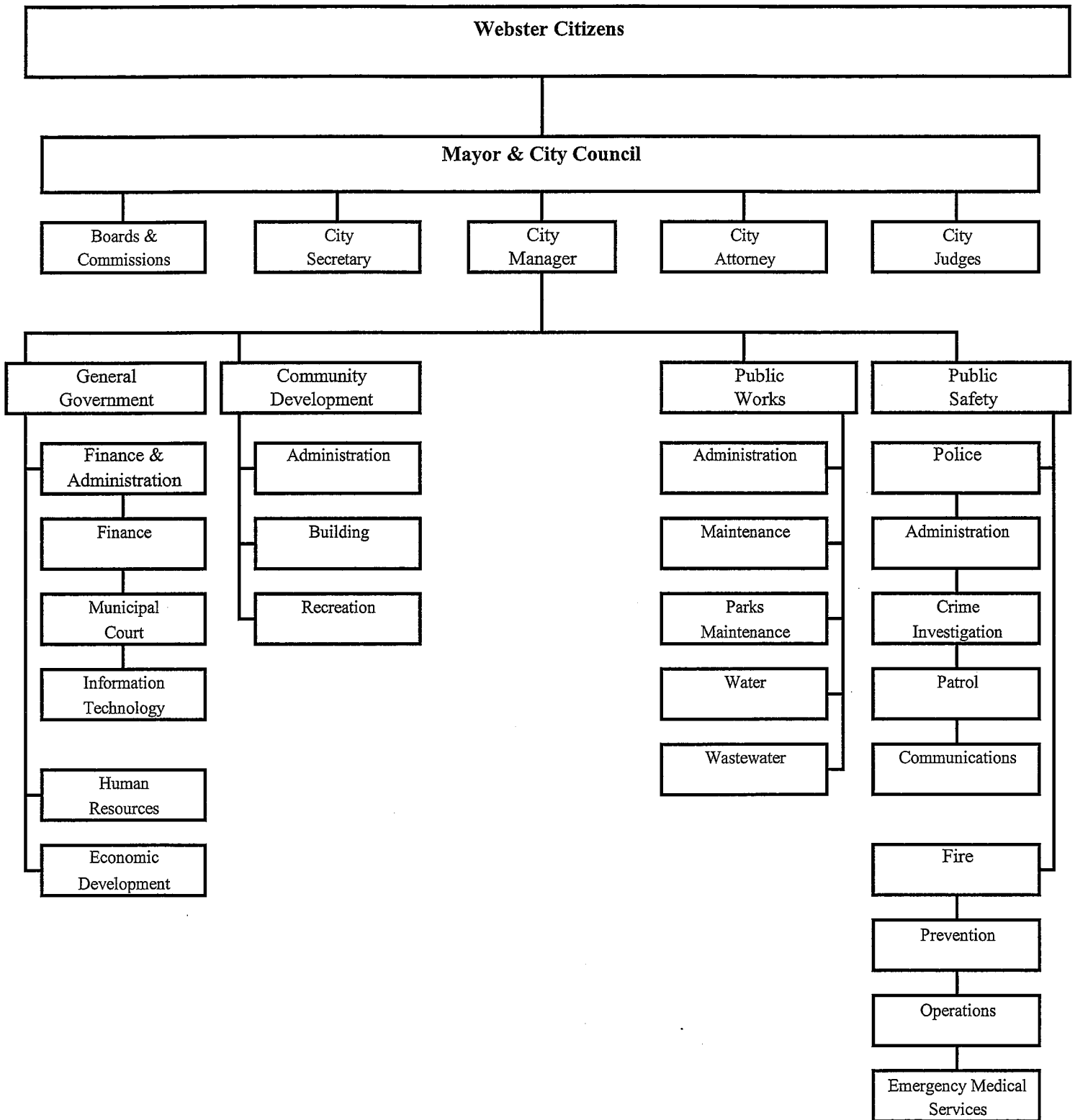
A handwritten signature in cursive script that reads "William Michael Rodgers". The signature is written in black ink and is positioned above the printed name and title.

William Michael Rodgers, CPA
Director of Finance

CITY OF WEBSTER, TEXAS

ORGANIZATION CHART

September 30, 2008



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, 2007

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



President

Executive Director

CITY OF WEBSTER, TEXAS

PRINCIPAL OFFICIALS

September 30, 2008

City Officials	Elected Position	Term Expires
Floyd Myers	Mayor	05/2011
Melvin Ellis	Council Member – Position No. 1	05/2009
Beverly Gaines	Council Member – Position No. 2	05/2009
Mel Donehue	Council Member – Position No. 3	05/2010
Steve Waltz	Council Member – Position No. 4	05/2010
Natalie Dolan	Council Member – Position No. 5	05/2010
Donna Rogers	Council Member – Position No. 6	05/2011

Key Staff	Position
Wayne J. Sabo	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
Derhyl J. Hebert	Director of Community Development
Sara S. Gallagher	Director of Human Resources
Patrick Shipp	Fire Chief
Dr. Betsy Giusto	Director of Economic Development
Shannon Hicks	Director of Public Works

FINANCIAL SECTION



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, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 11 through 19, budgetary comparison information on pages 67 through 69, and pension information on pages 71 through 73, 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 and individual nonmajor fund financial statements, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial 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 section 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.

Belt Harris & Associates, LLLP

Belt Harris & Associates, LLLP
Certified Public Accountants
Houston, Texas
January 29, 2009

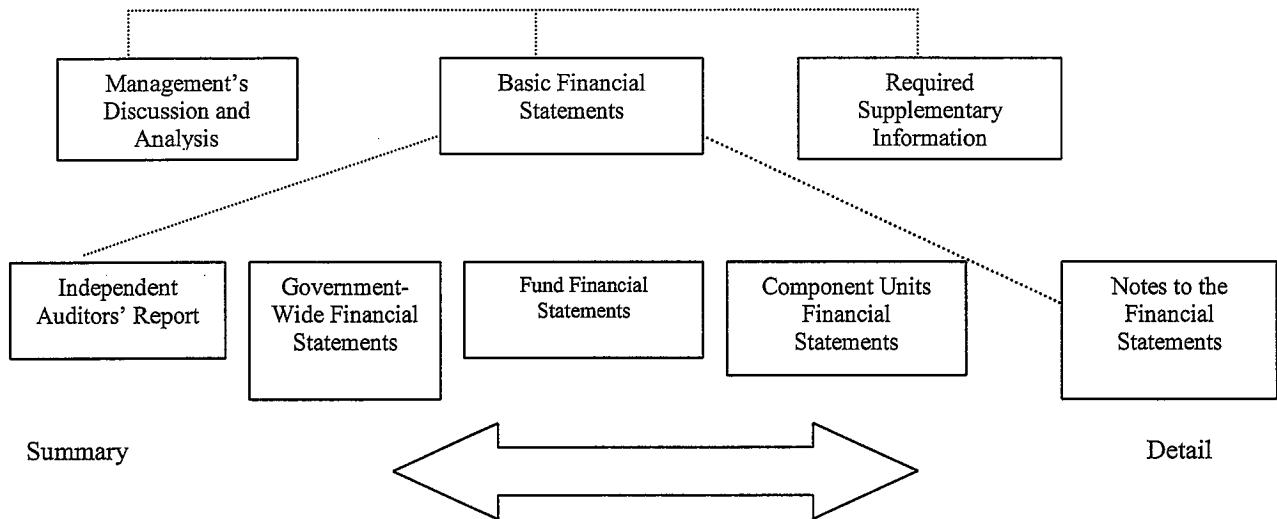
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 September 30, 2008

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 ended September 30, 2008. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 Financial Statements

The government-wide financial 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, 2008

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 government-wide financial statements use the accrual method of accounting rather than the modified accrual method 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), and 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 – The City charges a fee to customers to cover the cost of services it provides. The City's water distribution and wastewater collection/treatment are reported here.
3. Component units – The City of Webster 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, 2008

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 occupancy 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 39.

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 occupancy tax fund, a schedule of funding progress for the Texas Municipal Retirement System, and a schedule of funding progress for the Texas Emergency Services 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 \$70,731,779 as of September 30, 2008, 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, 2008

The largest portion of the City's net assets (70.6%) 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 18,580,042	\$ 17,977,399	\$ 8,014,403	\$ 12,322,648	\$ 26,594,445	\$ 30,300,047
Capital assets, net	55,410,510	54,476,399	20,511,257	13,239,394	75,921,767	67,715,793
Total Assets	73,990,552	72,453,798	28,525,660	25,562,042	102,516,212	98,015,840
Long-term liabilities	20,155,023	20,966,220	8,435,132	6,448,395	28,590,155	27,414,615
Other liabilities	1,341,530	1,169,037	1,852,748	838,380	3,194,278	2,007,417
Total Liabilities	21,496,553	22,135,257	10,287,880	7,286,775	31,784,433	29,422,032
Net Assets:						
Invested in capital assets, net of related debt	36,295,260	34,587,964	13,676,387	13,239,394	49,971,647	47,827,358
Restricted	4,878,125	5,080,935	3,314,199	2,743,668	8,192,324	7,824,603
Unrestricted	11,320,614	10,649,642	1,247,194	2,292,205	12,567,808	12,941,847
Total Net Assets	\$ 52,493,999	\$ 50,318,541	\$ 18,237,780	\$ 18,275,267	\$ 70,731,779	\$ 68,593,808

A portion of the primary government's net assets, \$8,192,324 or 11.6%, 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, \$12,567,808 or 17.8%, 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, 2008

Statement of Activities:

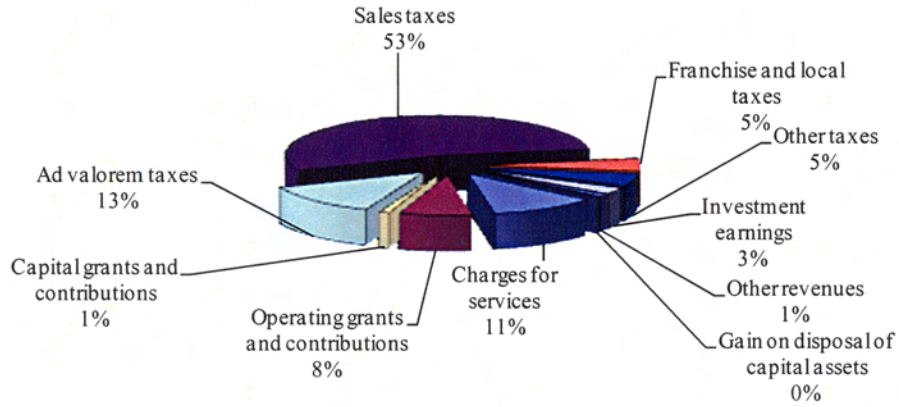
The following table provides a summary of the City's changes in net assets:

	Governmental		Business-Type		Total	
	Activities		Activities		Primary	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 2,305,890	\$ 1,998,056	\$ 3,005,866	\$ 2,900,859	\$ 5,311,756	\$ 4,898,915
Operating grants and contributions	1,584,928	1,082,168	-	-	1,584,928	1,082,168
Capital grants and contributions	220,542	1,048,349	-	-	220,542	1,048,349
General revenues:						
Ad valorem taxes	2,614,259	2,407,997	-	-	2,614,259	2,407,997
Sales taxes	11,000,547	10,773,089	-	-	11,000,547	10,773,089
Franchise and local taxes	1,016,549	982,871	-	-	1,016,549	982,871
Other taxes	1,012,157	999,567	-	-	1,012,157	999,567
Investment earnings	533,397	709,934	347,054	531,946	880,451	1,241,880
Other revenues	190,782	381,250	256,674	601,777	447,456	983,027
Gain (Loss) on disposal of capital assets	70,055	(372,365)	15,951	-	86,006	(372,365)
Total Revenues	<u>20,549,106</u>	<u>20,010,916</u>	<u>3,625,545</u>	<u>4,034,582</u>	<u>24,174,651</u>	<u>24,045,498</u>
Expenses						
General government	4,372,934	3,123,499	-	-	4,372,934	3,123,499
Public safety	7,438,134	7,186,632	-	-	7,438,134	7,186,632
Community development	5,666,080	5,562,641	-	-	5,666,080	5,562,641
Interest and fiscal agent fees on long-term debt	1,352,133	1,317,336	-	-	1,352,133	1,317,336
Water	-	-	1,676,357	1,347,623	1,676,357	1,347,623
Sewer	-	-	1,531,042	1,468,095	1,531,042	1,468,095
Total Expenses	<u>18,829,281</u>	<u>17,190,108</u>	<u>3,207,399</u>	<u>2,815,718</u>	<u>22,036,680</u>	<u>20,005,826</u>
Increase in Net Assets						
Before Transfers	1,719,825	2,820,808	418,146	1,218,864	2,137,971	4,039,672
Transfers In (Out)	455,633	389,590	(455,633)	(389,590)	-	-
Change in Net Assets	2,175,458	3,210,398	(37,487)	829,274	2,137,971	4,039,672
Beginning Net Assets	50,318,541	47,108,143	18,275,267	17,445,993	68,593,808	64,554,136
Ending Net Assets	<u>\$ 52,493,999</u>	<u>\$ 50,318,541</u>	<u>\$ 18,237,780</u>	<u>\$ 18,275,267</u>	<u>\$ 70,731,779</u>	<u>\$ 68,593,808</u>

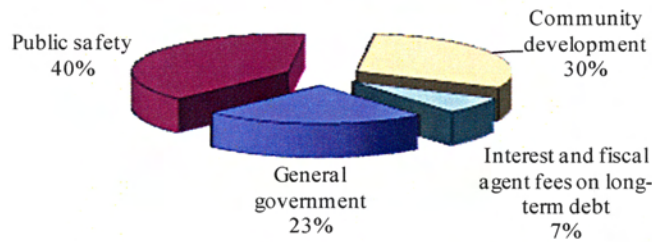
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 September 30, 2008

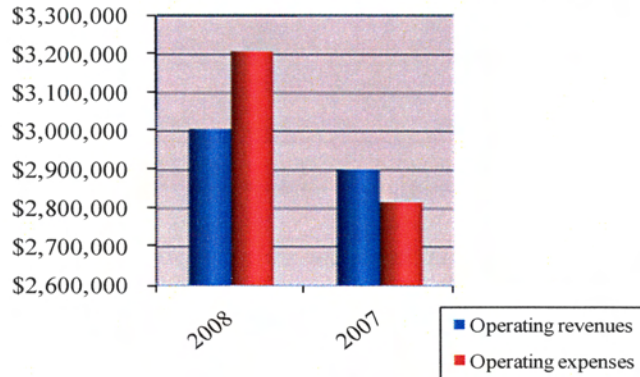
Governmental Activities - Revenues



Governmental Activities - Expenses



Business-Type Activities - Revenues and Expenses



CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2008

For the year ended September 30, 2008, revenues from governmental activities totaled \$20,549,106. Property and sales tax revenues continue to be the City's largest revenue sources. Operating grants and contributions increased significantly over the prior year, 46.4%, due to the award of a public assistance grant to the City as a result of Hurricane Ike. Charges for services increased by \$307,834 in comparison to last year. The largest attributing factors include an increase in traffic enforcement as well as additional income received from interlocal agreements entered into during the previous year. Investment income fell by \$176,537 as a result of lower interest rates.

Other taxes increased 1.3% in comparison to the prior year. Franchise fees, collected from electric, gas, cable, and telephone/telecommunications utilities, totaled \$1,016,549 for the year ended September 30, 2008, an increase from the prior year of 3.4%. This growth is a result of the continued commercial expansion of the City.

For the year ended September 30, 2008, expenses for governmental activities totaled \$18,829,281. This represents an increase of \$1,540,462 over last year. During the year, energy/utilities and gasoline costs increased dramatically resulting in increased expenses. The City also incurred a number of unanticipated expenses as a direct result of Hurricane Ike, which made landfall just days prior to year end. Expenses per capita were \$1,989, up \$172 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 \$105,007 or 3.6%. 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 \$16,946,716. Of this, \$2,985,729 is designated and \$5,273,823 is reserved for outside restrictions, prepaid expenses, and a fund advance.

There was an increase in the combined fund balance of \$276,685 over the prior year. This is largely attributable to an increase in transfers into 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 \$8,687,164 is estimated to be \$4,873,919 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 \$100,377 in the debt service fund balance to \$1,305,817. Principal and interest debt service payments totaled \$2,311,361 for the year.

The hotel occupancy tax fund experienced a positive change in fund balance of \$139,623. This increase can be primarily attributed to the increase in hotel and motel taxes received as well as investment earnings.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2008

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenue and other financing sources exceeded expenditures and other financing uses by \$1,240,781 in the general fund for the year, resulting in a total positive budget variance from the final amended budget of \$1,456,391. This is largely a result of savings from the removal of the City swimming pool and unused contingency funds.

Actual general fund revenues exceeded original and amended budgeted revenues by \$209,637 during 2008. This increase is attributable in part to the positive variance of \$132,100 for fines and forfeitures as a result of an increase in traffic enforcement.

During the 2008 year, City Council amended the budget to re-appropriate monies to pay for expenses related to Hurricane Ike.

CAPITAL ASSETS

At September 30, 2008, the City's governmental activities funds had invested \$55,410,510, net of depreciation, in a variety of capital assets and infrastructure. This represents a net increase of \$934,112. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with an increase in the amount of \$2,118,099.

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

- Contribution of the City's share for the Southeast Water Purification Plant expansion in the amount of \$1,139,906;
- Completion of the Professional Park Drive Overlay Project in the amount of \$100,410.

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 III. C. in the notes to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$28,175,000. Of this amount, \$16,205,000 was general obligation debt, while certificates of obligation account for \$3,890,000. The remaining \$8,080,000 consisted of business-type revenue bonds.

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

Current underlying ratings on debt issues are as follows:

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2008

	Moody's Investors Service	Standard and Poor's
General obligation bonds	A3	A

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In September 2008, the Webster City Council approved an expenditure budget in the amount of \$33,315,270. A 14% increase over the previous fiscal year, the Fiscal Year 2008-2009 Annual Budget incorporates enhanced services for citizens and addresses priorities established by City Council without an increase to the property tax rate. A significant use of fund balance is planned for projects identified by City Council.

Property values within the City of Webster increased 23% over the adjusted 2007 taxable values. Respectively, ad valorem tax rates decreased by \$.04287 to \$0.20600 per \$100 of taxable value. However, sales tax revenue is likely to fall below the amount received in the preceding year due to an unpredictable economy and the expected loss of two major retailers. The Fiscal Year 2008-2009 Annual Budget predicts a decrease in sales tax revenue of 2.8% to \$10,611,320. Sales tax receipts comprise 62% of the revenues for the General Fund and 48% of the revenues for all funds, including the component unit. Water and wastewater rates increased in accordance with the five-year rate study adopted by City Council in 2004.

Construction continues at the City's newest 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 has begun construction of its 350,000 square foot, nine-story medical facility. Construction has commenced on four new hotels, and plans have been submitted for a fifth. Upon completion, there will be 17 hotels 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. Questions concerning this report or requests for additional financial information should be directed to Director of Finance, City Hall, 101 Pennsylvania, Webster, TX, telephone 281-316-4102, or for general City information, visit the City's website at www.cityofwebster.com.

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BASIC FINANCIAL STATEMENTS

CITY OF WEBSTER, TEXAS

STATEMENT OF NET ASSETS

September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 9,257,536	\$ 5,800,895	\$ 15,058,431	\$ 5,424,614
Investments	6,191,464	1,553,020	7,744,484	4,241,343
Receivables (net of allowance for uncollectible)	2,772,676	328,636	3,101,312	528,879
Internal balances	(689)	689	-	
Prepaid items	75,378	133	75,511	2,152
Inventory	32,974	-	32,974	
Deferred charges	250,703	331,030	581,733	390,815
Capital assets:				
Non-depreciable	7,710,199	7,443,538	15,153,737	-
Net depreciable capital assets	47,700,311	13,067,719	60,768,030	-
Total Assets	73,990,552	28,525,660	102,516,212	10,587,803
Liabilities				
Accounts payable and accrued liabilities	1,264,538	1,606,447	2,870,985	6,606
Customer deposits	7,000	246,301	253,301	-
Accrued interest payable	69,642	-	69,642	26,354
Unearned revenue	350	-	350	-
Noncurrent liabilities:				
Long-term liabilities due within one year	1,719,083	324,876	2,043,959	706,413
Long-term liabilities due in more than one year	18,435,940	8,110,256	26,546,196	13,839,891
Total Liabilities	21,496,553	10,287,880	31,784,433	14,579,264
Net Assets				
Invested in capital assets, net of related debt	36,295,260	13,676,387	49,971,647	-
Restricted for:				
Debt service	1,305,817	6,632	1,312,449	90,278
Special projects	2,145,307	-	2,145,307	-
Construction/capital improvements	1,427,001	3,307,567	4,734,568	7,736,439
Economic development	-	-	-	2,266,628
Unrestricted	11,320,614	1,247,194	12,567,808	(14,084,806)
Total Net Assets	\$ 52,493,999	\$ 18,237,780	\$ 70,731,779	\$ (3,991,461)

See Notes to Financial Statements.

CITY OF WEBSTER, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 4,372,934	\$ 184,886	\$ 1,030,030
Public safety	7,438,134	1,592,374	554,898
Community development	5,666,080	528,630	-
Interest and fiscal agent fees	1,352,133	-	-
Total Governmental Activities	18,829,281	2,305,890	1,584,928
Business-Type Activities			
Water	1,676,357	1,571,025	-
Sewer	1,531,042	1,434,841	-
Total Business-Type Activities	3,207,399	3,005,866	-
Total Primary Government	\$ 22,036,680	\$ 5,311,756	\$ 1,584,928
Component Units			
Webster Economic Development Corporation	\$ 2,133,785	\$ -	\$ 166,138
Total Component Units	\$ 2,133,785	\$ -	\$ 166,138

General Revenues:

- Ad valorem taxes
- Sales taxes
- Franchise and local taxes
- Other taxes
- Investment earnings
- Other revenues
- Gain 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

<u>Capital Grants and Contributions</u>	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
\$ -	\$ (3,158,018)	\$ -	\$ (3,158,018)	\$ -
-	(5,290,862)	-	(5,290,862)	-
220,542	(4,916,908)	-	(4,916,908)	-
-	(1,352,133)	-	(1,352,133)	-
<u>220,542</u>	<u>(14,717,921)</u>	<u>-</u>	<u>(14,717,921)</u>	<u>-</u>
-	-	(105,332)	(105,332)	-
-	-	(96,201)	(96,201)	-
-	-	(201,533)	(201,533)	-
<u>\$ 220,542</u>	<u>(14,717,921)</u>	<u>(201,533)</u>	<u>(14,919,454)</u>	<u>-</u>
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,967,647)</u>
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,967,647)</u>
	2,614,259	-	2,614,259	-
	11,000,547	-	11,000,547	3,666,849
	1,016,549	-	1,016,549	-
	1,012,157	-	1,012,157	-
	533,397	347,054	880,451	286,249
	190,782	256,674	447,456	-
	70,055	15,951	86,006	-
	455,633	(455,633)	-	-
	<u>16,893,379</u>	<u>164,046</u>	<u>17,057,425</u>	<u>3,953,098</u>
	2,175,458	(37,487)	2,137,971	1,985,451
	50,318,541	18,275,267	68,593,808	(5,976,912)
	<u>\$ 52,493,999</u>	<u>\$ 18,237,780</u>	<u>\$ 70,731,779</u>	<u>\$ (3,991,461)</u>

CITY OF WEBSTER, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2008

	General	Debt Service	Hotel Occupancy Tax	Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 3,366,266	\$ 1,299,009	\$ 846,652	\$ 3,745,609
Investments	4,229,551	-	958,873	1,003,040
Receivables (net of allowance for uncollectible)	1,819,348	102,534	50,164	455,178
Due from other funds	143,723	-	-	22,908
Deposits	200	-	-	-
Advances to other funds	345,252	-	-	-
Prepaid items	74,568	-	-	810
Inventory	32,974	-	-	-
Total Assets	\$ 10,011,882	\$ 1,401,543	\$ 1,855,689	\$ 5,227,545
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 890,414	\$ -	\$ 37	\$ 374,087
Customer deposits	-	-	7,000	-
Due to other funds	23,597	-	-	143,723
Deferred revenue	15,009	95,726	350	-
Total Liabilities	929,020	95,726	7,387	517,810
<u>Fund Balances</u>				
Reserved for:				
Prepaid items	74,568	-	-	-
Inventory	32,974	-	-	-
Debt service	-	1,305,817	-	-
Special revenue	-	-	1,848,302	297,005
Capital projects	-	-	-	1,427,001
Advances	288,156	-	-	-
Unreserved, designated for:				
Emergencies	-	-	-	82,829
Construction/capital improvements	-	-	-	256,113
Equipment replacement	-	-	-	2,646,787
Unreserved and undesignated	8,687,164	-	-	-
Total Fund Balances	9,082,862	1,305,817	1,848,302	4,709,735
Total Liabilities and Fund Balances	\$ 10,011,882	\$ 1,401,543	\$ 1,855,689	\$ 5,227,545

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 9,257,536
6,191,464

2,427,224
166,631
200
345,252
75,378
32,974
\$ 18,496,659

\$ 1,264,538
7,000
167,320
111,085
1,549,943

74,568
32,974
1,305,817
2,145,307
1,427,001
288,156

82,829
256,113
2,646,787
8,687,164
16,946,716

\$ 18,496,659

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CITY OF WEBSTER, TEXAS
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
September 30, 2008

Total fund balances - total governmental funds	\$ 16,946,716
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	
Capital assets - non-depreciable	7,710,199
Capital assets - net depreciable	47,700,311
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	
	110,735
Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.	
Accrued interest payable	(69,642)
Non-current liabilities due in one year	(1,719,083)
Non-current liabilities due in more than one year	(18,435,940)
Deferred charges for issuance costs	250,703
	250,703
Net Assets of Governmental Activities	\$ 52,493,999

See Notes to Financial Statements.

CITY OF WEBSTER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2008

	General	Debt Service	Hotel Occupancy Tax	Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 596,601	\$ 2,026,471	\$ -	\$ -
Sales taxes	10,906,308	-	-	-
Franchise fees	1,016,549	-	-	-
Other taxes	417,035	-	595,122	-
Licenses and permits	470,577	-	-	-
Fines and forfeitures	1,494,600	-	-	97,774
Charges for services	207,036	-	35,903	-
Other revenue	130,081	-	964	59,737
Investment earnings	257,957	55,237	58,379	161,824
Contributions	700,000	330,030	-	-
Intergovernmental	47,293	-	-	507,605
Total Revenues	<u>16,244,037</u>	<u>2,411,738</u>	<u>690,368</u>	<u>826,940</u>
Expenditures				
Current:				
General government	3,607,543	-	28,813	556,950
Public safety	7,430,667	-	-	904,979
Community development	4,214,771	-	289,022	-
Capital outlay	-	-	-	1,077,980
Debt service:				
Principal	-	860,998	-	-
Interest and fiscal charges	-	1,450,363	-	-
Total Expenditures	<u>15,252,981</u>	<u>2,311,361</u>	<u>317,835</u>	<u>2,539,909</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>991,056</u>	<u>100,377</u>	<u>372,533</u>	<u>(1,712,969)</u>
Other Financing Sources (Uses)				
Transfers in	785,340	-	-	1,795,246
Transfers out	(605,670)	-	(232,910)	(1,286,373)
Sale of capital assets	70,055	-	-	-
Total Other Financing Sources (Uses)	<u>249,725</u>	<u>-</u>	<u>(232,910)</u>	<u>508,873</u>
Net Change in Fund Balances	1,240,781	100,377	139,623	(1,204,096)
Beginning Fund Balances	7,842,081	1,205,440	1,708,679	5,913,831
Ending Fund Balances	<u>\$ 9,082,862</u>	<u>\$ 1,305,817</u>	<u>\$ 1,848,302</u>	<u>\$ 4,709,735</u>

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 2,623,072
10,906,308
1,016,549
1,012,157
470,577
1,592,374
242,939
190,782
533,397
1,030,030
554,898

20,173,083

4,193,306
8,335,646
4,503,793
1,077,980

860,998
1,450,363

20,422,086

(249,003)

2,580,586
(2,124,953)
70,055

525,688

276,685

16,670,031

\$ 16,946,716

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CITY OF WEBSTER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

Net changes in fund balances - total governmental funds	\$	276,685
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		(2,118,099)
Capital outlay		2,835,135
Capital contributions from component units are not reported as revenues in the governmental funds.		220,542
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.		(3,466)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(8,813)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the statement of activities.		
Principal repayments		865,024
Payment of obligation to the state		94,239
Amortization of deferred charges		(91,839)
Accrued interest		190,069
Compensated absences		(84,019)
Change in Net Assets of Governmental Activities	\$	<u>2,175,458</u>

See Notes to Financial Statements.

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CITY OF WEBSTER, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

September 30, 2008

	Business-Type Activities
	Utility Fund
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 5,800,895
Investments	1,553,020
Receivables, net	328,636
Due from other funds	689
Prepaid expenses	133
Total Current Assets	7,683,373
Noncurrent Assets:	
Deferred charges	331,030
Capital assets:	
Non-depreciable	7,443,538
Depreciable capital assets	22,602,040
Less: accumulated depreciation	(9,534,321)
Total Capital Assets (Net of Accumulated Depreciation)	20,511,257
Total Noncurrent Assets	20,842,287
Total Assets	28,525,660
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued liabilities	1,606,447
Current portion of advances from other funds	57,096
Current portion of compensated absences	47,780
Customer deposits	246,301
Matured bonds payable	220,000
Total Current Liabilities	2,177,624
Noncurrent Liabilities:	
Advances from other funds	288,156
Compensated absences	9,840
Revenue bonds payable (net of unamortized discount)	7,812,260
Total Noncurrent Liabilities	8,110,256
Total Liabilities	10,287,880
<u>Net Assets</u>	
Invested in capital assets, net of related debt	13,676,387
Restricted for debt service	6,632
Restricted for construction/capital improvements	3,307,567
Unrestricted	1,247,194
Total Net Assets	\$ 18,237,780

See Notes to Financial Statements.

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CITY OF WEBSTER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended September 30, 2008

	Business-Type Activities
	Utility Fund
<u>Operating Revenues</u>	
Water charges	\$ 1,571,025
Sewer charges	1,434,841
Penalties and reconnect fees	35,928
Other revenue	71,754
Total Operating Revenues	3,113,548
<u>Operating Expenses</u>	
Personnel	973,928
Supplies	455,422
Maintenance	156,600
Services	569,707
Depreciation	536,679
Total Operating Expenses	2,692,336
Operating Income	421,212
<u>Nonoperating Revenues (Expenses)</u>	
Investment earnings	347,054
Interest expense	(348,925)
Contribution to component unit	(166,138)
Impact fees	148,992
Gain on sale of capital assets	15,951
Total Nonoperating Revenues	(3,066)
Income Before Transfers	418,146
Transfers (out)	(455,633)
Change in Net Assets	(37,487)
Beginning Net Assets	18,275,267
Ending Net Assets	\$ 18,237,780

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, 2008

	<u>Business-Type Activities</u>
	<u>Utility Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 3,150,723
Payments to suppliers	(186,043)
Payments to employees	(966,322)
Net Cash Provided by Operating Activities	<u>1,998,358</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Impact fees	148,992
Transfers (out) to other funds	(455,633)
Contribution to component unit	(166,138)
Net Cash (Used) by Noncapital Financing Activities	<u>(472,779)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from capital debt	2,111,546
Interfund loan payments	(55,913)
Acquisition and construction of capital assets	(7,808,543)
Principal paid on debt	(200,000)
Interest paid on debt	(333,915)
Proceeds from sales of capital assets	15,951
Net Cash (Used) by Capital and Related Financing Activities	<u>(6,270,874)</u>
<u>Cash Flows from Investing Activities</u>	
Proceeds from sales and maturities of investments	3,884,376
Purchase of investments	(2,065,095)
Interest on investments	347,054
Net Cash Provided by Investing Activities	<u>2,166,335</u>
Net Decrease in Cash and Equivalents	(2,578,960)
Beginning Cash and Cash Equivalents	<u>8,379,855</u>
Ending Cash and Cash Equivalents	<u>\$ 5,800,895</u>

CITY OF WEBSTER, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2008

	<u>Business-Type Activities</u>
	<u>Utility Fund</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 421,212
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	536,679
(Increase) Decrease in:	
Accounts receivable	15,520
Due from other funds	2,660
Prepaid expenses	314
Increase (Decrease) in:	
Accounts payable and accrued liabilities	992,712
Compensated absences	7,606
Customer deposits	21,655
Net Cash Provided by Operating Activities	<u><u>\$ 1,998,358</u></u>

See Notes to Financial Statements.

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CITY OF WEBSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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 1958. 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, 2008

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, 2008

- 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, 2008

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 occupancy tax fund, public safety fund, municipal court program fund, equipment replacement fund, emergency management fund, and the blended component unit-TIRZ No. 1. The special revenue funds are considered nonmajor funds for reporting purposes; however, the City has chosen to report the hotel occupancy 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 project 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 project funds include street construction, building construction, other capital projects, certificates of obligation 2005, and general projects fund, 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 (FASB) standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its proprietary 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.

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 sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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.

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.

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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 receivables 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.

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 proprietary 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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.

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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.

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. 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. In addition, the TIRZ No. 1, blended component unit, does not have an adopted 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 during the year.

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. agencies	\$ 7,744,464	0.44
External investment pools	13,700,688	0.00
Total fair value	<u>\$ 21,445,152</u>	
Portfolio weighted average maturity		0.16

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, 2008, 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, 2008, consist of a variety of bonds and discount notes issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and the Federal Farm Credit Bank. 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 security type or financial institution that is in excess of fifty percent of the portfolio's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 100 percent. As of September 30, 2008, market values of pledged securities were \$3,261,547 and bank balances were \$1,886,325.

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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.

B. Receivables

The following comprise receivable balances at year end:

Governmental Funds

	General	Debt Service	Hotel Occupancy Tax	Nonmajor Funds	Component Unit
Ad valorem taxes	\$ 16,921	\$ 102,882	\$ -	\$ -	\$ -
Other taxes	1,677,833	-	43,237	-	502,030
Accounts	35,637	-	-	-	-
Accrued interest	53,011	-	6,927	14,554	26,849
Other	36,156	-	-	-	-
Intergovernmental	-	-	-	490,624	-
Less allowance	(210)	(348)	-	(50,000)	-
	<u>\$ 1,819,348</u>	<u>\$ 102,534</u>	<u>\$ 50,164</u>	<u>\$ 455,178</u>	<u>\$ 528,879</u>

Proprietary Funds

	Enterprise
Accounts	\$ 327,414
Accrued interest	8,642
Less allowance	(7,420)
	<u>\$ 328,636</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

C. Capital Assets

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

	Beginning Balance	Primary Government Increases	(Decreases)/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,780,057	\$ -	\$ -	\$ 2,780,057
Construction in progress	3,498,472 *	2,138,462	(706,792)	4,930,142
Total capital assets not being depreciated	6,278,529	2,138,462	(706,792)	7,710,199
Other capital assets:				
Buildings and improvements	18,221,905	-	-	18,221,905
Furniture and equipment	6,545,079	1,523,597	(449,708)	7,618,968
Infrastructure	41,112,375	100,410	-	41,212,785
Total other capital assets	65,879,359	1,624,007	(449,708)	67,053,658
Less accumulated depreciation for:				
Buildings and improvements	(5,448,977)	(466,749)	-	(5,915,726)
Furniture and equipment	(3,959,746)	(680,394)	446,242	(4,193,898)
Infrastructure	(8,272,767)	(970,956)	-	(9,243,723)
Total accumulated depreciation	(17,681,490)	(2,118,099)	446,242	(19,353,347)
Other capital assets, net	48,197,869	(494,092)	(3,466)	47,700,311
Totals	\$ 54,476,398	\$ 1,644,370	\$ (710,258)	\$ 55,410,510
			Less debt associated with capital assets	(19,365,953)
			Deferred charges	250,703
			Invested in capital assets, net of related debt	\$ 36,295,260

* Restated beginning balance

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	\$ 200,322
Public safety	746,523
Community development	1,171,254
Total governmental activities depreciation expense	\$ 2,118,099

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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
FM 270 Signage and Landscaping	\$ 175,000	\$ 25,592	\$ 149,408
Kobayashi and Magnolia Landscaping	20,798	20,798	-
Webster Space Walk	28,500	21,920	6,580
Swimming Pool Demolition (Civic Center Parking)	108,000	39,760	68,240
NASA Road 1 Bypass Phase 2	2,669,240	1,789,710	879,530
TRED Agreement - Methodist Tract	460,000	-	460,000
Bay Area Boulevard Sidewalk	100,000	64,118	35,882
Fire Truck	601,375	541,535	59,840
NASA Road 1 Bypass Phase 3	46,000	31,292	14,708
FM 270 Park	193,500	25,112	168,388
Totals	\$ 4,402,413	\$ 2,559,837	\$ 1,842,576

WEDC:

NASA Road 1 Bypass Extension	\$ 142,300	\$ 51,362	\$ 90,938
NASA Road 1 Bypass	2,227,540	2,219,099	8,441
Rice Creek Lane Phase 2	2,926,000	94,790	2,831,210
Totals	\$ 5,295,840	\$ 2,365,251	\$ 2,930,589

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 102,269	\$ -	\$ -	\$ 102,269
Construction in progress	808,870	7,763,736	(1,231,337)	7,341,269
Total capital assets not being depreciated	<u>911,139</u>	<u>7,763,736</u>	<u>(1,231,337)</u>	<u>7,443,538</u>
Other capital assets:				
Building and improvements	11,540,791	1,198,193	-	12,738,984
Furniture and equipment	266,489	13,150	(23,585)	256,054
Vehicles	247,595	-	-	247,595
Water and sewer system	9,294,607	64,800	-	9,359,407
Total other capital assets	<u>21,349,482</u>	<u>1,276,143</u>	<u>(23,585)</u>	<u>22,602,040</u>
Less accumulated depreciation for:				
Building and improvements	(3,225,060)	(269,139)	-	(3,494,199)
Furniture and equipment	(155,102)	(16,777)	23,585	(148,294)
Vehicles	(196,609)	(19,944)	-	(216,553)
Water and sewer system	(5,444,456)	(230,819)	-	(5,675,275)
Total accumulated depreciation	<u>(9,021,227)</u>	<u>(536,679)</u>	<u>23,585</u>	<u>(9,534,321)</u>
Other capital assets, net	<u>12,328,255</u>	<u>739,464</u>	<u>-</u>	<u>13,067,719</u>
Totals	<u>\$ 13,239,394</u>	<u>\$ 8,503,200</u>	<u>\$ (1,231,337)</u>	<u>\$ 20,511,257</u>
			Less debt associated with capital assets	(8,032,261)
			Deferred charges	331,030
			Unspent revenue bond proceeds	866,361
			Invested in capital assets, net of related debt	\$ 13,676,387

Depreciation was charged to business-type functions as follows:

Water	\$ 246,988
Sewer	<u>289,691</u>
Total business-type activities depreciation expense	<u>\$ 536,679</u>

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

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Cherokee Regional Lift Station	\$ 59,710	\$ -	\$ 59,710
Magnolia WWTP Expansion	8,354,500	7,139,139	1,215,361
Plumley Plant Emergency Water Line	380,000	202,130	177,870
Total	<u>\$ 8,794,210</u>	<u>\$ 7,341,269</u>	<u>\$ 1,452,941</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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	\$ 16,900,998	\$ -	\$ (695,998)	\$ 16,205,000 ⁽¹⁾	\$ 1,040,000
Certificates of obligation	4,055,000	-	(165,000)	3,890,000 ⁽¹⁾	170,000
Less deferred charges	(813,315)	-	64,047	(749,268) ⁽¹⁾	(64,047)
Obligation to state	306,286	-	(94,239)	212,047	94,239
Capital lease	24,247	-	(4,026)	20,221 ⁽¹⁾	4,356
	<u>20,473,216</u>	<u>-</u>	<u>(895,216)</u>	<u>19,578,000</u>	<u>1,244,548</u>
Other liabilities:					
Compensated absences	493,004	489,458	(405,439)	577,023	474,535
Total Governmental Activities	<u>\$ 20,966,220</u>	<u>\$ 489,458</u>	<u>\$ (1,300,655)</u>	<u>\$ 20,155,023</u>	<u>\$ 1,719,083</u>
Business-Type Activities:					
Interfund loan payable	\$ 401,165	\$ -	\$ (55,913)	\$ 345,252	\$ 57,096
Revenue bonds	6,030,000	2,250,000	(200,000)	8,080,000 ⁽²⁾	220,000
Less bond discount	(32,784)	(16,853)	1,898	(47,739) ⁽²⁾	(2,076)
Compensated absences	50,014	49,079	(41,473)	57,620	47,780
Total Business-Type Activities	<u>\$ 6,448,395</u>	<u>\$ 2,282,226</u>	<u>\$ (295,488)</u>	<u>\$ 8,435,133</u>	<u>\$ 322,800</u>
WEDC					
Bonds payable	\$ 15,445,000	\$ -	\$ (645,000)	\$ 14,800,000 ⁽¹⁾	\$ 675,000
Less deferred charges	(351,412)	-	27,033	(324,379) ⁽¹⁾	(27,033)
Obligation to state	102,096	-	(31,413)	70,683	31,413
Total WEDC	<u>\$ 15,195,684</u>	<u>\$ -</u>	<u>\$ (649,380)</u>	<u>\$ 14,546,304</u>	<u>\$ 679,380</u>

(1) Debt associated with governmental capital assets

Total debt associated with governmental activities	\$ 19,365,953
Total debt associated with WEDC	\$ 14,475,621

(2) Debt associated with business-type capital assets

\$ 8,032,261

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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

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

<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
Governmental Activities		
Public Improvement Bonds		
Public Improvement Refunding Bonds		
Series 2000B	5.35-6.0 %	\$ 2,710,000
Total Public Improvement Bonds		<u>2,710,000</u>
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%	10,050,000
Total General Obligation Bonds		<u>13,495,000</u>
Total Bonds		<u>16,205,000</u>
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%	940,000
Total Certificates of Obligation		<u>3,890,000</u>
Capital Leases		
Vehicle	7.90%	20,221
Total Capital Leases		<u>20,221</u>
Total Governmental Activities Long-Term Debt		<u>\$ 20,115,221</u>
Business-Type Activities		
Revenue Bonds		
Water and Sewer, series 2006	4.00-4.50%	\$ 5,880,000
Water and Sewer, series 2008	3.30-4.30%	2,200,000
Total Business-Type Activities Long-Term Debt		<u>\$ 8,080,000</u>
WEDC		
Sales Tax Revenue Bonds		
Series 2000	5.2-5.75 %	\$ 1,385,000
Sales Tax Revenue Improvement and Refunding Bonds		
Series 2006	3.75-5.00%	13,415,000
Total WEDC		<u>\$ 14,800,000</u>

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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
2009	\$ 1,040,000	\$ 637,288
2010	1,080,000	598,029
2011	1,115,000	558,955
2012	1,160,000	519,149
2013	1,200,000	476,307
2014-2018	6,535,000	1,550,554
2019-2021	4,075,000	262,003
Total	\$ 16,205,000	\$ 4,602,285

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
2009	\$ 170,000	\$ 209,986
2010	55,000	206,049
2011	60,000	204,036
2012	60,000	201,861
2013	65,000	199,518
2014-2018	1,505,000	878,395
2019-2021	1,975,000	173,522
Total	\$ 3,890,000	\$ 2,073,367

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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 \$2,250,000 of revenue bonds were issued to finance construction and improvements to the water and sewer system. Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending Sept. 30	Business-Type Activities	
	Principal	Interest
	2009	\$ 220,000
2010	230,000	333,890
2011	235,000	325,097
2012	245,000	316,103
2013	255,000	306,653
2014-2018	1,430,000	1,376,582
2019-2023	1,755,000	1,057,788
2024-2028	2,165,000	639,055
2029-2031	1,545,000	139,610
Total	\$ 8,080,000	\$ 4,837,048

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 is as follows:

Year Ending Sept. 30	WEDC	
	Principal	Interest
	2009	\$ 675,000
2010	710,000	601,416
2011	1,025,000	564,496
2012	1,025,000	526,059
2013	1,075,000	487,109
2014-2018	6,330,000	1,678,963
2019-2021	3,960,000	348,000
Total	\$ 14,800,000	\$ 4,842,053

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

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, 2008, \$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, 2008, \$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 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, 2008, are as follows:

Year	Governmental Activities	
Ending Sept. 30	Principal	Interest
2009	\$ 4,356	1,442
2010	15,865	403
Total	\$ 20,221	\$ 1,845

The historical cost of the vehicle was \$26,453. After deducting accumulated depreciation of \$6,376, the net book value is \$20,077.

Obligations to State – Refund of Sales Tax

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 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

E. Interfund Transactions

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General Fund	Nonmajor Governmental	\$ 605,670
Hotel Occupancy Tax - Special Revenue	General Fund	33,100
Hotel Occupancy Tax - Special Revenue	Nonmajor Governmental	199,810
Nonmajor Governmental Funds		
Equipment Replacement	General Fund	439,700
Municipal Court Programs	General Fund	28,590
Emergency Management	General Fund	18,950
Building Construction	Nonmajor Governmental	799,133
Utility Fund	General Fund	265,000
Utility Fund	Nonmajor Governmental	190,633
		<u>\$ 2,580,586</u>

Capital assets related to the component unit in the amount of \$220,542 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 occupancy tax - special revenue, and other nonmajor governmental funds for various governmental expenditures and debt payments.

The compositions of interfund balances as of year end were as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amounts</u>
General Fund	Emergency Management	\$ 143,723
Emergency Management	General Fund	22,908
Utility Fund	General Fund	689
		<u>\$ 167,320</u>

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:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Requirement</u>
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>\$ 345,252</u>	<u>\$ 22,162</u>	<u>\$ 367,414</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

F. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances 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.

As of September 30, 2008, \$2,123,458 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 assets 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 its reporting debt, while the City reports the related asset.

IV. 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 2,616 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 has several claims outstanding in which the plaintiffs have not filed suit. Although the outcome of these claims is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a materially adverse effect on the financial condition of the City.

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
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the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or not performed correctly could result in a substantial liability to the City. Although the City does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS's rules and regulations.

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

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 827 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 using the projected unit credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
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calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly.

Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2007, valuation is effective for rates beginning January 2009).

All assumptions for the 12/31/07 valuations are contained in the 2007 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	Projected Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization Period	30 Years - Closed period
Asset Valuation Method	Amortized cost
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation at	3.0%
Cost of Living Adjustments	2.1% (3.0% CPI)

Three-Year Contribution Information

Fiscal year	Annual Pension Percentage of ARC		Net Pension Obligation
	Cost (ARC)	Contributions	
2006	943,394	100%	\$ -
2007	1,009,045	100%	-
2008	1,096,806	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 received their 2009 contribution rate letter in May 2008 that specified exactly how these changes will affect the future annual required contribution rate. 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. The City's contribution rate has subsequently increased from 13.45 to 17.10, including supplemental death benefits. The City's minimum contribution rate effective January 1, 2009, will be 14.09 as part of an eight-year phase-in of the full rate. Management believes that

CITY OF WEBSTER, TEXAS
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while these increases will present 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 Emergency Services Retirement System

The Texas Emergency Services Retirement System (the "System") 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 System as of August 31, 2008.

Plan Description

The Fire Fighters' Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), 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 significant monetary remuneration. The TESRS 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, 2008, there were 186 fire or emergency services departments participating in the TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participant department.

At August 31, 2008, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,939
Terminated members entitled to benefits but not yet receiving them	1,975
Active participants (vested and nonvested)	4,340

Of the 4,340 active participants four were covered by the City of Webster.

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contributions levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits, as well as death and disability benefits.

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 or disability. Death benefits

CITY OF WEBSTER, TEXAS
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include a lump-sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

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

Contribution Required and Contribution Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the year ending August 31, 2008 total contributions (dues and prior service) of \$2,439,339 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state appropriated \$8,800,000 for the fiscal year ending August 31, 2008. Total contributions were equal to those required by the state statute and were greater than the contributions required based on the August 31, 2006 actuarial valuation. For 2008, 2007, and 2006 respectively, \$5,000 (0.20%), \$7,600 (0.37%), and \$13,000 (0.69%), was contributed by the City of Webster.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that have been promised. The actuarial valuations as of August 31, 2008 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2009 (\$415,405 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 as is necessary for the System to have a 30-year amortization period, and (2) approximately \$425,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009 are equal to the contributions required.

The last actuarial valuation was conducted on August 31, 2008. The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	6 Years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 90%/110% corridor on market value
Investment Rate of Return	8%
Projected Salary Increases	N/A
Includes Inflation at	3.5%
Cost of Living Adjustments	None

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

Three-Year Contribution Information for the statewide plan

Fiscal year	Annual Pension Percentage of ARC		Net Pension Obligation
	Cost (ARC)	Contributions	
2006	\$ 13,000	100%	\$ -
2007	\$ 7,600	100%	\$ -
2008	\$ 5,000	100%	\$ -

D. Postemployment Healthcare Plan

The City offers medical, dental, and vision insurance benefits to eligible retirees and their spouses. The City charges retirees and their spouse the full active premium for coverage as a retiree. Upon the death of the retiree, the spouse is eligible for COBRA.

Employees are eligible for retiree health benefits if they retire with at least 10 years of service from the City and are also eligible for a pension from TMRS. For employees who become disabled prior to eligibility for retirement, retiree medical benefits are not available.

In preparation of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (effective for the City for fiscal year ending September 30, 2009), the City has had an actuarial valuation of the benefits provided. In July 2008, the City Council adopted a resolution that requires retirees to enroll in Medicare Parts A and B upon becoming eligible in order to continue coverage under the City's medical program. A summary of the actuarial results follows:

	Unfunded	Funded
	4.00%	7.00%
	Discount rate	Discount rate
Present value of benefits	\$ 916,053	\$ 529,891
Actuarial accrued liability	\$ 407,606	\$ 268,582
Assets	\$ -	\$ -
Unfunded actuarial accrued liability	\$ 407,606	\$ 268,582
Normal cost	\$ 36,424	\$ 21,359
Annual required contribution (ARC)	\$ 61,453	\$ 44,498
Annual benefit payments*	\$ 11,000	\$ 11,000
Net cash impact	\$ -	\$ 33,498

* reflects the impact of the implicit rate subsidy

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

E. Joint Ventures

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, 2008, several sections of the project have been platted. Construction of the apartments near the entry of the development has been completed. Construction of single-family residential units is scheduled to begin soon. The estimated date in which the value of the property will increase by \$90 million is June 1, 2010.

Southeast Water Purification Plant (SEWPP)

On February 24, 1988, the City entered into a joint venture agreement with the City of Houston; Gulf Coast Water Authority (City of Galveston, City of League City); the City of Nassau Bay; Clear Brook City Municipal Utility District; the LaPorte Area Water Authority; the Harris County Municipal Utility District No. 55; the City of Pasadena; the City of South Houston; the City of Friendswood; and Baybrook Municipal Utility District No. 1 for the construction and operation of the Southeast Water Purification Plant (SEWPP). The City of Houston acts as the managing participant in the venture. Members of the venture are entitled to their proportionate share of the plant's water production and share its operating costs on the same basis. The City's percentage of ownership in SEWPP is 1.91%. As of September 30, 2008, the City's total investment in SEWPP totaled \$5,352,264. The net investment reported is \$4,050,719, which includes accumulated depreciation of \$1,301,545.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2008

F. Restatement

The City has restated beginning net assets for governmental activities for an impact study previously capitalized.

	Governmental Activities
Prior year ending net assets as reported	\$ 50,412,762
Decrease in capital assets	<u>(94,221)</u>
Restated beginning net assets	<u><u>\$ 50,318,541</u></u>

G.- Hurricane Ike

Prior to making landfall on September 13, 2008, the National Hurricane Center forecasted that Hurricane Ike, a category 4 hurricane, would likely come ashore just west of the City, placing the City on the “dirty side” of the storm. In the days leading up to landfall, revised forecasts placed the storm’s path directly across the City. Actual landfall occurred in Galveston Texas. Although, at landfall, the storm was rated as a category 2 hurricane, Ike was unusually large and had a storm surge disproportional to its wind speed (category). The storm resulted in extensive flooding, wind damage, and a massive amount of debris removal. Ike's damage along the Gulf Coast could reach U.S. \$31.5 billion, which would make it the third costliest hurricane on record.

The City incurred substantial expenses: planning and preparing for the event, providing refuge and assistance to citizens of the area, manning emergency operations, and cleaning up debris. Many of these expenditures incurred by the City are expected to be reimbursed by the Federal Emergency Management Agency (FEMA). The City has estimated the amount it anticipates to recover from FEMA for the portion of expenditures incurred. However, FEMA’s policies have and will likely change; therefore, the actual reimbursement could differ from the amount estimated based on the City’s current understanding and interpretation of FEMA’s policies.

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REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended September 30, 2008
With Comparative Totals for the Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>	<u>2007</u> <u>Actual</u>
	<u>Original</u> <u>Budget</u>	<u>Budget as</u> <u>Amended</u>			
Revenues					
Property taxes	\$ 613,500	\$ 613,500	\$ 596,601	\$ (16,899)	\$ 465,991
Sales taxes	11,110,500	11,110,500	10,906,308	(204,192)	10,659,321
Franchise fees	962,800	962,800	1,016,549	53,749	982,871
Other taxes	375,500	375,500	417,035	41,535	401,298
Licenses and permits	401,300	401,300	470,577	69,277	516,178
Fines and forfeitures	1,362,500	1,362,500	1,494,600	132,100	1,243,793
Charges for services	150,400	150,400	207,036	56,636	119,600
Other	26,500	26,500	130,081	103,581	172,050
Investment earnings	311,400	311,400	257,957	(53,443)	309,845
Contributions	700,000	700,000	700,000	-	700,000
Intergovernmental	20,000	20,000	47,293	27,293	43,242
Total Revenues	<u>16,034,400</u>	<u>16,034,400</u>	<u>16,244,037</u>	<u>209,637</u>	<u>15,614,189</u>
Expenditures					
Current:					
General government					
City council	306,650	306,650	243,730	62,920	213,384
City secretary	366,370	366,370	354,094	12,276	297,502
City manager	323,150	688,150	562,872	125,278	206,920
Finance	1,170,900	1,170,900	1,120,046	50,854	576,163
Municipal court	621,780	621,780	588,251	33,529	483,387
Information tech.	452,300	396,300	387,408	8,892	295,371
Human resources	363,110	363,110	351,142	11,968	336,854
Non departmental	-	-	-	-	426,248
Total General Government	<u>3,604,260</u>	<u>3,913,260</u>	<u>3,607,543</u>	<u>305,717</u>	<u>2,835,829</u>
Public safety					
Police	6,392,130	6,369,130	6,003,571	365,559	5,540,605
Fire	1,490,380	1,490,380	1,427,096	63,284	1,245,196
Total Public Safety	<u>7,882,510</u>	<u>7,859,510</u>	<u>7,430,667</u>	<u>428,843</u>	<u>6,785,801</u>
Community development					
Community development:					
Administrative	600,650	600,650	579,776	20,874	517,810
Building	571,990	571,990	554,841	17,149	477,878
Engineering	172,700	172,700	167,947	4,753	161,384
Recreational	450,860	435,860	344,356	91,504	315,933
Public works:					
Administrative	523,700	523,700	466,053	57,647	352,156
Maintenance	1,385,700	1,385,700	1,239,946	145,754	1,127,270
Parks	666,270	666,270	583,692	82,578	565,811

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, 2008
 With Comparative Totals for the Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>	<u>2007</u>
	<u>Original</u>	<u>Budget as</u>		<u>with Final</u>	
	<u>Budget</u>	<u>Amended</u>		<u>Positive</u>	
				<u>(Negative)</u>	
Community development					
Economic development:					
Economic devel.	\$ 188,820	\$ 188,820	\$ 182,867	\$ 5,953	\$ 678,356
Public relations	113,950	113,950	95,293	18,657	84,917
Total Community Development	<u>4,674,640</u>	<u>4,659,640</u>	<u>4,214,771</u>	<u>444,869</u>	<u>4,281,515</u>
Total Expenditures	<u>16,161,410</u>	<u>16,432,410</u>	<u>15,252,981</u>	<u>1,179,429</u>	<u>13,903,145</u>
Revenues Over (Under) Expenditures	<u>(127,010)</u>	<u>(398,010)</u>	<u>991,056</u>	<u>1,389,066</u>	<u>1,711,044</u>
Other Financing Sources (Uses)					
Transfers in	787,610	787,610	785,340	(2,270)	242,160
Transfers (out)	(513,210)	(607,210)	(605,670)	1,540	(1,812,900)
Proceeds from capital lease	-	-	-	-	26,453
Sale of capital assets	2,000	2,000	70,055	68,055	30,368
Total other financing sources (uses)	<u>276,400</u>	<u>182,400</u>	<u>249,725</u>	<u>67,325</u>	<u>(1,513,919)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 149,390</u>	<u>\$ (215,610)</u>	<u>1,240,781</u>	<u>\$ 1,456,391</u>	<u>\$ 197,125</u>
Beginning Fund Balance			<u>7,842,081</u>		
Ending Fund Balance			<u>\$ 9,082,862</u>		

Notes to Required Supplementary Information:

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

CITY OF WEBSTER, TEXAS
SPECIAL REVENUE FUNDS - HOTEL OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2008
With Comparative Totals for the Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2007 Actual
	Original Budget	Budget as Amended			
Revenues					
Hotel occupancy taxes	\$ 707,000	\$ 707,000	\$ 595,122	\$ (111,878)	\$ 598,269
Charges for services - civic center	28,000	28,000	35,903	7,903	30,543
Other revenue	-	-	964	964	23
Investment earnings	45,000	45,000	58,379	13,379	72,488
Total Revenues	780,000	780,000	690,368	(89,632)	701,323
Expenditures					
General government	46,460	46,460	28,813	17,647	51,455
Community services	600,440	400,630	289,022	111,608	288,296
Total Expenditures	646,900	447,090	317,835	129,255	339,751
Revenues Over Expenditures	133,100	332,910	372,533	39,623	361,572
Other Financing Sources (Uses)					
Transfers (out)	(33,100)	(232,910)	(232,910)	-	(47,160)
Total Other Financing (Uses)	(33,100)	(232,910)	(232,910)	-	(47,160)
Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	\$ 100,000	\$ 100,000	139,623	\$ 39,623	\$ 314,412
Beginning Fund Balance			<u>1,708,679</u>		
Ending Fund Balance			<u>\$ 1,848,302</u>		

Note to Required Supplementary Information:

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

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

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

Fiscal year	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Actuarial Valuation date	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007
Actuarial Value of Assets	\$ 11,444,526	\$ 13,197,647	\$ 14,422,387	\$ 15,824,518	\$ 16,019,736
Actuarial Accrued Liability	\$ 15,749,703	\$ 16,969,658	\$ 18,380,137	\$ 19,877,538	\$ 23,523,191
Percentage Funded	72.7%	77.8%	78.5%	79.6%	68.1%
Unfunded Actuarial					
Accrued Liability	\$ 4,305,177	\$ 3,772,011	\$ 3,957,750	\$ 4,053,020	\$ 7,503,455
Annual Covered Payroll	\$ 5,796,429	\$ 5,848,356	\$ 6,171,175	\$ 6,619,487	\$ 6,791,817
Unfunded Actuarial Accrued Liability					
(UAAL) % of Covered Payroll	74.3%	64.5%	64.1%	61.2%	110.5%
Net Pension Obligation (NPO)					
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 808,259	\$ 935,036	\$ 943,394	\$ 1,009,045	\$ 1,096,806
Contributions Made	\$ 808,259	\$ 935,036	\$ 943,394	\$ 1,009,045	\$ 1,096,806
NPO at the End of Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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CITY OF WEBSTER, TEXAS
SCHEDULE OF FUNDING PROGRESS -
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
For the Year Ended September 30, 2008

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	2005	2006	2007	2008
Actuarial Valuation Date	8/31/2004	8/31/2004	8/31/2006	8/31/2008 ⁽¹⁾
Actuarial Value of Assets	\$ 38,140,501	\$ 38,140,501	\$ 42,268,305	\$ 60,987,157
Actuarial Accrued Liability	\$ 51,567,426	\$ 51,567,426	\$ 58,082,828	\$ 64,227,341
Percentage Funded	74.0%	74.0%	72.8%	95.0%
Unfunded Actuarial				
Accrued Liability	\$ 13,426,925	\$ 13,426,925	\$ 15,814,523	\$ 3,240,184
Total Members Covered	7,994	7,994	8,061	8,254
Unfunded Actuarial Accrued Liability				
(UAAL) Per Member Covered	\$ 1,680	\$ 1,680	\$ 1,962	\$ 393
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 11,650	\$ 13,000	\$ 7,600	\$ 5,000
Contributions Made	\$ 11,650	\$ 13,000	\$ 7,600	\$ 5,000
NPO at the End of Period	\$ -	\$ -	\$ -	\$ -

An actuarial valuation is performed every two years.

⁽¹⁾ Changes in actuarial assumptions were reflected in this valuation.

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COMBINING STATEMENTS AND SCHEDULES

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 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 No.1 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, Utility 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, Utility 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, 2008

	Special Revenue Funds			
	Public Safety	Municipal Court Programs	Equipment Replacement	Emergency Management
<u>Assets</u>				
Cash and cash equivalents	\$ 21,849	\$ 275,380	\$ 1,010,978	\$ 821
Investments	-	-	1,003,040	-
Receivables	-	-	14,554	440,624
Due from other funds	-	-	-	22,908
Prepaid expenses	-	-	-	810
Total Assets	\$ 21,849	\$ 275,380	\$ 2,028,572	\$ 465,163
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ 224	\$ -	\$ 238,611
Due to other funds	-	-	-	143,723
Total Liabilities	-	224	-	382,334
 Fund Balances				
Reserved:				
Public safety	21,849	-	-	-
Municipal court	-	275,156	-	-
Capital projects	-	-	-	-
Unreserved and designated:				
Emergencies	-	-	-	82,829
Construction	-	-	-	-
Equipment replacement	-	-	2,028,572	-
Total Fund Balances	21,849	275,156	2,028,572	82,829
Total Liabilities and Fund Balance	\$ 21,849	\$ 275,380	\$ 2,028,572	\$ 465,163

Special Revenue	Capital Project Funds					Total Nonmajor Governmental Funds
TIRZ No. 1	Street Construction	Building Construction	Other Capital Projects	Certificates of Obligation Series 2005	General Projects Fund	
\$ 133,845	\$ 901,165	\$ 122,628	\$ 559,953	\$ -	\$ 718,990	\$ 3,745,609
-	-	-	-	-	-	1,003,040
-	-	-	-	-	-	455,178
-	-	-	-	-	-	22,908
-	-	-	-	-	-	810
<u>\$ 133,845</u>	<u>\$ 901,165</u>	<u>\$ 122,628</u>	<u>\$ 559,953</u>	<u>\$ -</u>	<u>\$ 718,990</u>	<u>\$ 5,227,545</u>
\$ -	\$ 33,821	\$ 360	\$ 296	\$ -	\$ 100,775	\$ 374,087
-	-	-	-	-	-	143,723
-	<u>33,821</u>	<u>360</u>	<u>296</u>	<u>-</u>	<u>100,775</u>	<u>517,810</u>
-	-	-	-	-	-	21,849
-	-	-	-	-	-	275,156
-	867,344	-	559,657	-	-	1,427,001
-	-	-	-	-	-	82,829
133,845	-	122,268	-	-	-	256,113
-	-	-	-	-	618,215	2,646,787
<u>133,845</u>	<u>867,344</u>	<u>122,268</u>	<u>559,657</u>	<u>-</u>	<u>618,215</u>	<u>4,709,735</u>
<u>\$ 133,845</u>	<u>\$ 901,165</u>	<u>\$ 122,628</u>	<u>\$ 559,953</u>	<u>\$ -</u>	<u>\$ 718,990</u>	<u>\$ 5,227,545</u>

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2008

	<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	\$ 2,201	\$ 95,573	\$ -	\$ -
Investment earnings	407	7,141	60,386	2,911
Intergovernmental	16,981	-	-	490,624
Other revenue	2,963	-	-	-
Total Revenues	<u>22,552</u>	<u>102,714</u>	<u>60,386</u>	<u>493,535</u>
Expenditures				
General government	-	40,056	-	516,894
Public safety	8,437	-	-	-
Capital projects	-	-	-	-
Total Expenditures	<u>8,437</u>	<u>40,056</u>	<u>-</u>	<u>516,894</u>
Revenues Over (Under) Expenditures	<u>14,115</u>	<u>62,658</u>	<u>60,386</u>	<u>(23,359)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	550,090	-
Transfers out	-	(28,590)	(439,700)	(18,950)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(28,590)</u>	<u>110,390</u>	<u>(18,950)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	14,115	34,068	170,776	(42,309)
Beginning Fund Balances	<u>7,734</u>	<u>241,088</u>	<u>1,857,796</u>	<u>125,138</u>
Ending Fund Balances	<u>\$ 21,849</u>	<u>\$ 275,156</u>	<u>\$ 2,028,572</u>	<u>\$ 82,829</u>

Special Revenue	Capital Project Funds						Total Nonmajor Governmental Funds
TIRZ No. 1	Street Construction	Building Construction	Other Capital Projects	Certificates of Obligation Series 2005	General Projects Fund		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,774
3,126	32,462	25,689	16,255	4,514	8,933		161,824
-	-	-	-	-	-		507,605
22,599	34,175	-	-	-	-		59,737
<u>25,725</u>	<u>66,637</u>	<u>25,689</u>	<u>16,255</u>	<u>4,514</u>	<u>8,933</u>		<u>826,940</u>
-	-	-	-	-	-		556,950
-	-	-	-	-	896,542		904,979
-	565,399	40,060	164,845	307,676	-		1,077,980
-	<u>565,399</u>	<u>40,060</u>	<u>164,845</u>	<u>307,676</u>	<u>896,542</u>		<u>2,539,909</u>
25,725	(498,762)	(14,371)	(148,590)	(303,162)	(887,609)		(1,712,969)
-	50,000	15,000	149,810	-	1,030,346		1,795,246
-	-	(799,133)	-	-	-		(1,286,373)
-	<u>50,000</u>	<u>(784,133)</u>	<u>149,810</u>	<u>-</u>	<u>1,030,346</u>		<u>508,873</u>
25,725	(448,762)	(798,504)	1,220	(303,162)	142,737		(1,204,096)
108,120	1,316,106	920,772	558,437	303,162	475,478		5,913,831
<u>\$ 133,845</u>	<u>\$ 867,344</u>	<u>\$ 122,268</u>	<u>\$ 559,657</u>	<u>\$ -</u>	<u>\$ 618,215</u>		<u>\$ 4,709,735</u>

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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, 2008
With Comparative Totals for the Year Ended September 30, 2007

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2007 Actual
Revenues				
Property taxes	\$ 1,973,950	\$ 2,026,471	\$ 52,521	\$ 1,972,409
Contributions	330,030	330,030	-	330,030
Other revenue	-	-	-	7,577
Investment earnings	51,030	55,237	4,207	71,802
Total Revenues	<u>2,355,010</u>	<u>2,411,738</u>	<u>56,728</u>	<u>2,381,818</u>
Expenditures				
Principal	861,000	860,998	2	1,010,266
Interest and fiscal charges	1,453,040	1,450,363	2,677	1,110,595
Total Expenditures	<u>2,314,040</u>	<u>2,311,361</u>	<u>2,679</u>	<u>2,120,861</u>
Revenues Over (Under) Expenditures	<u>40,970</u>	<u>100,377</u>	<u>59,407</u>	<u>260,957</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	10,787
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,787</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 40,970</u>	<u>100,377</u>	<u>\$ 59,407</u>	<u>\$ 271,744</u>
Beginning Fund Balance		<u>1,205,440</u>		
Ending Fund Balance		<u>\$ 1,305,817</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, 2008
With Comparative Totals for the Year Ended September 30, 2007

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2007 Actual
<u>Revenues</u>				
Fines and forfeitures	\$ 5,000	\$ 2,201	\$ (2,799)	\$ 2,691
Investment earnings	680	407	(273)	337
Intergovernmental	16,800	16,981	181	8,896
Other revenue	100	2,963	2,863	252
Total Revenues	22,580	22,552	(28)	12,176
<u>Expenditures</u>				
Public safety	21,900	8,437	13,463	9,979
Revenues Over (Under) Expenditures	\$ 680	14,115	\$ 13,435	\$ 2,197
Beginning Fund Balance		7,734		
Ending Fund Balance		\$ 21,849		

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, 2008

With Comparative Totals for the Year Ended September 30, 2007

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2007 Actual
<u>Revenues</u>				
Fines and forfeitures	\$ 70,600	\$ 95,573	\$ 24,973	\$ 85,251
Investment earnings	12,000	7,144	(4,856)	10,123
Total Revenues	82,600	102,717	20,117	95,374
 <u>Expenditures</u>				
General government	106,010	40,056	65,954	64,816
Revenues Over (Under) Expenditures	(23,410)	62,661	86,071	30,558
 <u>Other Financing Sources (Uses)</u>				
Transfers (out)	(28,590)	(28,590)	-	(27,300)
Total Other Financing (Uses)	(28,590)	(28,590)	-	(27,300)
 Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources				
	\$ (52,000)	34,071	\$ 86,071	\$ 3,258
 Beginning Fund Balance				
		241,088		
 Ending Fund Balance				
		\$ 275,159		

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, 2008

With Comparative Totals for the Year Ended September 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive Negative (Negative)</u>	<u>2007 Actual</u>
<u>Revenues</u>				
Investment earnings	\$ 60,850	\$ 60,386	\$ (464)	\$ 86,426
Total Revenues	<u>60,850</u>	<u>60,386</u>	<u>(464)</u>	<u>86,426</u>
<u>Other Financing Sources (Uses)</u>				
Transfer in	551,630	550,090	(1,540)	273,300
Transfers (out)	(441,970)	(439,700)	2,270	-
Total Other Financing Sources (Uses)	<u>109,660</u>	<u>110,390</u>	<u>730</u>	<u>273,300</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	<u>\$ 170,510</u>	<u>170,776</u>	<u>\$ 266</u>	<u>\$ 359,726</u>
Beginning Fund Balance		<u>1,857,796</u>		
Ending Fund Balance		<u>\$ 2,028,572</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, 2008
With Comparative Totals for the Year Ended September 30, 2007

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2007 Actual
<u>Revenues</u>					
Investment earnings	\$ 5,100	\$ 5,100	\$ 2,911	\$ (2,189)	\$ 7,025
Intergovernmental	-	545,000	490,624	(54,376)	-
Total Revenues	<u>5,100</u>	<u>550,100</u>	<u>493,535</u>	<u>(56,565)</u>	<u>7,025</u>
<u>Expenditures</u>					
General government	-	545,000	516,894	28,106	-
Revenues Over (Under) Expenditures	<u>5,100</u>	<u>5,100</u>	<u>(23,359)</u>	<u>(28,459)</u>	<u>7,025</u>
<u>Other Financing Sources (Uses)</u>					
Transfers in	-	-	-	-	135,813
Transfers (out)	(18,950)	(18,950)	(18,950)	-	(17,700)
Total Other Financing Sources (Uses)	<u>(18,950)</u>	<u>(18,950)</u>	<u>(18,950)</u>	<u>-</u>	<u>118,113</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	<u>\$ (18,950)</u>	<u>\$ (13,850)</u>	(42,309)	<u>\$ (28,459)</u>	<u>\$ 125,138</u>
Beginning Fund Balance			<u>125,138</u>		
Ending Fund Balance			<u>\$ 82,829</u>		

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STATISTICAL SECTION

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	88
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	102
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	
Debt Capacity	110
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	118
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	121
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 Six 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	\$ 38,668,719	\$ 39,241,149	\$ 42,222,632	\$ 47,108,143
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	\$ 15,699,698	\$ 15,281,402	\$ 15,827,604	\$ 17,445,993
Primary government				
Invested in capital assets, net of related debt	\$ 41,409,546	\$ 42,161,018	\$ 41,578,360	\$ 46,977,553
Restricted	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	\$ 54,368,417	\$ 54,522,551	\$ 58,050,236	\$ 64,554,136

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

<u>2007</u>	<u>2008</u>
\$ 34,682,185	\$ 36,295,260
5,080,935	4,878,125
10,649,642	11,320,614
<u>\$ 50,412,762</u>	<u>\$ 52,493,999</u>

\$ 13,239,394	\$ 13,676,387
2,743,668	3,314,199
2,292,205	1,247,194
<u>\$ 18,275,267</u>	<u>\$ 18,237,780</u>

\$ 47,921,579	\$ 49,971,647
7,824,603	8,192,324
12,941,847	12,567,808
<u>\$ 68,688,029</u>	<u>\$ 70,731,779</u>

CITY OF WEBSTER, TEXAS

CHANGES IN NET ASSETS

Last Six 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		2008
\$	3,127,988	\$	4,372,934
	7,186,702		7,438,134
	5,562,641		5,666,080
	1,317,336		1,352,133
	<u>17,194,667</u>		<u>18,829,281</u>

	1,347,623		1,676,357
	1,468,095		1,531,042
	<u>2,815,718</u>		<u>3,207,399</u>
\$	<u>20,010,385</u>	\$	<u>22,036,680</u>

\$	150,143	\$	184,886
	1,331,735		1,592,374
	516,178		528,630
	1,082,168		1,584,928
	1,147,059		220,542
	<u>4,227,283</u>		<u>4,111,360</u>

	1,502,776		1,571,025
	1,398,083		1,434,841
	-		-
	<u>2,900,859</u>		<u>3,005,866</u>
\$	<u>7,128,142</u>	\$	<u>7,117,226</u>

\$	(12,967,384)	\$	(14,717,921)
	85,141		(201,533)
\$	<u>(12,882,243)</u>	\$	<u>(14,919,454)</u>

CITY OF WEBSTER, TEXAS

CHANGES IN NET ASSETS (Continued)

Last Six 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	11,164,017	11,663,850	13,495,106	13,666,803
Business-type activities				
Investment earnings	30,828	37,997	82,182	197,176
Other revenues	136,000	271,441	916,694	249,954
Gain (loss) on sale of capital assets	-	-	-	-
Transfers	144,483	(270,420)	(295,420)	563,510
Total business-type activities	311,311	39,018	703,456	1,010,640
Total primary government	\$ 11,475,328	\$ 11,702,868	\$ 14,198,562	\$ 14,677,443
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	\$ (164,245)	\$ 154,134	\$ 3,527,685	\$ 6,503,900

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

<u>2007</u>	<u>2008</u>
\$ 2,407,997	\$ 2,614,259
10,773,089	11,000,547
982,871	1,016,549
999,567	1,012,157
710,004	533,397
381,250	190,782
(372,365)	70,055
389,590	455,633
16,272,003	16,893,379
531,946	347,054
601,777	256,674
-	15,951
(389,590)	(455,633)
744,133	164,046
\$ 17,016,136	\$ 17,057,425
\$ 3,304,619	\$ 2,175,458
829,274	(37,487)
\$ 4,133,893	\$ 2,137,971

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

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

<u>Source</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
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 six years are available at this time.

	<u>2007</u>	<u>2008</u>	<u>Change 2007-2008</u>
\$	2,407,997	\$ 2,614,259	8.6%
	10,773,089	11,000,547	2.1%
	982,871	1,016,549	3.4%
	<u>999,567</u>	<u>1,012,157</u>	1.3%
\$	<u>15,163,524</u>	<u>\$ 15,643,512</u>	3.2%

CITY OF WEBSTER, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS

Last Six 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 six years are available at this time.

<u>2007</u>	<u>2008</u>
\$ 416,549	\$ 395,698
<u>7,425,532</u>	<u>8,687,164</u>
<u>\$ 7,842,081</u>	<u>\$ 9,082,862</u>

\$ 5,340,646	\$ 4,878,125
1,629,508	256,113
<u>1,857,795</u>	<u>2,729,616</u>
<u>\$ 8,827,949</u>	<u>\$ 7,863,854</u>

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

Last Six 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	<u>13,350,963</u>	<u>13,468,666</u>	<u>16,227,826</u>	<u>17,107,591</u>
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	<u>15,746,257</u>	<u>14,203,101</u>	<u>14,836,661</u>	<u>16,905,353</u>
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 (uses)	<u>399,879</u>	<u>296,604</u>	<u>1,909,052</u>	<u>(526,982)</u>
Net change in fund balances	<u>\$ (1,995,415)</u>	<u>\$ (437,831)</u>	<u>\$ 3,300,217</u>	<u>\$ (324,744)</u>
Debt service as a percentage of noncapital expenditures	22.41%	15.66%	15.79%	14.37%

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

	<u>2007</u>	<u>2008</u>
\$	15,080,159	\$ 15,558,086
	516,178	470,577
	1,331,735	1,592,374
	150,143	242,939
	52,138	554,898
	710,004	533,397
	1,030,030	1,030,030
	381,250	190,782
	<u>19,251,637</u>	<u>20,173,083</u>
	2,952,100	4,193,306
	6,795,850	8,335,646
	4,569,811	4,503,793
	572,345	1,077,980
	1,010,266	860,998
	1,110,595	1,450,363
	<u>17,010,967</u>	<u>20,422,086</u>
	2,240,670	(249,003)
	-	-
	-	-
	-	-
	-	-
	2,699,003	2,580,586
	(2,309,413)	(2,124,953)
	26,453	-
	30,368	70,055
	<u>446,411</u>	<u>525,688</u>
\$	<u>2,687,081</u>	<u>\$ 276,685</u>
	13.30%	13.14%

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

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

<u>Source</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
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 six years are available at this time.

	<u>2007</u>	<u>2008</u>	<u>Change 2007-2008</u>
\$	2,438,400	\$ 2,623,072	7.6%
	10,659,321	10,906,308	2.3%
	982,871	1,016,549	3.4%
	<u>999,567</u>	<u>1,012,157</u>	1.3%
\$	<u>15,080,159</u>	<u>\$ 15,558,086</u>	3.2%

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Residential Property	\$ -	\$ -	\$ 161,749,510	\$ 171,310,610
Commercial Property	-	-	530,530,650	573,020,560
Industrial Property	-	-	36,484,450	39,377,650
Less: Tax Exempt Property	-	-	12,337,670	15,414,720
Total Taxable Assessed Value ⁽²⁾	<u>\$ 657,498,793</u>	<u>\$ 719,784,010</u>	<u>\$ 716,426,940</u>	<u>\$ 768,294,100</u>
Total Direct Tax Rate	0.29010	0.26070	0.26000	0.26000

Source: Harris County Appraisal District.

(1) The requirement for statistical data is ten years; only eight 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, 2008.

Tax rates are per \$100 of assessed value.

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 183,423,560	\$ 188,198,130	\$ 185,853,920	\$ 203,358,348	\$ 220,709,618	\$ 250,889,152
569,548,840	577,844,650	588,166,020	706,100,328	752,655,187	850,478,601
38,938,490	39,320,230	48,278,150	57,356,684	57,158,522	46,263,195
<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>102,670,263</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>	<u>\$ 1,044,960,685</u>
0.24000	0.25100	0.26800	0.25750	0.25750	0.24887

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
City of Webster by fund:				
General	0.00243	-	0.02000	0.02000
Debt service	0.28763	0.26073	0.24000	0.24000
Total Direct Rates	<u>0.29006</u>	<u>0.26073</u>	<u>0.26000</u>	<u>0.26000</u>
Clear Creek School District	1.54150	1.59856	1.70080	1.74000
Harris County	0.39483	0.39483	0.35902	0.38814
Harris County Flood Control District	0.08000	0.08000	0.06173	0.04174
Port of Houston Authority	0.02040	0.02040	0.01830	0.01989
Harris County Hospital District	0.14650	0.14650	0.20268	0.19021
Harris County Dept. of Education	0.00629	0.00629	0.00629	0.00629
Total Direct and Overlapping Rates (1)	<u>2.47958</u>	<u>2.50731</u>	<u>2.60882</u>	<u>2.64627</u>

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).

Note: Tax rates are per \$100 of assessed valuation.

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
0.02000	0.04053	0.05446	0.05000	0.04904	0.05672
<u>0.22000</u>	<u>0.21047</u>	<u>0.21354</u>	<u>0.20750</u>	<u>0.20846</u>	<u>0.19215</u>
<u>0.24000</u>	<u>0.25100</u>	<u>0.26800</u>	<u>0.25750</u>	<u>0.25750</u>	<u>0.24887</u>
1.74000	1.73000	1.74500	1.77500	1.63000	1.32000
0.38814	0.38803	0.39986	0.39986	0.40239	0.39239
0.04174	0.04174	0.03318	0.03322	0.03241	0.03106
0.01989	0.02000	0.01673	0.01474	0.01302	0.01437
0.19021	0.19021	0.19021	0.19216	0.19216	0.19216
0.00629	0.00629	0.00629	0.00629	0.00629	0.00585
<u>2.62627</u>	<u>2.62727</u>	<u>2.65927</u>	<u>2.67877</u>	<u>2.53377</u>	<u>2.20470</u>

CITY OF WEBSTER, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Six Years Ago ⁽¹⁾

Property Tax Payer	2008			2002		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Clear Lake Regional Medical Center	\$ 70,326,600	1	6.73%	\$ 31,401,000	1	4.09%
Medistar Webster Medical Center	32,531,740	2	3.11%	-		0.00%
Clear Lake Apartments	26,000,000	3	2.49%	-		
Rockwell International	20,411,940	4	1.95%	19,877,290	4	2.59%
Inland American Webster	19,499,970	5	1.87%	17,749,960	5	2.31%
Price Baybrook Ltd	17,373,560	6	1.66%	20,869,540	3	2.72%
MBS	17,195,000	7	1.65%	26,649,970	2	3.47%
WDOP Sub I LP	16,900,000	8	1.62%	17,199,970	7	2.24%
El Camino Village of Texas	15,609,620	9	1.49%	17,479,490	6	2.28%
NP SSP Baybrook LLC	15,483,470	10	1.48%	16,057,810	9	2.09%
Clear Lake Center LP	15,133,145		1.45%	16,432,120	8	2.14%
UDR Camino Village, LP	13,981,000		1.34%	15,699,980	10	2.04%
Subtotal	\$ 280,446,045		26.84%	\$ 199,417,130		25.96%
Other Taxpayers	764,514,640		73.16%	568,876,970		74.04%
Total	\$ 1,044,960,685		100.00%	\$ 768,294,100		100.00%

Source: Harris County Appraisal District.

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

CITY OF WEBSTER, TEXAS

PRINCIPAL SALES TAX REMITTERS

Current Year and Five Years Ago ⁽¹⁾

Sales Tax Remitter	Sales Tax Rate ^{(2) (3)}	2008 Rank ⁽⁴⁾	2003 Rank ⁽⁴⁾
Fry's Electronics	\$ 0.0200000	1	n/a
Academy Sports & Outdoors	\$ 0.0200000	2	n/a
Home Depot	\$ 0.0200000	3	1
Star Furniture	\$ 0.0200000	4	2
Conn's Appliances	\$ 0.0200000	5	6
Garden Ridge	\$ 0.0200000	6	4
Circuit City	\$ 0.0200000	7	n/a
Burlington Coat Factory	\$ 0.0200000	8	10
Bed Bath & Beyond	\$ 0.0200000	9	12
Cinemark USA	\$ 0.0200000	10	7
Office Depot	\$ 0.0200000	11	8
Pappa's Seafood House / Pappasito's Cantina	\$ 0.0200000	12	9
Barnes & Noble	\$ 0.0200000	13	11
Jared - The Galleria of Jewelry	\$ 0.0200000	14	20
Hobby Lobby Creative Center	\$ 0.0200000	15	19
Old Navy	\$ 0.0200000	16	14
Reliant Energy	\$ 0.0200000	20	15
The Sports Authority	\$ 0.0200000	22	13
CompUSA Stores	\$ 0.0200000	n/a	3
Kmart	\$ 0.0200000	n/a	5

Source: State Comptroller's Office.

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

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Tax levy	\$ 1,907,141	\$ 1,689,594	\$ 1,854,800	\$ 1,976,524
Current tax collected	\$ -	\$ -	\$ -	\$ 1,921,917
Percent of current tax collections				97.24%
Delinquent tax collections ⁽¹⁾	\$ -	\$ -	\$ -	\$ 37,292
Total tax collections	\$ -	\$ -	\$ -	\$ 1,959,209
Total collections as a percentage of current levy	-	-	-	99.12%
Outstanding delinquent taxes	\$ -	\$ -	\$ -	\$ 58,098
Outstanding delinquent taxes as a percentage of current levy	-	-	-	2.94%

(1) Collections prior to 2002 are not available

2003	2004	2005	2006	2007	2008
\$ 1,818,570	\$ 1,940,214	\$ 2,115,135	\$ 2,223,263	\$ 2,398,676	\$ 2,601,370
\$ 1,788,647	\$ 1,912,018	\$ 2,075,818	\$ 2,186,611	\$ 2,379,571	\$ 2,575,739
98.35%	98.55%	98.14%	98.35%	99.20%	99.01%
\$ 17,789	\$ 6,016	\$ -	\$ 7,092	\$ 27,128	\$ 50,162
\$ 1,806,436	\$ 1,918,034	\$ 2,075,818	\$ 2,193,703	\$ 2,406,699	\$ 2,625,901
99.33%	98.86%	98.14%	98.67%	100.33%	100.94%
\$ 29,897	\$ 29,172	\$ 39,317	\$ 29,560	\$ 107,193	\$ 119,804
1.64%	1.50%	1.86%	1.33%	4.47%	4.61%

CITY OF WEBSTER, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Seven 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 seven 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 Appraisal District.

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

<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 17,756,264	\$ 16,900,998	\$ 16,205,000
4,210,000	4,055,000	3,890,000
-	24,247	20,221
<u>\$ 21,966,264</u>	<u>\$ 20,980,245</u>	<u>\$ 20,115,221</u>

\$ -	\$ 6,030,000	\$ 8,080,000
<u>\$ 21,966,264</u>	<u>\$ 27,010,245</u>	<u>\$ 28,195,221</u>

\$ 16,055,000 \$ 15,445,000 \$ 14,800,000

\$ 280,866,250 \$ 223,392,930 \$ 223,982,980

7.82% 9.39% 8.98%

8,750 9,465 9,490

\$ 2,510 \$ 2,217 \$ 2,120

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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
NET TAXABLE ASSESSED VALUE ⁽¹⁾				
All property	\$ 657,498,793	\$ 719,784,010	\$ 716,426,940	\$ 768,294,100
NET BONDED DEBT				
Gross bonded debt	\$ 16,204,036	\$ 25,104,035	\$ 24,314,035	\$ 23,494,035
Less debt service funds	817,356	1,006,858	992,109	727,646
Net Bonded Debt	<u>\$ 15,386,680</u>	<u>\$ 24,097,177</u>	<u>\$ 23,321,926</u>	<u>\$ 22,766,389</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	2.34%	3.35%	3.26%	2.96%
POPULATION ⁽²⁾	7,045	8,790	9,083	10,308
NET BONDED DEBT PER CAPITA	\$ 2,184	\$ 2,741	\$ 2,568	\$ 2,209

(1) Shown are estimated actual values for each fiscal year as of September 30, 2008.

(2) Population was estimated using data received from the Harris County Appraisal District.

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 768,964,190	\$ 780,268,130	\$ 796,023,480	\$ 866,165,139	\$ 931,618,334	\$ 1,044,960,685
\$ 22,079,035	\$ 21,159,035	\$ 22,906,445	\$ 21,966,264	\$ 20,955,998	\$ 20,095,000
304,315	366,178	852,624	933,697	1,205,440	1,305,817
<u>\$ 21,774,720</u>	<u>\$ 20,792,857</u>	<u>\$ 22,053,821</u>	<u>\$ 21,032,567</u>	<u>\$ 19,750,558</u>	<u>\$ 18,789,183</u>
2.83%	2.66%	2.77%	2.43%	2.12%	1.80%
10,323	9,923	8,695	8,750	9,465	9,490
\$ 2,109	\$ 2,095	\$ 2,536	\$ 2,404	\$ 2,087	\$ 1,980

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CITY OF WEBSTER, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2008

	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
Governmental Unit			
Clear Creek ISD ⁽²⁾	\$ 626,425,000	7.140%	\$ 44,726,745
Clear Lake City Water Authority ⁽²⁾	68,315,000	7.030%	4,802,545
Harris County ⁽²⁾	1,958,093,643	0.390%	7,636,565
Harris Co. Flood Control District ⁽²⁾	111,929,698	0.390%	436,526
Harris Co. Toll Road Authority ⁽²⁾	666,490,000	0.390%	2,599,311
Port of Houston Authority ⁽²⁾	578,595,000	0.390%	2,256,521
Subtotal, overlapping debt			62,458,212
City direct debt		100.000%	20,095,000
Total direct and overlapping debt			\$ 82,553,212

Source: Coastal Securities, Ltd.

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

(2) Debt outstanding is as of September 30, 2008.

CITY OF WEBSTER, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Six Years ⁽¹⁾

	Year			
	2003	2004	2005	2006
Debt limit ⁽²⁾	\$ 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	\$ 55,121,699	\$ 57,233,956	\$ 57,548,527	\$ 65,583,947
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 2008

Assessed value	\$ 1,044,960,685
Debt limit (10% of assessed value)	104,496,069
Debt applicable to limit:	
General obligation bonds	20,095,000
Less: amount set aside for repayment of general obligation debt	(1,305,817)
Total net debt applicable to limit	18,789,183
Legal debt margin	\$ 85,706,886

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

(2) There is no statutory debt limit for small municipalities. However, the City uses the legal debt limit that was established for municipalities with a population of greater than 600,000 under Title IX, Chapter 1331 of the Texas Government Code as a guideline (10% of assessed value).

Under Article XI, Section 5 of the State of Texas Constitution, the maximum tax rate should not exceed \$2.50 per \$100 of assessed valuation. The City of Webster's property tax rate is \$0.24887 per \$100 of assessed valuation.

<u>2007</u>	<u>2008</u>
\$ 93,161,833	\$ 104,496,069
19,750,558	18,789,183
<u>\$ 73,411,275</u>	<u>\$ 85,706,886</u>

21.20%

17.98%

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⁾
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%
2008	9,490	\$ 223,982,980	\$ 23,602	31.2	884	5.1%

Data sources:

- (1) Population was estimated using data received from the Harris County Appraisal District.
- (2) Sperling's BestPlaces, Claritas
- (3) Clear Creek Independent School District, City-Data.com
- (4) Bureau of Labor Statistics, Sperling's BestPlaces, Texas Workforce Commission
- (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 Diagnostic Center
Lockheed Martin
Medical Plaza at Clear Lake
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.

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CITY OF WEBSTER, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund:										
City Secretary	3	3	3.5	4	4	4	4	4	4	4
City Manager	1	1	1	1	1	1	1	1	1	1
Finance	6	8	9	8	7	7	7	7	7	6
Municipal Court	3	3.5	4	4	4	5	5	6	6	7
Information Technology	1	1	2	2	2	2	2	2	2	2
Human Resources	2	2	3	3	3	2.8	2.8	3	3	3
Community Development	13	16	17	17						
Administration					4.9	4.9	4.9	5.8	5.8	5.8
Building					7	6	6	6	7	7
Engineering					2	2	2	2	2	0
Recreation Programs					2	1	1	1	1	1
Public Works	19	20	20	20						
Administration					3	3	2	2	3	3.5
Maintenance					12	10	10	10	11	11
Parks Maintenance					4	4	4	5	6	6
Engineering										2
Police	56	58	59	61						
Administration					6	6	6	6	6	6
Criminal Investigation					7	7	7	7	7	6
Patrol					30	31	34	34	35	35
Communications					16	15	13	14	15	16
Technical Support						1	1	1	1	2
Fire	3	4	4.5	4.5						
Prevention					2.4	2.4	2.4	2.4	2.7	2.7
Operations					2	2	2	2	2	2
Economic Development										
Economic Development	2	4	3	4	3	3	2	2	2	2
Public Relations					1	1	1	1	1	1
General Fund Total	109	120.5	126	128.5	123.3	121	120	124.2	130.5	132
Enterprise Fund:										
Water	9.5	7	7	7	7	7	7	7	8	8.3
Sewer	10.5	9	9	9	7	6	6	6	7	7.3
Enterprise Fund Total	20	16	16	16	14	13	13	13	15	15.5
TOTAL CITY POSITIONS	129	136.5	142	144.5	137.3	134	133	137.2	145.5	147.5

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.

CITY OF WEBSTER, TEXAS
OPERATING INDICATORS BY FUNCTION / PROGRAM

Last Six 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	154	186	182	190
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 six years are available at this time.

<u>2007</u>	<u>2008</u>
2,801	3,119
1,167	1,024
8,456	8,554
2,801	2,470
38,818	39,786
985	935
73	77
5 min, 43 sec	4 min, 53 sec
168	144
1.650	1.793
610.670	656.656
2.638	2.695
1.489	1.433
541.127	523.101
3.033	2.734

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

Last Six 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 six years are available at this time.

<u>2007</u>	<u>2008</u>
1	1
48	45
2	2
18.8	20.7
717	692
5	5
26	26
2	2
1	0
1	1
44.5	46.8
578	601
2.95	2.95
28.8	29.8
18.9	19.7
4	5.6
1.65	1.65