



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
September 30, 2011  
City of Webster, Texas



***COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF WEBSTER, TEXAS***

**For the Fiscal Year Ended  
September 30, 2011**

**CITY MANAGER**

**Wayne J. Sabo**

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**Please visit us at our website: [www.cityofwebster.com](http://www.cityofwebster.com)**

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# CITY OF WEBSTER, TEXAS

## TABLE OF CONTENTS

September 30, 2011

### INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organization Chart	5
Certificate of Achievement for Excellence in Financial Reporting	6
Principal Officials	7

### FINANCIAL SECTION

Independent Auditors' Report	9
Management's Discussion and Analysis	11

#### Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Assets	21
Statement of Activities	22
Fund Financial Statements	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Net Assets – Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	35
Statement of Cash Flows – Proprietary Funds	36
Notes to Financial Statements	39

#### Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	65
Hotel Occupancy Tax Fund	67
Schedule of Funding Progress – Texas Municipal Retirement System	69
Schedule of Funding Progress – Post-Employment Healthcare Benefits	71

#### Combining Statements and Schedules

Combining Balance Sheet – Nonmajor Governmental Funds	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	76

# **CITY OF WEBSTER, TEXAS**

## ***TABLE OF CONTENTS, Continued***

**September 30, 2011**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Debt Service Fund	79
Special Revenue:	
Public Safety Fund	80
Municipal Court Programs Fund	81
Grant Fund	82
Tax Increment Reinvestment Zone No. 1	83
Combining Balance Sheet – Internal Service Funds	86
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds	87
Combining Statement of Cash Flows – Internal Service Funds	88

### **STATISTICAL SECTION**

Net Assets by Component	92
Changes in Net Assets	94
Tax Revenues by Source, Governmental Activities	98
Fund Balances, Governmental Funds	100
Changes in Fund Balance, Governmental Funds	102
Tax Revenues by Source, Governmental Activities	104
Assessed Value and Taxable Value of Property	106
Property Tax Rates – Direct and Overlapping Governments	108
Principal Property Taxpayers	110
Principal Sales Tax Remitters	111
Property Tax Levies and Collections	112
Ratios of Outstanding Debt by Type	114
Ratio of Net Bonded Debt to Taxable Value and Net Bonded Debt Per Capita	116
Direct and Overlapping Governmental Activities Debt	119
Legal Debt Margin Information	120
Demographic and Economic Statistics	122
Principal Employers	123
Full-Time Equivalent City Government Employees by Function/Program	125
Operating Indicators by Function/Program	126
Capital Asset Statistics by Function/Program	128

## ***INTRODUCTORY SECTION***



[www.cityofwebster.com](http://www.cityofwebster.com)

December 30, 2011

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 the Comprehensive Annual Financial Report (CAFR) of the City of Webster, Texas (the "City"), for the fiscal year ended September 30, 2011. 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 my 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.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements 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 over 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); public works (construction and maintenance of streets and parks); community development (permitting, 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.

Webster maintains a budgetary control system to ensure expenditures are made in accordance with the annually adopted budget and the City Charter. The legal level of budgetary control is established at division levels within individual funds. Expenditures for each division shall not exceed the adopted budget for the division.

### **Local Economy**

The City of Webster, Texas, is the “Gateway to the Bay Area.” Twenty-five miles from downtown Houston, the City is ideally located halfway between Houston and Galveston on Interstate 45. Accordingly, the economy of the City is directly tied to activity in the Greater Bay Area Houston region. Webster is a center for excellence within the health care community, proven by the concentration of medical facilities in the City. Directly to the east of the City lies NASA’s Johnson Space Center, a major employer and popular tourist destination.

While Southeast Texas has fared better than most of the nation, the effects of the financial downturn are being felt in Webster. The unemployment rate for the Houston metropolitan area increased slightly to 8.6% from 8.3% one year ago. Property values declined from the previous year, but that was partially offset by a modest increase to sales tax revenue. While economic growth has slowed, commercial development does continue throughout the area. The City enjoys a greater density of retail business than many other communities. As a result, Webster collects a greater amount of sales tax revenue on a per-capita basis than other municipalities in Harris County. Despite the economic downturn, the City is optimistic for future expansion of its sales tax base.

Fiscal year 2010-11 brought some good news in economic development. Listed below are just a few of the highlights.

- Bay Area Regional Medical Center is underway at 200 Blossom where Medistar is partnering with Surgical Development Partners to build the 248-bed hospital. The nine-story building, which will eventually be built out to 11 floors, is scheduled for completion in 2013.
- Clear Lake Regional Medical Hospital announced a \$92 million expansion and renovation project that will include a new 155,000 square foot patient tower.
- Chuy’s Mexican Restaurant and Twin Peaks, both launched in fall 2010, report their Webster location as number one in their companies’ chain. Rudy’s Country Store and Bar-B-Que, which opened in September 2011, report top sales for the Houston area.
- Construction steadily continues at the Edgewater residential community with several homes now constructed or permitted. This 574-acre development will add 2,600 residents and a minimum of 375,000 square feet of retail over several years.

### **Major Initiatives**

The largest revenue source in the General Fund is sales tax. For many years, the City experienced sales tax revenue growth in excess of 10%. Growth slowed considerably in 2008 to 2.3% and remained essentially flat in 2009. With the closing of three major retailers, the City experienced a decline of 9.6% during 2010. In contrast,



the addition of several new retailers and restaurants in 2011 contributed to a 4.7% increase in the following year. Budgeting conservatively, the Fiscal Year 2011-12 Annual Budget predicts a decline of 1.3% due to the current level of uncertainty in the economy.

Another large source of revenue is the ad valorem tax. The City's 2011 taxable value decreased 3.4% from the adjusted 2010 taxable value. To maintain core services, the Fiscal Year 2011-12 Annual Budget requires a property tax rate increase of 2.778 cents to \$0.28528 per \$100 of valuation.

Public safety continues to be a major initiative. City Council has expressed its desire to construct a new central fire station to replace Fire Station #1 that is neither windstorm rated nor capable of housing newer equipment. Bonds will be issued in the future to fund the construction. The City has also been awarded a Hurricane Ike Recovery Grant to purchase emergency backup power for vital lift stations throughout the City. Further, a new rescue truck has been ordered for the Fire Department at a cost of \$690,000.

The Utility Fund has revenue bonds outstanding in the amount of \$7.39 million. This debt funded the expansion of the wastewater treatment plant. In March 2009, 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 systematically increasing water and wastewater rates over time. The drainage fee established in 2009 was reduced by 10% to reflect lower program expenses.

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

A Capital Improvements Program adopted by City Council reflects \$36.0 million of general government and utility projects to be completed over the next five years. Along with the new fire station, proceeds from the issuance of bonds in 2012 will be used to replace the roof and carpet at the police station. The Fiscal Year 2011-12 Annual Budget also appropriates funds for a utility impact fee study and various rehabilitation projects. It is anticipated that the projects to be completed in 2012 will add \$11,000 to the annual cost of operations.

The City of Webster and the Webster Economic Development Corporation has committed financial resources towards the development of Edgewater, a commercial and residential area within the City. Originally executed in 2006, 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. An amendment in 2009 caps the total payment to the developer at \$12.97 million and reallocates funding between the City and the Webster Economic Development Corporation. A discussion can be found in Note IV.E. of this report.

### **Relevant Financial Policies**

The City has followed a policy of maintaining a reserve level of not less than 25%, or three months of operational expenditures, for all funds in the event of emergencies, financial recessions, and other unforeseen circumstances. The City's dependence upon sales tax revenues adds substantial volatility to its revenue stream. Therefore, City Council has approved a fund balance level of at least 33% for the General Fund and the Webster

Economic Development Corporation. At September 30, 2011, all operating funds are compliant with this policy.

### **Independent Audit**

The City Charter requires an independent audit of the accounts of the City by an independent auditor. Belt Harris Pechacek, LLLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Webster's financial statements for the year ended September 30, 2011. The independent auditors' report is located at the front of the financial section of this report.

### **Awards**

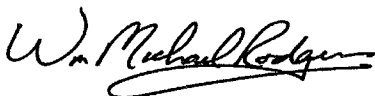
The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010. This represents the 25<sup>th</sup> consecutive year the City has received the award. 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 2010-11 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 2011-12 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 help make this report possible. I would also like to thank the entire Finance Department staff for the tremendous amount of time and effort that went into the preparation of this report.

Respectfully submitted,

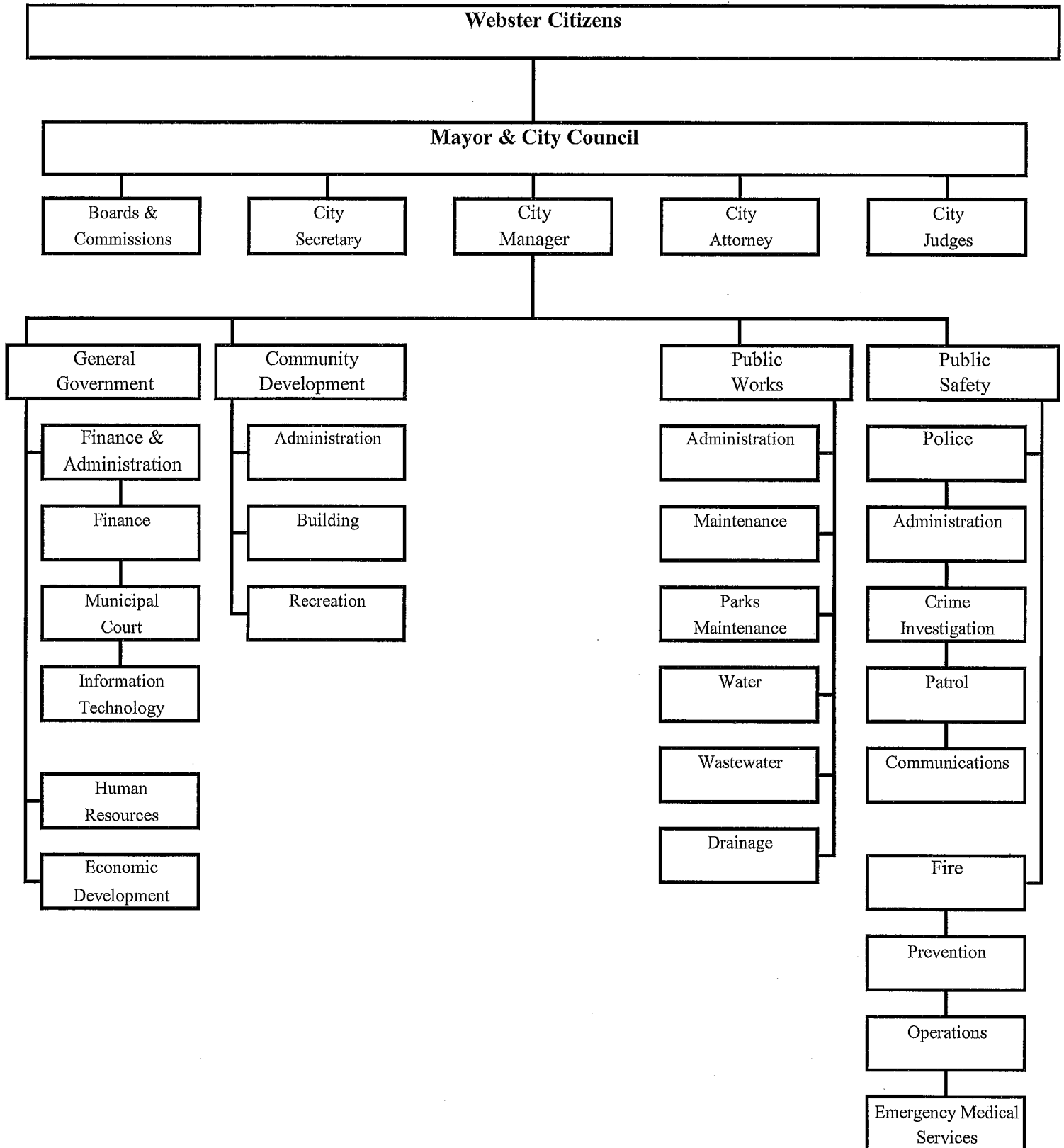
A handwritten signature in black ink, reading "Wm Michael Rodgers". The signature is fluid and cursive, with a long horizontal line extending from the end.

William Michael Rodgers, CPA  
Director of Finance

# CITY OF WEBSTER, TEXAS

## ORGANIZATION CHART

September 30, 2011



# 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, 2010

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.



*Linda C. Danison*

President

*Jeffrey R. Egan*

Executive Director

# CITY OF WEBSTER, TEXAS

## PRINCIPAL OFFICIALS

September 30, 2011

City Officials	Elected Position	Term Expires
Floyd Myers	Mayor	05/2014
Melvin Ellis	Council Member – Position No. 1	05/2012
Beverly Gaines	Council Member – Position No. 2	05/2012
Mel Donehue	Council Member – Position No. 3	05/2013
Steve Waltz	Council Member – Position No. 4	05/2013
Natalie Dolan	Council Member – Position No. 5	05/2013
Bill Jones	Council Member – Position No. 6	05/2014

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



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## ***FINANCIAL SECTION***



## *INDEPENDENT AUDITORS' REPORT*

To the Honorable Mayor and  
Members of the City Council of the  
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 and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

The Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

---

### **Partners**

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info@txauditors.com  
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Governmental  
Audit Quality Center

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
December 30, 2011

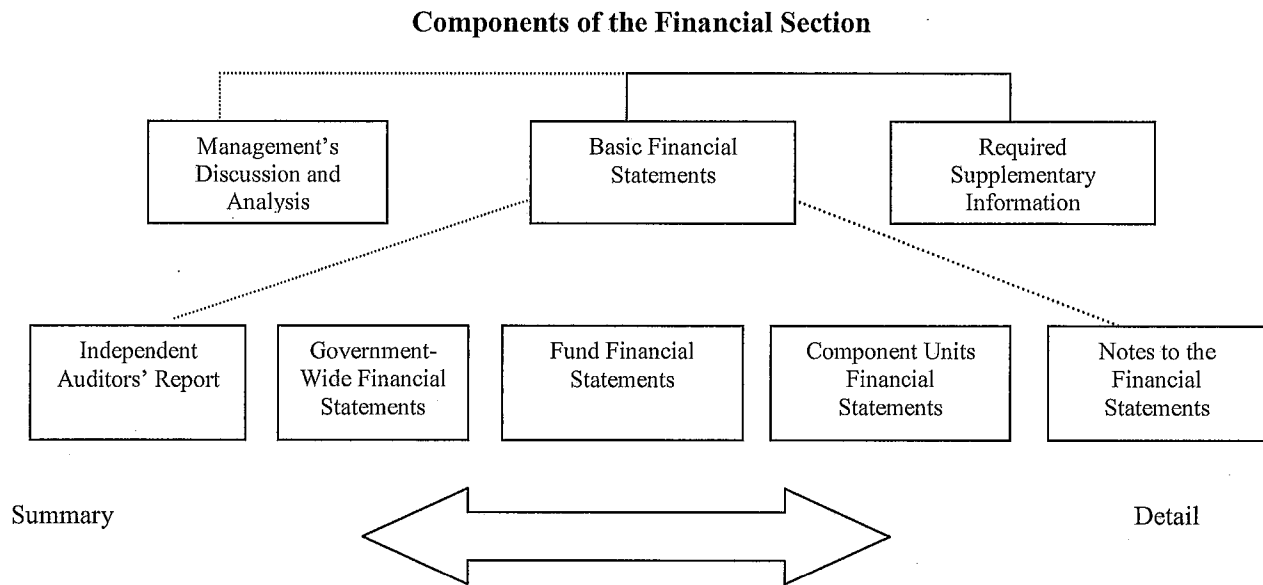
***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***



**CITY OF WEBSTER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**For the Year Ended September 30, 2011**

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, 2011. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

**THE STRUCTURE OF OUR ANNUAL REPORT**



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 well 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 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. 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**  
**For the Year Ended September 30, 2011**

The Statement of Net Assets presents information on all the City'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 is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

The Statement of Net Assets and the Statement of Activities divide the City into three classes of activities:

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

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

### **Fund Financial Statements**

Funds may be considered as operating companies of the parent corporation, which is the City of Webster. They are usually segregated for specific activities or objectives. The City 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.

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

**CITY OF WEBSTER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For the Year Ended September 30, 2011**

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 maintains 12 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, which is considered to be a major fund. Management has elected to present the hotel occupancy tax fund and the debt service fund as major funds with singular presentation rather than aggregated with the other non-major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation.

The City 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 two types of proprietary funds: enterprise and internal service funds. 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 operations in water distribution, wastewater collection/treatment, and drainage maintenance along with its water and wastewater impact fees, and water construction projects. Management would note that trash collection services are provided by a third party contract, which provides its own billing function. The proprietary fund financial statements can be found in the basic financial statements of this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment replacement program and information technology department. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**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.

**Other Information**

This report also presents certain required supplementary information (RSI) in addition to the basic financial statements, the MD&A, and accompanying notes. The RSI that GASB Statement No. 34 requires includes budgetary comparison schedules for the general fund and hotel occupancy tax fund along with schedules of funding progress for the Texas Municipal Retirement System and the City's other post-employment healthcare benefit. RSI can be found after the basic financial statements.

**CITY OF WEBSTER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
For the Year Ended September 30, 2011

**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 \$78,160,309 as of September 30, 2011 in the primary government, which is an increase in the City's overall financial position compared to the prior year.

The largest portion of the City's net assets (68.6 percent) reflects its investments in capital assets (e.g., land, city hall, police station, fleet equipment, streets, drainage systems, as well as the public works facilities), less any debt outstanding used to acquire those assets. 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Current and other assets	\$ 21,846,662	\$ 20,239,046	\$ 6,224,988	\$ 6,274,825	\$ 28,071,650	\$ 26,513,871
Capital assets, net	49,952,844	52,143,231	26,192,779	25,646,661	76,145,623	77,789,892
<b>Total Assets</b>	<b>71,799,506</b>	<b>72,382,277</b>	<b>32,417,767</b>	<b>31,921,486</b>	<b>104,217,273</b>	<b>104,303,763</b>
Long-term liabilities	16,676,836	17,481,448	7,497,115	7,881,285	24,173,951	25,362,733
Other liabilities	1,275,611	1,169,439	607,402	415,905	1,883,013	1,585,344
<b>Total Liabilities</b>	<b>17,952,447</b>	<b>18,650,887</b>	<b>8,104,517</b>	<b>8,297,190</b>	<b>26,056,964</b>	<b>26,948,077</b>
Net Assets:						
Invested in capital assets, net of related debt	34,788,233	35,859,223	18,839,292	18,060,249	53,627,525	53,919,472
Restricted	2,756,384	5,906,096	2,336,262	2,684,805	5,092,646	8,590,901
Unrestricted	16,302,442	11,966,071	3,137,696	2,879,242	19,440,138	14,845,313
<b>Total Net Assets</b>	<b>\$ 53,847,059</b>	<b>\$ 53,731,390</b>	<b>\$ 24,313,250</b>	<b>\$ 23,624,296</b>	<b>\$ 78,160,309</b>	<b>\$ 77,355,686</b>

A portion of the primary government's net assets, \$5,092,646 or 6.5 percent, 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, \$19,440,138 or 24.9 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

**CITY OF WEBSTER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
For the Year Ended September 30, 2011

**Statement of Activities**

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

**CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,691,796	\$ 1,932,271	\$ 4,144,752	\$ 3,859,290	\$ 5,836,548	\$ 5,791,561
Operating grants and contributions	1,192,871	1,252,410	-	-	1,192,871	1,252,410
Capital grants and contributions	4,526	29,579	894,767	238,564	899,293	268,143
General revenues:						
Ad valorem taxes	3,349,978	3,144,351	-	-	3,349,978	3,144,351
Sales taxes	10,270,148	9,883,594	-	-	10,270,148	9,883,594
Franchise and local taxes	1,093,727	1,076,618	-	-	1,093,727	1,076,618
Other taxes	1,241,624	1,188,572	-	-	1,241,624	1,188,572
Investment earnings	44,039	56,944	14,923	12,940	58,962	69,884
Other revenues	135,353	273,551	185,840	250,940	321,193	524,491
Gain on disposal of capital assets	4,500	44,725	-	-	4,500	44,725
<b>Total Revenues</b>	<b>19,028,562</b>	<b>18,882,615</b>	<b>5,240,282</b>	<b>4,361,734</b>	<b>24,268,844</b>	<b>23,244,349</b>
<b>Expenses</b>						
General government	3,810,971	3,231,366	-	-	3,810,971	3,231,366
Public safety	8,705,059	8,945,639	-	-	8,705,059	8,945,639
Public works	3,273,335	3,813,092	-	-	3,273,335	3,813,092
Community development	2,724,785	3,359,280	-	-	2,724,785	3,359,280
Interest and fiscal agent fees on long-term debt	648,743	802,010	-	-	648,743	802,010
Water	-	-	1,939,942	1,854,204	1,939,942	1,854,204
Wastewater	-	-	2,034,661	1,891,447	2,034,661	1,891,447
Drainage	-	-	326,725	328,732	326,725	328,732
<b>Total Expenses</b>	<b>19,162,893</b>	<b>20,151,387</b>	<b>4,301,328</b>	<b>4,074,383</b>	<b>23,464,221</b>	<b>24,225,770</b>
<b>Increase in Net Assets</b>						
<b>Before Transfers</b>	(134,331)	(1,268,772)	938,954	287,351	804,623	(981,421)
Transfers In (Out)	250,000	(1,575,438)	(250,000)	1,575,438	-	-
<b>Change in Net Assets</b>	<b>115,669</b>	<b>(2,844,210)</b>	<b>688,954</b>	<b>1,862,789</b>	<b>804,623</b>	<b>(981,421)</b>
<b>Beginning Net Assets</b>	<b>53,731,390</b>	<b>56,575,600</b>	<b>23,624,296</b>	<b>21,761,507</b>	<b>77,355,686</b>	<b>78,337,107</b>
<b>Ending Net Assets</b>	<b>\$ 53,847,059</b>	<b>\$ 53,731,390</b>	<b>\$ 24,313,250</b>	<b>\$ 23,624,296</b>	<b>\$ 78,160,309</b>	<b>\$ 77,355,686</b>



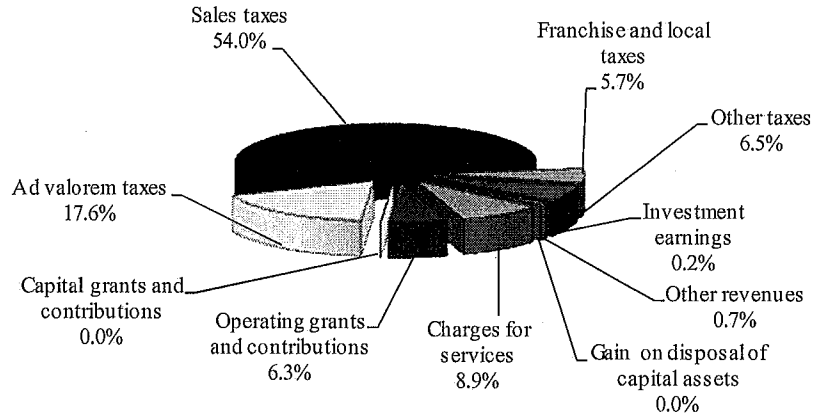
# CITY OF WEBSTER, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

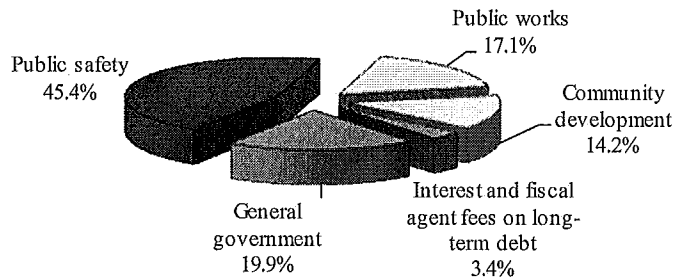
### For the Year Ended September 30, 2011

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

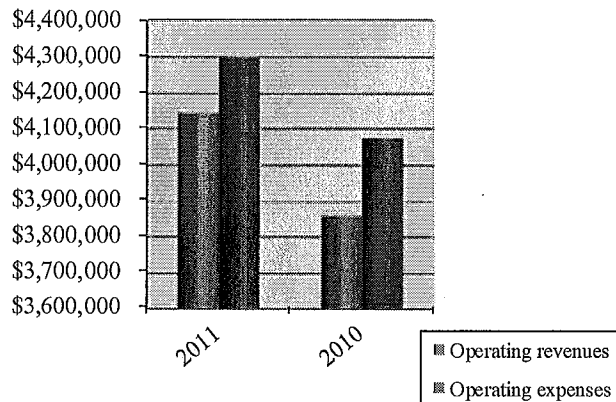
#### Governmental Activities - Revenues



#### Governmental Activities - Expenses



#### Business-Type Activities - Revenues and Expenses



**CITY OF WEBSTER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For the Year Ended September 30, 2011**

**Governmental Activities**

For the year ended September 30, 2011, revenues from governmental activities totaled \$19,028,562. Property and sales tax revenues continue to be the City's largest revenue sources. Sales tax revenue increased by \$386,554 because of an improvement in economic conditions. Operating grants and contributions declined by \$59,539 due to a slight decrease in the amount of state grants received. Capital contributions decreased by \$25,053 due to a decrease in the amount of donations of capital assets from Webster Economic Development Corporation. Investment income fell by \$12,905 as a result of lower interest rates. Other taxes increased 4.5 percent over the prior year primarily as a result of an increase in hotel occupancy taxes from the addition of new hotels. Franchise fees collected from electric, gas, cable, and telecommunications utilities were almost unchanged with a total of \$1,093,727 for the year ended September 30, 2011.

For the year ended September 30, 2011, expenses for governmental activities totaled \$19,162,893 which was similar to last year. Expenses per capita were \$1,843, down \$106 from last year.

**Business-Type Activities**

The City's business-type activities include the operations of providing water, wastewater, and drainage services. In comparison to the prior year, operating revenues increased by \$285,462 or 7.4 percent due to an increase in water consumption during severe drought conditions. Operating costs are higher than the prior year primarily due to water system maintenance during the year. Capital contributions increased \$656,203 due to additional utility system assets donated by developers.

**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 on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned 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 \$17,280,505. Of this, \$889,931 is nonspendable consisting of prepaid items and inventory, \$4,662,049 is assigned and \$2,753,771 is restricted for various purposes.

There was an increase in the combined fund balance of \$1,126,551 over the prior year. This is largely attributable to an increase in sales and property tax revenues while expenditures remained consistent compared to the prior year. The City's fund balance policy for the general fund is a minimum 4-month reserve. The general fund's unassigned fund balance of \$8,974,754 is estimated to be \$3,508,183 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 \$53,091 in the debt service fund balance to \$577,456. Principal and interest debt service payments totaled \$1,741,188 for the year.

The hotel occupancy tax fund experienced an increase in fund balance of \$285,502, which can be primarily attributed to an increase in hotel occupancy taxes due to the addition of new hotels late last year.

**CITY OF WEBSTER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For the Year Ended September 30, 2011**

**Proprietary Funds**

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

Revenues from charges for water increased during the year by 6.4 percent while charges for wastewater increased by 9.4 percent. Drainage charges increased by 1.1 percent. Operating expenses increased by 6.5 percent. There was an increase in ending net assets of \$673,236 due to capital contributions.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were \$78,439 more than budgeted revenues for 2011. This variance can be primarily attributed to the positive variance of \$418,469 for sales tax as a result of an increase in economic conditions and to the negative variance of \$237,649 for investment earnings due to the accelerated remittance of principal by the utility fund.

Actual expenditures were less than budgeted expenditures by \$714,019. This is largely the result of significant cost-cutting measures undertaken by management during the year throughout the entire organization, including the postponement of \$200,000 of capital projects.

During the 2011 year, City Council amended the budget to re-appropriate monies to pay for higher fuel costs for the police department and additional personnel costs for the fire department.

**CAPITAL ASSETS**

At September 30, 2011, the City's governmental activities funds had invested \$49,952,844 in a variety of capital assets and infrastructure. This represents a net decrease of \$2,190,387. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with an increase in the amount of \$3,043,922.

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

- Completion of the Civic Center Renovation project in the amount of \$106,947;
- Addition of Sabinal, Frio, Pedernales and Marina View Drive in the Edgewater development in the amount of \$491,242;

Construction in progress at year end represents numerous ongoing projects, the largest of which relates to Rice Creek Lane Phase II, a project of the WEDC.

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

**CITY OF WEBSTER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For the Year Ended September 30, 2011**

**LONG-TERM DEBT**

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$22,880,000. Of this amount, \$14,830,000 was general obligation debt, while certificates of obligation account for \$655,000. The remaining \$7,395,000 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:

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In September 2011, the Webster City Council approved an expenditure budget in the amount of \$32,089,640, four percent greater than the previous year. Driving the change, \$200,000 is added for employee pay increases and \$750,000 is included to purchase a new rescue truck for the Fire Department. To maintain core programs and services, a property tax rate increase was adopted.

Property tax values within the City of Webster decreased three percent from the adjusted 2010 taxable values. For that reason, the ad valorem tax rate increased by \$0.02778 to \$0.28528 per \$100 of taxable value. After increasing almost five percent in 2011, the Fiscal Year 2011-12 Annual Budget conservatively predicts a decline in sales tax revenue by just over one percent. Sales tax receipts comprise 54 percent of the revenues for the General Fund and 41 percent of the revenues for all funds, including the component unit. With the exception of the residential volumetric charge, water and wastewater rates increased in accordance with a five-year rate study that was completed in 2009. The drainage fee implemented in fiscal year 2009-10 decreased by ten percent.

The downturn in the economy is demonstrated by the area's unemployment rate, which increased slightly to 8.6 percent. However, the economic factors remain mixed. Medistar is partnering with Surgical Development Partners to build the Bay Area Regional Medical Center, a 248-bed, nine-story hospital. Clear Lake Regional Medical Hospital recently announced a \$92 million expansion and renovation project. Many restaurants located in the City report top sales. Construction continues at the Edgewater residential community with several homes now constructed or permitted. Furthermore, the Webster Economic Development Corporation is seeking to implement a "destination development" project that would greatly expand the City's sales tax base.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Director of Finance, City Hall, 101 Pennsylvania, Webster, TX, telephone 281-316-4102, or for general City information, visit the City's website at [www.cityofwebster.com](http://www.cityofwebster.com).

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## ***BASIC FINANCIAL STATEMENTS***

# CITY OF WEBSTER, TEXAS

## STATEMENT OF NET ASSETS

September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,353,801	\$ 2,072,011	\$ 12,425,812	\$ 6,292,858
Investments	7,743,121	3,295,396	11,038,517	-
Receivables (net of allowance for uncollectible)	2,376,806	541,721	2,918,527	598,400
Internal balances	(23,239)	23,239	-	-
Prepaid items	1,094,998	4,769	1,099,767	-
Inventory	17,453	-	17,453	-
Deferred charges	283,722	287,852	571,574	293,108
Capital assets:				
Non-depreciable	3,693,104	146,754	3,839,858	3,101,166
Net depreciable capital assets	46,259,740	26,046,025	72,305,765	-
<b>Total Assets</b>	<b>71,799,506</b>	<b>32,417,767</b>	<b>104,217,273</b>	<b>10,285,532</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	1,219,772	334,195	1,553,967	5,667
Customer deposits	10,000	260,181	270,181	-
Accrued interest payable	45,839	13,026	58,865	21,678
Noncurrent liabilities:				
Long-term liabilities due within one year	1,784,866	299,222	2,084,088	997,967
Long-term liabilities due in more than one year	14,891,970	7,197,893	22,089,863	11,148,753
<b>Total Liabilities</b>	<b>17,952,447</b>	<b>8,104,517</b>	<b>26,056,964</b>	<b>12,174,065</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	34,788,233	18,839,292	53,627,525	2,684,404
Restricted for:				
Debt service	580,069	5,963	586,032	112,182
Enabling legislation	1,481,932	-	1,481,932	-
Emergency management	96,189	-	96,189	-
Tax increment reinvestment zone	598,194	-	598,194	-
Construction/capital improvements	-	2,330,299	2,330,299	4,676,018
Economic development	-	-	-	2,075,713
Unrestricted	16,302,442	3,137,696	19,440,138	(11,436,850)
<b>Total Net Assets</b>	<b>\$ 53,847,059</b>	<b>\$ 24,313,250</b>	<b>\$ 78,160,309</b>	<b>\$ (1,888,533)</b>

See Notes to Financial Statements.

# CITY OF WEBSTER, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 3,810,971	\$ 150,660	\$ 1,030,030
Public safety	8,705,059	1,201,472	162,841
Public works	3,273,335	-	-
Community development	2,724,785	339,664	-
Interest and fiscal agent fees	648,743	-	-
<b>Total Governmental Activities</b>	<u>19,162,893</u>	<u>1,691,796</u>	<u>1,192,871</u>
<b>Business-Type Activities</b>			
Water	1,939,942	1,869,325	-
Wastewater	2,034,661	1,960,596	-
Drainage	326,725	314,831	-
<b>Total Business-Type Activities</b>	<u>4,301,328</u>	<u>4,144,752</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 23,464,221</u>	<u>\$ 5,836,548</u>	<u>\$ 1,192,871</u>
<b>Component Units</b>			
Webster Economic Development Corporation	\$ 2,176,378	\$ -	\$ 416,762
<b>Total Component Units</b>	<u>\$ 2,176,378</u>	<u>\$ -</u>	<u>\$ 416,762</u>
<b>General Revenues:</b>			
Ad valorem taxes			
Sales taxes			
Franchise and local taxes			
Other taxes			
Investment earnings			
Other revenues			
Gain on sale/retirement of capital assets			
Transfers			
<b>Total General Revenues and Transfers</b>			
<b>Change in Net Assets</b>			
<b>Beginning Net Assets</b>			
<b>Ending Net Assets</b>			

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (2,630,281)	\$ -	\$ (2,630,281)	\$ -
-	(7,340,746)	-	(7,340,746)	-
-	(3,273,335)	-	(3,273,335)	-
4,526	(2,380,595)	-	(2,380,595)	-
-	(648,743)	-	(648,743)	-
4,526	(16,273,700)	-	(16,273,700)	-
894,767	-	824,150	824,150	-
-	-	(74,065)	(74,065)	-
-	-	(11,894)	(11,894)	-
894,767	-	738,191	738,191	-
\$ 899,293	(16,273,700)	738,191	(15,535,509)	-
\$ -	-	-	-	(1,759,616)
\$ -	-	-	-	(1,759,616)
	3,349,978	-	3,349,978	-
	10,270,148	-	10,270,148	3,423,383
	1,093,727	-	1,093,727	-
	1,241,624	-	1,241,624	-
	44,039	14,923	58,962	10,893
	135,353	185,840	321,193	-
	4,500	-	4,500	-
	250,000	(250,000)	-	-
	16,389,369	(49,237)	16,340,132	3,434,276
	115,669	688,954	804,623	1,674,660
	53,731,390	23,624,296	77,355,686	(3,563,193)
\$ 53,847,059	\$ 24,313,250	\$ 78,160,309	\$ (1,888,533)	

# CITY OF WEBSTER, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2011

	General	Debt Service	Hotel Occupancy Tax	Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,648,327	\$ 571,210	\$ 1,174,846	\$ 4,454,974
Investments	5,258,803	-	-	999,360
Receivables (net of allowance for uncollectible)	2,083,180	67,861	58,432	141,108
Deposits	200	-	-	-
Prepaid items	872,153	-	-	220,095
Inventory	17,453	-	-	-
<b>Total Assets</b>	<u>\$ 11,122,866</u>	<u>\$ 639,071</u>	<u>\$ 1,233,278</u>	<u>\$ 5,815,537</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,054,653	\$ -	\$ 4	\$ 54,691
Grants payable	-	-	-	57,471
Insurance payable	-	-	-	20,021
Customer deposits	10,000	-	-	-
Due to other funds	2,362	-	-	242,750
Deferred revenue	26,680	61,615	-	-
<b>Total Liabilities</b>	<u>1,093,695</u>	<u>61,615</u>	<u>4</u>	<u>374,933</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	872,153	-	-	325
Inventory	17,453	-	-	-
Restricted for:				
Debt service	-	577,456	-	-
Enabling legislation	-	-	1,233,274	248,658
Emergency management	-	-	-	96,189
Tax increment reinvestment zone	-	-	-	598,194
Assigned to:				
Special revenue	-	-	-	115,591
Capital projects	-	-	-	4,101,528
Construction/capital improvements	-	-	-	44,730
Equipment replacement	-	-	-	235,389
Other post-employment benefits	164,811	-	-	-
Unassigned	8,974,754	-	-	-
<b>Total Fund Balances</b>	<u>10,029,171</u>	<u>577,456</u>	<u>1,233,274</u>	<u>5,440,604</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 11,122,866</u>	<u>\$ 639,071</u>	<u>\$ 1,233,278</u>	<u>\$ 5,815,537</u>

See Notes to Financial Statements.

Total Governmental Funds	
\$	8,849,357
	6,258,163
	2,350,581
	200
	1,092,248
	17,453
\$	<u>18,810,752</u>

\$	1,109,348
	57,471
	20,021
	10,000
	245,112
	88,295
	<u>1,530,247</u>

	872,478
	17,453
	577,456
	1,481,932
	96,189
	598,194
	115,591
	4,101,528
	44,730
	235,389
	164,811
	8,974,754
	<u>17,280,505</u>
\$	<u>18,810,752</u>

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**CITY OF WEBSTER, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET**  
**OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET ASSETS**  
September 30, 2011

Total fund balances – total governmental funds	\$	17,280,505
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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		3,693,104
Capital assets – net depreciable		46,259,740

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

88,295

Internal service funds are used by management to charge the costs of certain capital assets to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.

2,964,368

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

Accrued interest payable		(45,839)
Non-current liabilities due in one year		(1,784,866)
Non-current liabilities due in more than one year		(14,891,970)
Deferred charges for issuance costs		283,722

**Net Assets of Governmental Activities**

**\$ 53,847,059**

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, 2011

	General	Debt Service	Hotel Occupancy Tax	Nonmajor Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 1,920,729	\$ 1,463,186	\$ -	\$ -
Sales taxes	10,246,579	-	-	-
Franchise fees	1,093,727	-	-	-
Other taxes	465,682	-	775,942	-
Licenses and permits	301,990	-	-	-
Fines and forfeitures	1,114,652	-	-	86,820
Charges for services	188,334	-	-	-
Intergovernmental	-	-	-	149,841
Investment earnings	26,041	1,063	1,431	8,414
Contributions	700,000	330,030	-	-
Other revenue	129,505	-	863	4,985
<b>Total Revenues</b>	<u>16,187,239</u>	<u>1,794,279</u>	<u>778,236</u>	<u>250,060</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	3,391,335	-	-	69,347
Public safety	8,122,952	-	-	205,873
Public works	2,479,238	-	-	-
Community development	1,477,936	-	455,834	-
<b>Capital Outlay</b>	-	-	-	189,560
<b>Debt Service</b>				
Principal	-	1,150,000	-	-
Interest and fiscal charges	-	591,188	-	-
<b>Total Expenditures</b>	<u>15,471,461</u>	<u>1,741,188</u>	<u>455,834</u>	<u>464,780</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>715,778</u>	<u>53,091</u>	<u>322,402</u>	<u>(214,720)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	320,960	-	-	354,713
Transfers out	(294,713)	-	(36,900)	(94,060)
<b>Total Other Financing Sources (Uses)</b>	<u>26,247</u>	<u>-</u>	<u>(36,900)</u>	<u>260,653</u>
<b>Net Change in Fund Balances</b>	742,025	53,091	285,502	45,933
<b>Beginning Fund Balances</b>	9,287,146	524,365	947,772	5,394,671
<b>Ending Fund Balances</b>	<u>\$ 10,029,171</u>	<u>\$ 577,456</u>	<u>\$ 1,233,274</u>	<u>\$ 5,440,604</u>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$	3,383,915
	10,246,579
	1,093,727
	1,241,624
	301,990
	1,201,472
	188,334
	149,841
	36,949
	1,030,030
	135,353
	<hr/> 19,009,814 <hr/>

3,460,682
8,328,825
2,479,238
1,933,770
189,560

1,150,000
591,188

<hr/> 18,133,263 <hr/>
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<hr/> 876,551 <hr/>
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675,673
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(425,673)
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<hr/> 250,000 <hr/>
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1,126,551
-----------

16,153,954
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\$	<hr/> 17,280,505 <hr/>
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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, 2011**

Net changes in fund balances – total governmental funds \$ 1,126,551

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	(3,043,922)
Capital outlay	942,854

Capital contributions from component units and developers are not reported as revenues in the governmental funds.	4,526
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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.	(93,845)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(20,937)
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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	1,150,000
Payment of obligation to the state	23,569
Amortization of bond issuance costs	(29,565)
Amortization of deferred charges	(30,603)
Accrued interest	2,613
Compensated absences	(91,888)
Net pension obligation	(193,424)
Net OPEB obligation	(53,042)

Internal service funds are used by management to charge the costs of certain capital assets to individual funds. The net revenue (expense) is reported with governmental activities.	422,782
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 115,669</b>
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See Notes to Financial Statements.

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# CITY OF WEBSTER, TEXAS

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

September 30, 2011

	<u>Business-Type Activities Utility Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,072,011	\$ 1,504,444
Investments	3,295,396	1,484,958
Receivables, net	541,721	26,025
Due from other funds	1,501	861
Prepaid expenses	4,769	2,750
<b>Total Current Assets</b>	<u>5,915,398</u>	<u>3,019,038</u>
<b>Noncurrent Assets</b>		
Deferred charges	287,852	-
Capital assets:		
Non-depreciable	146,754	-
Depreciable capital assets	37,813,489	3,510,006
Less: accumulated depreciation	(11,767,464)	(2,635,248)
<b>Total Capital Assets (Net)</b>	<u>26,192,779</u>	<u>874,758</u>
<b>Total Noncurrent Assets</b>	<u>26,480,631</u>	<u>874,758</u>
<b>Total Assets</b>	<u>32,396,029</u>	<u>3,893,796</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	334,195	13,524
Accrued interest payable	13,026	-
Current portion of compensated absences	56,297	1,370
Customer deposits	260,181	-
Matured bonds payable	242,925	-
<b>Total Current Liabilities</b>	<u>906,624</u>	<u>14,894</u>
<b>Noncurrent Liabilities</b>		
Compensated absences	11,594	8,924
Net pension obligation	54,945	15,190
Net other postemployment benefit obligation	20,792	4,218
Revenue bonds payable (net of unamortized discount)	7,110,562	-
<b>Total Noncurrent Liabilities</b>	<u>7,197,893</u>	<u>28,332</u>
<b>Total Liabilities</b>	<u>8,104,517</u>	<u>43,226</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	18,839,292	874,758
Restricted for debt service	5,963	-
Restricted for construction/capital improvements	2,330,299	-
Unrestricted	3,115,958	2,975,812
<b>Total Net Assets</b>	<u>24,291,512</u>	<u>\$ 3,850,570</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	21,738	
<b>Net assets of business-type activities</b>	<u>\$ 24,313,250</u>	

See Notes to Financial Statements.

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**CITY OF WEBSTER, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**

For the Year Ended September 30, 2011

	<b>Business-Type Activities Utility Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>OPERATING REVENUES</b>		
Water charges	\$ 1,869,325	\$ -
Wastewater charges	1,960,596	-
Drainage charges	314,831	-
Penalties and reconnect fees	24,861	-
Charges for services	-	1,047,340
Other revenue	40,345	25,488
<b>Total Operating Revenues</b>	<b>4,209,958</b>	<b>1,072,828</b>
<b>OPERATING EXPENSES</b>		
Personnel	1,231,472	259,723
Supplies	757,637	12,796
Maintenance	295,754	36,133
Services	564,175	180,252
Depreciation	1,126,588	417,940
<b>Total Operating Expenses</b>	<b>3,975,626</b>	<b>906,844</b>
<b>Operating Income (Loss)</b>	<b>234,332</b>	<b>165,984</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	14,923	7,090
Interest expense	(341,420)	-
Impact fees	120,634	-
Gain on sale of capital assets	-	4,500
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(205,863)</b>	<b>11,590</b>
<b>Income Before Contributions and Transfers</b>	<b>28,469</b>	<b>177,574</b>
<b>CONTRIBUTIONS AND TRANSFERS</b>		
Capital contributions	894,767	-
Transfers out	(250,000)	-
<b>Change in Net Assets</b>	<b>673,236</b>	<b>177,574</b>
<b>Beginning Net Assets</b>	<b>23,618,276</b>	<b>3,672,996</b>
<b>Ending Net Assets</b>	<b>\$ 24,291,512</b>	<b>\$ 3,850,570</b>
Change in net assets before adjustment	673,236	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	15,718	
Change in net assets of business-type activities	<b>\$ 688,954</b>	

See Notes to Financial Statements.



# CITY OF WEBSTER, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2011

	<b>Business-Type Activities Utility Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 4,161,754	\$ 1,063,708
Payments to suppliers	(1,629,760)	(244,625)
Payments to employees	(1,228,603)	(238,122)
<b>Net Cash Provided by Operating Activities</b>	<u>1,303,391</u>	<u>580,961</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Impact fees	120,634	-
Transfers to other funds	(250,000)	-
<b>Net Cash (Used) by Noncapital Financing Activities</b>	<u>(129,366)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(777,939)	(159,206)
Principal paid on debt	(235,000)	-
Interest paid on debt	(324,952)	-
Proceeds from sale of capital assets	-	4,500
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(1,337,891)</u>	<u>(154,706)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	2,306,366	1,156,449
Purchase of investments	(3,314,093)	(1,494,780)
Interest on investments	14,923	7,090
<b>Net Cash (Used) by Investing Activities</b>	<u>(992,804)</u>	<u>(331,241)</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	(1,156,670)	95,014
<b>Beginning Cash and Cash Equivalents</b>	<u>3,228,681</u>	<u>1,409,430</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 2,072,011</u></u>	<u><u>\$ 1,504,444</u></u>

# CITY OF WEBSTER, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2011

	<b>Business-Type Activities Utility Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 234,332	\$ 165,984
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,126,588	417,940
<b>Changes in Operating Assets and Liabilities:</b>		
<b>(Increase) Decrease in Current Assets:</b>		
Accounts receivable	(51,529)	(9,120)
Due from other funds	3,084	(208)
Prepaid expenses	576	(2,750)
<b>Increase (Decrease) in Current Liabilities:</b>		
Accounts payable and accrued liabilities	(15,854)	(12,486)
Compensated absences	2,869	21,601
Customer deposits	3,325	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,303,391</b>	<b>\$ 580,961</b>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets	\$ 894,767	\$ -

See Notes to Financial Statements.

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**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011

**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. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, preparation of the annual budget, and other affairs of the City.

The City provides the following services: general government (city council, city secretary, city manager, finance, municipal court, human resources, and economic development); public safety (police, fire, and emergency medical services); community development (permitting, planning, and recreation); public works (construction and maintenance of streets and parks); and water, wastewater, and drainage 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. 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. 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. The elements 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. Additional criteria pertain to organizations for which the primary government is financially accountable and 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.

State law allows the WEDC to collect sales tax to assist in the promotion and development activities of the City. The WEDC began receiving sales tax in March 2000.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

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. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities 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.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

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 and report all financial resources not accounted for and reported in another fund. 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, public works, and community development.

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds include hotel occupancy tax fund, public safety fund, municipal court program fund, grant 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 and report 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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital project funds include street construction, building construction, general projects fund, and other capital projects; 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 City'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 *utility fund* is used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and drainage. 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.

Additionally, the City reports *internal service funds*, which account for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The equipment replacement fund is used to account for equipment replacement and maintenance services. The information technology fund accounts for technology services.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide Statement of Net Assets and Statement of Activities and all proprietary funds are accounted for on a flow of economic resources measurement focus which is the 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. Government-wide and proprietary equity consists of net assets. Revenues are recorded when earned and measurable. Expenses are recorded when a liability is incurred and measurable, regardless of the timing of related cash flows.

All governmental funds are accounted for using a current financial resources measurement focus which is the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balance as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements.

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.

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 City 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.

**D. 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.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following: direct obligations of the U.S. Government, fully collateralized certificates of deposit and money market accounts, and statewide investment pools.

2. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these 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 one percent per month, but the penalty remains at a maximum of 12 percent until paid.

A penalty of six percent and interest of one percent are added to delinquent taxes on February 1. The penalty amount increases to a maximum of 12 percent on July 1 of each year, with interest continuing to increase at one percent per month until the account is paid. An additional penalty of 20 percent 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.



**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

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.

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 15 years
Infrastructure	10 to 50 years
Water and wastewater system	10 to 40 years
Buildings and improvements	5 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 is 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 a liability 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 wastewater infrastructure, the debt service expenditures are included

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

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

**7. Fund Equity**

Fund balances of governmental funds are classified as follows:

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either in nonspendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted fund balance* – represents amounts that are constrained by external parties, constitutional provisions, or by enabling legislation.

*Committed fund balance* – represents amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The commitment must be made prior to year end.

*Assigned fund balance* – represents amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Assignments can be made at any time.

*Unassigned fund balance* – represents amounts that are available for any purpose. Positive amounts are reported only in the general fund. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed, then assigned funds, and finally unassigned funds.

The City Council is the government's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

By resolution, the Council has also authorized the City Manager and Director of Finance to assign fund balance. Assignments of fund balance by the City Manager and Director of Finance do not require formal action by the City Council; however, each assignment must be approved by both authorized officials before the item can be presented in the financial statements.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

The City strives to maintain an unassigned fund balance of not less than 25% of the budgeted operational expenditures in all City funds. Due to the volatile nature of a majority of its revenues, it is not deemed excessive for the City to maintain an unassigned fund balance in the General Fund and WEDC at levels greater than 33% of the budgeted operational expenditures. The purpose of this unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. Should unassigned fund balance fall below the goal or has a deficiency, the City will seek to reduce expenditures prior to increasing revenues to replenish fund balance within a reasonable timeframe.

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. 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.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. agencies	\$ 11,038,517	1.17
External investment pools	8,937,200	0.00
Total fair value	<u>\$ 19,975,717</u>	
Portfolio weighted average maturity		0.65

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

*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, 2011, 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. agency securities held by the City as of September 30, 2011 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 AA+ by Standard & Poor's.

*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 50 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 102 percent. As of September 30, 2011, market values of pledged securities were \$9,588,697 and bank balances were \$7,293,686.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexSTAR

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

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

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	\$ 34,823	\$ 68,469	\$ -	\$ -	\$ -
Other taxes	1,905,724	-	58,432	-	598,400
Accounts	72,737	-	-	22,100	-
Accrued interest	6,109	-	-	1,706	-
Intergovernmental	-	-	-	117,302	-
Other	64,140	-	-	-	-
Less allowance	(353)	(608)	-	-	-
	<u>\$ 2,083,180</u>	<u>\$ 67,861</u>	<u>\$ 58,432</u>	<u>\$ 141,108</u>	<u>\$ 598,400</u>

**Proprietary Funds**

	Enterprise	Internal Service
Accounts	\$ 547,920	\$ 24,241
Accrued interest	9,809	1,784
Less allowance	(16,008)	-
	<u>\$ 541,721</u>	<u>\$ 26,025</u>

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

**C. Capital Assets**

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

	Primary Government		
	Beginning Balance	Increases	Decreases/ Reclassifications
<b>Governmental Activities:</b>			
Capital assets not being depreciated:			
Land	\$ 3,376,253	\$ -	\$ (93,845)
Construction in progress	265,443	3,371,443	(3,226,190)
Total capital assets not being depreciated	3,641,696	3,371,443	(3,320,035)
Other capital assets:			
Buildings and improvements	18,110,275	143,929	-
Furniture and equipment	7,988,296	166,956	(42,038)
Infrastructure	45,985,946	491,242	-
Total other capital assets	72,084,517	802,127	(42,038)
Less accumulated depreciation for:			
Buildings and improvements	(6,704,077)	(397,156)	-
Furniture and equipment	(4,767,713)	(808,155)	42,038
Infrastructure	(12,111,192)	(1,838,611)	-
Total accumulated depreciation	(23,582,982)	(3,043,922)	42,038
Other capital assets, net	48,501,535	(2,241,795)	-
<b>Totals</b>	<b>\$ 52,143,231</b>	<b>\$ 1,129,648</b>	<b>\$ (3,320,035)</b>
			Less debt associated with capital assets (15,164,611)
			<b>Invested in capital assets, net of related debt \$ 34,788,233</b>

All capital assets constructed or paid for with funds of the component units are titled in the City's name, with the exception of land purchased during fiscal year 2011, which is titled in the component units' name. Accordingly, component unit capital assets and construction in progress with the exception of the land referred to above are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	\$ 248,669
Public safety	451,522
Public works	1,298,575
Community development	627,216
Internal service funds	417,940
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 3,043,922</b>

Capital assets for governmental activities include capital assets held in the internal service funds.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

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

**Governmental Activities:**

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Webster Space Walk	\$ 1,850,000	\$ 21,920	\$ 1,828,080
TRED Agreement - Methodist Tract	460,000	-	460,000
Central Fire Station	300,000	73,199	226,801
FM 270 Park	193,500	58,740	134,760
<b>Totals</b>	<u>\$ 2,803,500</u>	<u>\$ 153,859</u>	<u>\$ 2,649,641</u>

<b>WEDC:</b>			
Rice Creek Lane Phase 2	<u>\$ 4,326,140</u>	<u>\$ 189,309</u>	<u>\$ 4,136,831</u>

The following is a summary of changes in capital assets for the component unit for the year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
<b>Component Unit:</b>				
Capital assets not being depreciated:				
Land	\$ -	\$ 3,101,166	\$ -	\$ 3,101,166
<b>Total capital assets not             being depreciated</b>	<u>\$ -</u>	<u>\$ 3,101,166</u>	<u>\$ -</u>	<u>\$ 3,101,166</u>
			Less debt associated with capital assets	(416,762)
			<b>Invested in capital assets, net of related debt</b>	<u><u>\$ 2,684,404</u></u>

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

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>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 102,269	\$ -	\$ -	\$ 102,269
Construction in progress	31,000	659,707	(646,222)	44,485
Total capital assets not being depreciated	133,269	659,707	(646,222)	146,754
Other capital assets:				
Building and improvements	24,906,885	907,885	-	25,814,770
Furniture and equipment	95,286	-	-	95,286
Water and wastewater system	11,152,097	751,336	-	11,903,433
Total other capital assets	36,154,268	1,659,221	-	37,813,489
Less accumulated depreciation for:				
Building and improvements	(4,470,623)	(781,889)	-	(5,252,512)
Furniture and equipment	(57,833)	(13,604)	-	(71,437)
Water and wastewater system	(6,112,420)	(331,095)	-	(6,443,515)
Total accumulated depreciation	(10,640,876)	(1,126,588)	-	(11,767,464)
Other capital assets, net	25,513,392	532,633	-	26,046,025
<b>Totals</b>	<b>\$ 25,646,661</b>	<b>\$ 1,192,340</b>	<b>\$ (646,222)</b>	<b>26,192,779</b>
			Less debt associated with capital assets	(7,353,487)
			<b>Invested in capital assets, net of related debt</b>	<b>\$ 18,839,292</b>

Depreciation was charged to business-type functions as follows:

Water	\$ 424,331
Wastewater	702,257
<b>Total Business-type Activities Depreciation Expense</b>	<b>\$ 1,126,588</b>

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>
Water/Wastewater Improvements	\$ 600,000	\$ 571,339	\$ 28,661
Kings Lynn/Egret Bay Water Line	620,000	44,485	575,515
<b>Totals</b>	<b>\$ 1,220,000</b>	<b>\$ 615,824</b>	<b>\$ 604,176</b>



**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

**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.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General obligation bonds	\$ 15,920,000	\$ -	\$ (1,090,000)	\$ 14,830,000 <sup>(1)</sup>	\$ 1,125,000
Certificates of obligation	715,000	-	(60,000)	655,000 <sup>(1)</sup>	60,000
Less deferred charges	(350,992)	-	30,603	(320,389) <sup>(1)</sup>	(30,603)
Obligation to state	23,569	-	(23,569)	-	-
	<u>16,307,577</u>	<u>-</u>	<u>(1,142,966)</u>	<u>15,164,611</u>	<u>1,154,397</u>
Other liabilities:					
Net pension obligation	375,546	193,424	-	568,970	-
Net OPEB obligation	115,987	54,826	(1,784)	169,029	-
Compensated absences	682,338	648,201	(556,313)	774,226	630,469
<b>Total Governmental Activities</b>	<u>\$ 17,481,448</u>	<u>\$ 896,451</u>	<u>\$ (1,701,063)</u>	<u>\$ 16,676,836</u>	<u>\$ 1,784,866</u>
<b>Business-Type Activities:</b>					
Interfund loan payable	\$ 229,851	\$ -	\$ (229,851)	\$ -	\$ -
Revenue bonds	7,630,000	-	(235,000)	7,395,000 <sup>(2)</sup>	245,000
Less bond discount	(43,588)	-	2,075	(41,513) <sup>(2)</sup>	(2,075)
Net pension obligation	36,886	18,059	-	54,945	-
Net OPEB obligation	6,919	14,089	(216)	20,792	-
Compensated absences	65,022	56,787	(53,918)	67,891	56,297
<b>Total Business-Type Activities</b>	<u>\$ 7,925,090</u>	<u>\$ 88,935</u>	<u>\$ (516,910)</u>	<u>\$ 7,497,115</u>	<u>\$ 299,222</u>
<b>WEDC</b>					
Bonds payable	\$ 13,415,000	\$ -	\$ (1,025,000)	\$ 12,390,000 <sup>(1)</sup>	\$ 1,025,000
Less deferred charges	(270,313)	-	27,033	(243,280) <sup>(1)</sup>	(27,033)
Obligation to state	7,857	-	(7,857)	-	-
<b>Total WEDC</b>	<u>\$ 13,152,544</u>	<u>\$ -</u>	<u>\$ (1,005,824)</u>	<u>\$ 12,146,720</u>	<u>\$ 997,967</u>

**(1) Debt associated with governmental capital assets**

**Total debt associated with governmental activities** \$ 15,164,611

**Total debt associated with WEDC** \$ 12,146,720

**(2) Debt associated with business-type capital assets**

\$ 7,353,487

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, net pension obligation, and net other postemployment benefit obligation 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.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

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

Description	Interest Rates	Balance
<b><u>Governmental Activities</u></b>		
<b>General Obligation Bonds</b>		
General Obligation Refunding Bonds Series 2005	3.00-4.125%	\$ 9,475,000
General Obligation Refunding Bonds Series 2010	2.00-4.50%	5,355,000
<b>Total General Obligation Bonds</b>		<b>14,830,000</b>
<b><u>Certificates of Obligation</u></b>		
Tax and Revenue Certificates of Obligation Series 2005	3.25-4.125%	655,000
<b>Total Governmental Activities Long-Term Debt</b>		<b>\$ 15,485,000</b>
<b><u>Business-type Activities</u></b>		
<b>Revenue Bonds</b>		
Water and Sewer, series 2006	4.00-4.50%	\$ 5,385,000
Water and Sewer, series 2008	3.30-4.30%	2,010,000
<b>Total Business-type Activities Long-Term Debt</b>		<b>\$ 7,395,000</b>
<b><u>WEDC</u></b>		
Sales Tax Revenue Improvement and Refunding Bonds Series 2006	3.75-5.00%	\$ 12,390,000

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

**General Obligation and Public Improvement Bonds**

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

Year Ending Sept. 30	Governmental Activities	
	Principal	Interest
2012	\$ 1,125,000	\$ 534,463
2013	1,150,000	504,713
2014	1,185,000	472,456
2015	1,345,000	432,056
2016	1,365,000	381,656
2017-2021	8,660,000	916,828
<b>Total</b>	<b>\$ 14,830,000</b>	<b>\$ 3,242,172</b>

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

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 wastewater system revenues. Annual debt service requirements to maturity for these obligations are as follows:

Year Ending Sept. 30	Governmental Activities	
	Principal	Interest
2012	\$ 60,000	\$ 24,981
2013	65,000	22,638
2014	65,000	20,119
2015	70,000	17,419
2016	70,000	14,619
2017-2020	325,000	27,759
<b>Total</b>	<b>\$ 655,000</b>	<b>\$ 127,535</b>

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay for debt service. Revenue bonds were issued to finance construction and improvements to the water and wastewater system. Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending Sept. 30	Business-type Activities	
	Principal	Interest
2012	\$ 245,000	\$ 316,103
2013	255,000	306,653
2014	265,000	296,803
2015	275,000	286,484
2016	285,000	275,765
2017-2021	1,615,000	1,196,588
2022-2026	1,990,000	818,705
2027-2031	2,465,000	338,690
<b>Total</b>	<b>\$ 7,395,000</b>	<b>\$ 3,835,791</b>

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

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 one-half of one percent sales and use tax. Annual debt service to maturity for these bonds is as follows:

Year Ending Sept. 30	WEDC	
	Principal	Interest
2012	\$ 1,025,000	\$ 526,059
2013	1,075,000	487,109
2014	1,150,000	442,765
2015	1,200,000	385,265
2016	1,325,000	337,265
2017-2021	6,615,000	861,668
<b>Total</b>	<b>\$ 12,390,000</b>	<b>\$ 3,040,131</b>

Current Refunding

In 2010, the City issued \$6,075,000 of general obligation refunding bonds, series 2010 for a current refunding of \$2,950,000 of tax and revenue certificates of obligation, series 2000A; \$1,910,000 of public improvement refunding bonds, series 2000B; and \$2,330,000 of general obligation refunding bonds, series 2003. The refunding was undertaken to provide a present value savings in the debt service payable by the City. The reacquisition price exceeded the net carrying amount of the old debt by \$43,220. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt. The transaction also resulted in an economic gain of \$985,620 and a reduction of \$2,289,997 in future debt service payments.

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, 2011, \$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, 2011, \$9,595,000 of sale tax revenue bonds, series 2000 were considered defeased relating to the 2006 refunding.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

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. The final payment of \$10,484 was withheld in February 2011.

**E. Interfund Transactions**

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

Transfer Out	Transfer In	Amounts
General Fund	Nonmajor Governmental	\$ 294,713
Hotel Occupancy Tax Fund	General Fund	36,900
Nonmajor Governmental Funds		
Municipal Court Programs	General Fund	34,060
General Projects	Building Construction	60,000
Utility Fund	General Fund	250,000
		\$ 675,673

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:

Receivable Fund	Payable Fund	Amounts
Utility Fund	General Fund	\$ 1,501
Information Technology	General Fund	861
		\$ 2,362

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

**F. Fund Equity**

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 assets titled in the City's name, WEDC's debt is included in unrestricted net assets. In total, the WEDC reports negative net assets related to its reporting of the debt, while the City reports the related asset.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

**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 2,617 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 Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it 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 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 System**

**Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714 or by calling 800-924-8677. In addition the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>2011</u>	<u>2010</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/hrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least 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. This 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.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated Service Credits and Annuity Increases.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2010 valuation is effective for rates beginning January 2012).

The annual pension cost and the net pension obligation (asset) are as follows:

Annual required contribution (ARC)	\$ 1,495,504
Interest on net pension obligation (NPO)	30,933
Adjustment to the ARC	<u>(25,593)</u>
Annual pension cost (APC)	1,500,844
Contributions made	<u>(1,289,361)</u>
Increase in net pension obligation	211,483
Net pension obligation-beginning of year	<u>412,432</u>
Net pension obligation-end of year	<u><u>\$ 623,915</u></u>

Three-year trend information for the annual pension cost (APC) is as follows:

<u>Fiscal year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 1,149,721	1,149,721	100.00%	\$ -
2010	\$ 1,652,292	1,239,860	75.04%	\$ 412,432
2011	\$ 1,500,844	1,289,361	85.91%	\$ 623,915

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarial Valuation Date	12/31/2010 - Restructured	12/31/2010 - Prior to Restructuring	12/31/2009	12/31/2008
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	27.2 Years - Closed period	27.2 Years - Closed period	28.1 Years - Closed period	29.0 Years - Closed period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	Amortized cost
Investment Rate of Return	7.0%	7.5%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost of Living Adjustments	3.00%	3.00%	3.00%	3.00%
	2.1%	2.1%	2.1%	2.1%



**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is as follows:

	<b>New Fund Structure</b>	<b>Original Fund Structure</b>
Actuarial Valuation Date	12/31/2010	12/31/2010
Actuarial Value of Assets	\$ 27,763,966	\$ 19,687,485
Actuarial Accrued Liability	\$ 36,594,643	\$ 29,658,847
Percentage Funded	75.9%	66.4%
Unfunded Actuarial Accrued Liability (UAAL)		
Liability (UAAL)	\$ 8,830,677	\$ 9,971,362
Annual Covered Payroll	\$ 8,581,419	\$ 8,581,419
UAAL as a Percentage of Covered Payroll	102.9%	116.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**D. Other Post Employment Benefits**

1. TMRS – Supplemental Death Benefit Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2011, the City offered the supplemental death benefit to both active and retired employees.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal years ended 2011, 2010, and 2009 were \$1,697, \$1,709, and 1,839, respectively. The City's contribution rates for the past three years are shown below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Req. Contrib. (Rate)	0.02%	0.02%	0.02%
Actual Contribution Made	0.02%	0.02%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

2. Postemployment Healthcare Plan

Plan Description

The City administers a single-employer defined benefit Other Post-Employment Benefits (OPEB) plan, known as the Retiree Medical Program (the "Program"). The Program offers medical, dental, and vision insurance benefits to eligible retirees and their spouses. Retirees are responsible for the full active premium for continued medical coverage as a retiree and for their spouse, if elected. 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. The City requires retirees to enroll in Medicare Parts A and B upon becoming eligible in order to continue coverage under the City's medical program.

Funding Policy

The City has elected to subsidize premiums for the plan and funding is provided on a pay-as-you-go basis. For fiscal year 2011, the City has an assigned fund balance of \$164,811 for OPEB costs.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

Annual OPEB Cost

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan, and the City's net OPEB obligation:

Annual Required Contribution (ARC)	\$	61,442
Interest on OPEB Obligation		5,015
Adjustment to the ARC		-
Annual OPEB Cost		66,457
Net Estimated Employer Contributions		2,000
Increase in Net OPEB obligation		64,457
Net OPEB Obligation-beginning of year		125,364
Net OPEB Obligation-end of year	\$	189,821

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years are as follows:

Fiscal year	Annual OPEB Cost (ARC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
			Beginning	Ending
2009	\$ 61,453	0.00%	\$ -	\$ 61,453
2010	\$ 63,911	0.00%	\$ 61,453	\$ 125,364
2011	\$ 66,457	0.00%	\$ 125,364	\$ 189,821

Funded Status and Funding Progress

As of October 1, 2010, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$383,710, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$383,710. The annual covered payroll was \$8,581,419 and the UAAL as a percentage of the annual covered payroll was 4.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar
Remaining Amortization Period	30 years – Open period
Asset Valuation Method	Market value
Investment Rate of Return	4.0%
Healthcare Cost Trend Rate (Initial/Ultimate)	6.9%/4.8%

**E. Joint Ventures**

Development Agreement/Utility Services Contract

The City, and in some cases the WEDC, has entered into a series of agreements with Cherokee Webster Development, L.P. and Cherokee Webster Investors, L.P., as successors in interest to Cherokee Webster, L.P. (the “Developer”) 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.

**CITY OF WEBSTER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2011

The Developer will make certain improvements and incur financing costs of which up to \$6.72 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. The City agreed to pay the Developer \$1.25 million in February 2009 as an advance towards the first increment. In addition, the WEDC shall pay the Developer the actual cost of certain improvements, not to exceed \$6.25 million. WEDC paid \$2.5 million in February 2009 and will pay \$3.75 million pending completion of defined criteria by the Developer.

As of September 30, 2011, several sections of the project have been platted. Construction of the apartments near the entry of the development has been completed. Several single-family residential units have been constructed or permitted. The estimated date in which the value of the property will increase by \$90 million is December 31, 2014.

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 percent. As of September 30, 2011, the City's total investment in SEWPP totaled \$5,352,264. The net investment reported is \$3,612,580, which includes accumulated depreciation of \$1,739,684.

***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, 2011  
With Comparative Totals for the Year Ended September 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual
	Original Budget	Budget as Amended	Actual		
<b>REVENUES</b>					
Property taxes	\$ 1,880,510	\$ 1,880,510	\$ 1,920,729	\$ 40,219	\$ 1,541,165
Sales taxes	9,828,110	9,828,110	10,246,579	418,469	9,789,355
Franchise fees	1,099,790	1,099,790	1,093,727	(6,063)	1,076,618
Other taxes	436,300	436,300	465,682	29,382	447,221
Licenses and permits	317,370	317,370	301,990	(15,380)	328,389
Fines and forfeitures	1,309,720	1,309,720	1,114,652	(195,068)	1,221,199
Charges for services	169,180	169,180	188,334	19,154	185,020
Other	104,130	104,130	129,505	25,375	124,636
Investment earnings	263,690	263,690	26,041	(237,649)	32,820
Contributions	700,000	700,000	700,000	-	700,000
<b>Total Revenues</b>	<b>16,108,800</b>	<b>16,108,800</b>	<b>16,187,239</b>	<b>78,439</b>	<b>15,446,423</b>
<b>EXPENDITURES</b>					
<b>General government</b>					
City council	248,200	248,200	192,218	55,982	195,986
City secretary	430,700	430,700	412,075	18,625	418,364
City manager	423,200	394,200	348,268	45,932	304,903
Finance	1,197,870	1,197,870	1,130,033	67,837	1,149,856
Municipal court	690,730	690,730	656,062	34,668	685,391
Human resources	382,970	382,970	342,701	40,269	343,326
Economic development	321,970	321,970	309,978	11,992	307,185
<b>Total general government</b>	<b>3,695,640</b>	<b>3,666,640</b>	<b>3,391,335</b>	<b>275,305</b>	<b>3,405,011</b>
<b>Public safety</b>					
Police	6,524,680	6,559,680	6,391,242	168,438	6,403,444
Fire	1,758,880	1,788,880	1,731,710	57,170	1,742,573
<b>Total public safety</b>	<b>8,283,560</b>	<b>8,348,560</b>	<b>8,122,952</b>	<b>225,608</b>	<b>8,146,017</b>
<b>Public works</b>					
Administrative	382,300	382,300	361,406	20,894	372,520
Maintenance	1,146,620	1,146,620	1,101,068	45,552	1,131,585
Parks	1,052,770	878,990	821,691	57,299	802,780
Engineering	199,290	199,290	195,073	4,217	198,687
<b>Total public works</b>	<b>2,780,980</b>	<b>2,607,200</b>	<b>2,479,238</b>	<b>127,962</b>	<b>2,505,572</b>

**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, 2011  
With Comparative Totals for the Year Ended September 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual
	Original Budget	Budget as Amended	Actual		
<b>Community development</b>					
Community development					
Administrative	\$ 597,610	\$ 597,610	578,483	\$ 19,127	\$ 598,613
Building	617,580	617,580	600,676	16,904	624,825
Recreational	347,890	347,890	298,777	49,113	338,081
<b>Total community development</b>	<u>1,563,080</u>	<u>1,563,080</u>	<u>1,477,936</u>	<u>85,144</u>	<u>1,561,519</u>
<b>Total Expenditures</b>	<u>16,323,260</u>	<u>16,185,480</u>	<u>15,471,461</u>	<u>714,019</u>	<u>15,618,119</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(214,460)</u>	<u>(76,680)</u>	<u>715,778</u>	<u>792,458</u>	<u>(171,696)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	320,960	320,960	320,960	-	334,208
Transfers out	(116,500)	(319,280)	(294,713)	24,567	(482,810)
Sale of capital assets	10,000	10,000	-	(10,000)	3,091
<b>Total Other Financing Sources (Uses)</b>	<u>214,460</u>	<u>11,680</u>	<u>26,247</u>	<u>14,567</u>	<u>(145,511)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>742,025</u>	<u>\$ 807,025</u>	<u>\$ (317,207)</u>
<b>Beginning Fund Balance</b>			<u>9,287,146</u>		
<b>Ending Fund Balance</b>			<u>\$ 10,029,171</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**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOTEL OCCUPANCY TAX FUND**  
For the Year Ended September 30, 2011  
With Comparative Totals for the Year Ended September 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual
	Original Budget	Budget as Amended	Actual		
<b>REVENUES</b>					
Hotel occupancy taxes	\$ 676,520	\$ 676,520	\$ 775,942	\$ 99,422	\$ 741,351
Other revenue	-	-	863	863	2,347
Investment earnings	1,190	1,190	1,431	241	1,125
<b>Total Revenues</b>	<u>677,710</u>	<u>677,710</u>	<u>778,236</u>	<u>100,526</u>	<u>744,823</u>
<b>EXPENDITURES</b>					
Community services	640,810	640,810	455,834	184,976	367,862
<b>Total Expenditures</b>	<u>640,810</u>	<u>640,810</u>	<u>455,834</u>	<u>184,976</u>	<u>367,862</u>
<b>Revenues Over Expenditures</b>	<u>36,900</u>	<u>36,900</u>	<u>322,402</u>	<u>285,502</u>	<u>376,961</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	84,784
Transfers out	(36,900)	(36,900)	(36,900)	-	(36,900)
<b>Total Other Financing (Uses)</b>	<u>(36,900)</u>	<u>(36,900)</u>	<u>(36,900)</u>	<u>-</u>	<u>47,884</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>285,502</u>	<u>\$ 285,502</u>	<u>\$ 424,845</u>
<b>Beginning Fund Balance</b>			<u>947,772</u>		
<b>Ending Fund Balance</b>			<u>\$ 1,233,274</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**

Fiscal year	2009	2010	2011 (1)	2011 (2)
Actuarial Valuation date	12/31/2008	12/31/2009	12/31/2010	12/31/2010
Actuarial Value of Assets	\$ 15,574,063	\$ 17,119,133	\$ 19,687,485	\$ 27,763,966
Actuarial Accrued Liability	\$ 24,479,493	\$ 26,790,967	\$ 29,658,847	\$ 36,594,643
Percentage Funded	63.6%	63.9%	66.4%	75.9%
Unfunded Actuarial				
Accrued Liability	\$ 8,905,430	\$ 9,671,834	\$ 9,971,362	\$ 8,830,677
Annual Covered Payroll	\$ 8,175,105	\$ 8,485,183	\$ 8,581,419	\$ 8,581,419
Unfunded Actuarial Accrued Liability				
(UAAL) % of Covered Payroll	108.9%	114.0%	116.2%	102.9%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ 412,432	\$ 412,432
Annual Pension Cost (APC)	1,149,721	1,652,292	1,500,844	1,500,844
Contributions Made	1,149,721	1,239,860	1,289,361	1,289,361
<b>NPO at the End of Period</b>	<b>\$ -</b>	<b>\$ 412,432</b>	<b>\$ 623,915</b>	<b>\$ 623,915</b>

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

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**CITY OF WEBSTER, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**POST-EMPLOYMENT HEALTHCARE BENEFITS<sup>1</sup>**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/08	\$ -	\$ 407,606	\$ 407,606	0.0%	\$ 8,175,105	5.0%
10/01/10	\$ -	\$ 383,710	\$ 383,710	0.0%	\$ 8,581,419	4.5%

<sup>1</sup> 2009 was the first year the City was required to implement GASB Statement No. 45. The next valuation was performed in accordance with GASB Statement No. 45 parameters on October 1, 2010.

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## ***COMBINING STATEMENTS AND SCHEDULES***

## ***NONMAJOR GOVERNMENTAL FUNDS***

### **Special Revenue Funds**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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 Grant Fund is used to account for the receipt of grant funds from the State or Federal Government. The use of these funds is governed by the terms of the grant.

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 are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 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, 2011

#### Special Revenue Funds

	Public Safety	Municipal Court Programs	Grant Fund	Emergency Management
<b>ASSETS</b>				
Cash and cash equivalents	\$ 117,088	\$ 249,756	\$ -	\$ 57,259
Investments	-	-	-	-
Receivables	-	-	22,980	116,422
Prepaid items	325	-	219,770	-
<b>Total Assets</b>	<u>\$ 117,413</u>	<u>\$ 249,756</u>	<u>\$ 242,750</u>	<u>\$ 173,681</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,497	\$ 1,098	\$ -	\$ -
Grants payable	-	-	-	57,471
Insurance payable	-	-	-	20,021
<b>Total Liabilities</b>	<u>1,497</u>	<u>1,098</u>	<u>242,750</u>	<u>77,492</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	325	-	-	-
Restricted for:				
Enabling legislation	-	248,658	-	-
Emergency management	-	-	-	96,189
Tax increment reinvestment zone	-	-	-	-
Assigned to:				
Public safety	115,591	-	-	-
Capital projects	-	-	-	-
Construction	-	-	-	-
Equipment replacement	-	-	-	-
<b>Total Fund Balances</b>	<u>115,916</u>	<u>248,658</u>	<u>-</u>	<u>96,189</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 117,413</u>	<u>\$ 249,756</u>	<u>\$ 242,750</u>	<u>\$ 173,681</u>

Special Revenue	Capital Project Funds				Total Nonmajor Governmental Funds
TIRZ No. 1	Street Construction	Building Construction	Other Capital Projects	General Projects Fund	
\$ 598,194	\$ 865,200	\$ 44,730	\$ 2,235,262	\$ 287,485	\$ 4,454,974
-	999,360	-	-	-	999,360
-	1,706	-	-	-	141,108
-	-	-	-	-	220,095
<u>\$ 598,194</u>	<u>\$ 1,866,266</u>	<u>\$ 44,730</u>	<u>\$ 2,235,262</u>	<u>\$ 287,485</u>	<u>\$ 5,815,537</u>
\$ -	\$ -	\$ -	\$ -	\$ 52,096	\$ 54,691
-	-	-	-	-	57,471
-	-	-	-	-	20,021
-	-	-	-	52,096	374,933
-	-	-	-	-	325
-	-	-	-	-	248,658
-	-	-	-	-	96,189
598,194	-	-	-	-	598,194
-	-	-	-	-	115,591
-	1,866,266	-	2,235,262	-	4,101,528
-	-	44,730	-	-	44,730
-	-	-	-	235,389	235,389
<u>598,194</u>	<u>1,866,266</u>	<u>44,730</u>	<u>2,235,262</u>	<u>235,389</u>	<u>5,440,604</u>
<u>\$ 598,194</u>	<u>\$ 1,866,266</u>	<u>\$ 44,730</u>	<u>\$ 2,235,262</u>	<u>\$ 287,485</u>	<u>\$ 5,815,537</u>

**CITY OF WEBSTER, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2011

	Special Revenue Funds			
	Public Safety	Municipal Court Programs	Grant Fund	Emergency Management
<b>REVENUES</b>				
Fines and forfeitures	\$ 11,886	\$ 74,934	\$ -	\$ -
Investment earnings	244	339	-	-
Intergovernmental	4,466	-	62,745	-
Other revenue	1,645	-	-	-
<b>Total Revenues</b>	<u>18,241</u>	<u>75,273</u>	<u>62,745</u>	<u>-</u>
<b>EXPENDITURES</b>				
General government	-	69,347	-	-
Public safety	38,918	-	75,678	-
Capital projects	-	-	-	-
<b>Total Expenditures</b>	<u>38,918</u>	<u>69,347</u>	<u>75,678</u>	<u>-</u>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>(20,677)</u>	<u>5,926</u>	<u>(12,933)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	25,933	-
Transfers out	-	(34,060)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(34,060)</u>	<u>25,933</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(20,677)</u>	<u>(28,134)</u>	<u>13,000</u>	<u>-</u>
<b>Beginning Fund Balances</b>	<u>136,593</u>	<u>276,792</u>	<u>(13,000)</u>	<u>96,189</u>
<b>Ending Fund Balances</b>	<u>\$ 115,916</u>	<u>\$ 248,658</u>	<u>\$ -</u>	<u>\$ 96,189</u>

Special Revenue	Capital Project Funds				Total Nonmajor Governmental Funds
TIRZ No. 1	Street Construction	Building Construction	Other Capital Projects	General Projects Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,820
746	4,393	112	1,960	620	8,414
82,630	-	-	-	-	149,841
-	-	2,248	1,092	-	4,985
83,376	4,393	2,360	3,052	620	250,060
-	-	-	-	-	69,347
-	-	-	-	91,277	205,873
-	67,528	106,947	15,085	-	189,560
-	67,528	106,947	15,085	91,277	464,780
83,376	(63,135)	(104,587)	(12,033)	(90,657)	(214,720)
95,000	-	60,000	173,780	-	354,713
-	-	-	-	(60,000)	(94,060)
95,000	-	60,000	173,780	(60,000)	260,653
178,376	(63,135)	(44,587)	161,747	(150,657)	45,933
419,818	1,929,401	89,317	2,073,515	386,046	5,394,671
\$ 598,194	\$ 1,866,266	\$ 44,730	\$ 2,235,262	\$ 235,389	\$ 5,440,604

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**CITY OF WEBSTER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**

For the Year Ended September 30, 2011  
With Comparative Totals for the Year Ended September 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2010 Actual
	Original Budget	Budget as Amended	Actual		
<b>REVENUES</b>					
Property taxes	\$ 1,446,900	\$ 1,446,900	\$ 1,463,186	\$ 16,286	\$ 1,617,586
Contributions	330,030	330,030	330,030	-	330,030
Investment earnings	2,550	2,550	1,063	(1,487)	2,107
<b>Total Revenues</b>	<u>1,779,480</u>	<u>1,779,480</u>	<u>1,794,279</u>	<u>14,799</u>	<u>1,949,723</u>
<b>EXPENDITURES</b>					
Principal	1,150,000	1,150,000	1,150,000	-	1,135,000
Interest and fiscal charges	594,100	594,100	591,188	2,912	839,487
<b>Total Expenditures</b>	<u>1,744,100</u>	<u>1,744,100</u>	<u>1,741,188</u>	<u>2,912</u>	<u>1,974,487</u>
<b>Revenues Over (Under) Expenditures</b>	<u>35,380</u>	<u>35,380</u>	<u>53,091</u>	<u>17,711</u>	<u>(24,764)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunding bonds issued	-	-	-	-	6,075,000
Premium on refunding bond	-	-	-	-	306,893
Payment to refunded bond escrow agent	-	-	-	-	(7,233,220)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(851,327)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 35,380</u>	<u>\$ 35,380</u>	<u>53,091</u>	<u>\$ 17,711</u>	<u>\$ (876,091)</u>
<b>Beginning Fund Balance</b>			<u>524,365</u>		
<b>Ending Fund Balance</b>			<u>\$ 577,456</u>		

**CITY OF WEBSTER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**PUBLIC SAFETY FUND**

For the Year Ended September 30, 2011  
With Comparative Totals for the Year Ended September 30, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2010 Actual
<b>REVENUES</b>					
Fines and forfeitures	\$ 17,500	\$ 17,500	\$ 11,886	\$ (5,614)	\$ 115,925
Investment earnings	90	90	244	154	158
Intergovernmental	4,620	4,620	4,466	(154)	4,544
Other revenue	125,280	125,280	1,645	(123,635)	1,500
<b>Total Revenues</b>	<u>147,490</u>	<u>147,490</u>	<u>18,241</u>	<u>(129,249)</u>	<u>122,127</u>
<b>EXPENDITURES</b>					
Public safety	<u>147,490</u>	<u>147,490</u>	<u>38,918</u>	<u>108,572</u>	<u>9,030</u>
<b>Revenues Over</b>					
<b>(Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>(20,677)</u>	<u>(20,677)</u>	<u>113,097</u>
<b>OTHER FINANCING</b>					
<b>SOURCES (USES)</b>					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,500)</u>
<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,500)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(20,677)</u>	<u>\$ (20,677)</u>	<u>\$ 108,597</u>
<b>Beginning Fund Balance</b>			<u>136,593</u>		
<b>Ending Fund Balance</b>			<u>\$ 115,916</u>		

**CITY OF WEBSTER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**MUNICIPAL COURT PROGRAMS FUND**

For the Year Ended September 30, 2011  
With Comparative Totals for the Year Ended September 30, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2010 Actual
<b>REVENUES</b>					
Fines and forfeitures	\$ 85,670	\$ 85,670	\$ 74,934	\$ (10,736)	\$ 81,738
Investment earnings	680	680	339	(341)	551
<b>Total Revenues</b>	<u>86,350</u>	<u>86,350</u>	<u>75,273</u>	<u>(11,077)</u>	<u>82,289</u>
<b>EXPENDITURES</b>					
General government	<u>78,220</u>	<u>78,220</u>	<u>69,347</u>	<u>8,873</u>	<u>45,691</u>
<b>Revenues Over (Under) Expenditures</b>	<u>8,130</u>	<u>8,130</u>	<u>5,926</u>	<u>(2,204)</u>	<u>36,598</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(34,060)</u>	<u>(34,060)</u>	<u>(34,060)</u>	<u>-</u>	<u>(34,060)</u>
<b>Total Other Financing (Uses)</b>	<u>(34,060)</u>	<u>(34,060)</u>	<u>(34,060)</u>	<u>-</u>	<u>(34,060)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (25,930)</u>	<u>\$ (25,930)</u>	<u>(28,134)</u>	<u>\$ (2,204)</u>	<u>\$ 2,538</u>
<b>Beginning Fund Balance</b>			<u>276,792</u>		
<b>Ending Fund Balance</b>			<u>\$ 248,658</u>		



**CITY OF WEBSTER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GRANT FUND**

For the Year Ended September 30, 2011  
With Comparative Totals for the Year Ended September 30, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2010 Actual
<b>REVENUES</b>					
Intergovernmental	\$ 1,070,360	\$ 1,070,360	\$ 62,745	\$ (1,007,615)	\$ 113,841
Investment earnings	50	50	-	(50)	-
<b>Total Revenues</b>	<u>1,070,410</u>	<u>1,070,410</u>	<u>62,745</u>	<u>(1,007,665)</u>	<u>113,841</u>
<b>EXPENDITURES</b>					
Public safety	<u>1,091,860</u>	<u>1,091,860</u>	<u>75,678</u>	<u>1,016,182</u>	<u>159,152</u>
<b>Revenues Over</b>					
<b>(Under) Expenditures</b>	<u>(21,450)</u>	<u>(21,450)</u>	<u>(12,933)</u>	<u>8,517</u>	<u>(45,311)</u>
<b>OTHER FINANCING</b>					
<b>SOURCES (USES)</b>					
Transfers in	21,500	21,500	25,933	4,433	32,310
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,884)</u>
<b>Total Other Financing</b>					
<b>Sources (Uses)</b>	<u>21,500</u>	<u>21,500</u>	<u>25,933</u>	<u>4,433</u>	<u>21,426</u>
<b>Net Change in Fund Balance</b>	<u>\$ 50</u>	<u>\$ 50</u>	<u>13,000</u>	<u>\$ 12,950</u>	<u>\$ (23,885)</u>
<b>Beginning Fund Balance</b>			<u>(13,000)</u>		
<b>Ending Fund Balance</b>			<u>\$ -</u>		

**CITY OF WEBSTER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**TAX INCREMENT REINVESTMENT ZONE NO. 1**

For the Year Ended September 30, 2011  
With Comparative Totals for the Year Ended September 30, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2010 Actual
<b>REVENUES</b>					
Intergovernmental	\$ 77,700	\$ 77,700	\$ 82,630	\$ 4,930	\$ 77,249
Investment earnings	590	590	746	156	660
<b>Total Revenues</b>	<u>78,290</u>	<u>78,290</u>	<u>83,376</u>	<u>5,086</u>	<u>77,909</u>
<b>EXPENDITURES</b>					
Economic development	<u>173,290</u>	<u>173,290</u>	<u>-</u>	<u>173,290</u>	<u>-</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(95,000)</u>	<u>(95,000)</u>	<u>83,376</u>	<u>178,376</u>	<u>77,909</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>95,000</u>	<u>95,000</u>	<u>95,000</u>	<u>-</u>	<u>85,000</u>
<b>Total Other Financing Sources (Uses)</b>	<u>95,000</u>	<u>95,000</u>	<u>95,000</u>	<u>-</u>	<u>85,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>178,376</u>	<u>\$ 178,376</u>	<u>\$ 162,909</u>
<b>Beginning Fund Balance</b>			<u>419,818</u>		
<b>Ending Fund Balance</b>			<u>\$ 598,194</u>		

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## ***INTERNAL SERVICE FUNDS***

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

Equipment Replacement Fund - This fund is used to account for equipment replacement services to City divisions on a cost reimbursement basis.

Information Technology Fund - This fund is used to account for all costs of providing general information technology services to City divisions on a cost reimbursement basis.

# CITY OF WEBSTER, TEXAS

## COMBINING BALANCE SHEET

### INTERNAL SERVICE FUNDS

September 30, 2011

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,256,673	\$ 247,771	\$ 1,504,444
Investments	1,484,958	-	1,484,958
Receivables, net	26,025	-	26,025
Due from other funds	-	861	861
Prepaid expenses	-	2,750	2,750
<b>Total Current Assets</b>	<u>2,767,656</u>	<u>251,382</u>	<u>3,019,038</u>
<b>Noncurrent assets</b>			
Capital assets:			
Machinery and equipment	3,288,381	221,625	3,510,006
Less: accumulated depreciation	(2,563,139)	(72,109)	(2,635,248)
<b>Total Capital Assets (Net)</b>	<u>725,242</u>	<u>149,516</u>	<u>874,758</u>
<b>Total Noncurrent Assets</b>	<u>725,242</u>	<u>149,516</u>	<u>874,758</u>
<b>Total Assets</b>	<u>3,492,898</u>	<u>400,898</u>	<u>3,893,796</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	-	13,524	13,524
Current portion of compensated absences	-	1,370	1,370
<b>Total Current Liabilities</b>	<u>-</u>	<u>14,894</u>	<u>14,894</u>
<b>Noncurrent liabilities</b>			
Compensated absences	-	8,924	8,924
Net pension obligation	-	15,190	15,190
Net other postemployment benefit obligation	-	4,218	4,218
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>28,332</u>	<u>28,332</u>
<b>Total Liabilities</b>	<u>-</u>	<u>43,226</u>	<u>43,226</u>
<b>NET ASSETS</b>			
Invested in capital assets	725,242	149,516	874,758
Unrestricted	<u>2,767,656</u>	<u>208,156</u>	<u>2,975,812</u>
<b>Total Net Assets</b>	<u>\$ 3,492,898</u>	<u>\$ 357,672</u>	<u>\$ 3,850,570</u>

See Notes to Financial Statements.

**CITY OF WEBSTER, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended September 30, 2011

	Equipment Replacement	Information Technology	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 466,590	\$ 580,750	\$ 1,047,340
Other income	24,321	1,167	25,488
<b>Total Operating Revenues</b>	<u>490,911</u>	<u>581,917</u>	<u>1,072,828</u>
<b>OPERATING EXPENSES</b>			
Personnel	-	259,723	259,723
Supplies	-	12,796	12,796
Maintenance	-	36,133	36,133
Services	-	180,252	180,252
Depreciation	377,870	40,070	417,940
<b>Total Operating Expenses</b>	<u>377,870</u>	<u>528,974</u>	<u>906,844</u>
<b>Operating Income</b>	<u>113,041</u>	<u>52,943</u>	<u>165,984</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	6,606	484	7,090
Gain on sale of capital assets	4,500	-	4,500
<b>Total Nonoperating Revenues</b>	<u>11,106</u>	<u>484</u>	<u>11,590</u>
<b>Change in Net Assets</b>	124,147	53,427	177,574
<b>Beginning Net Assets</b>	<u>3,368,751</u>	<u>304,245</u>	<u>3,672,996</u>
<b>Ending Net Assets</b>	<u><u>\$ 3,492,898</u></u>	<u><u>\$ 357,672</u></u>	<u><u>\$ 3,850,570</u></u>

See Notes to Financial Statements.

**CITY OF WEBSTER, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS (Page 1 of 2)**  
For the Year Ended September 30, 2011

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from users	\$ 481,791	\$ 581,917	\$ 1,063,708
Payments to suppliers	-	(244,625)	(244,625)
Payments to employees	-	(238,122)	(238,122)
<b>Net Cash Provided by Operating Activities</b>	<u>481,791</u>	<u>99,170</u>	<u>580,961</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(96,484)	(62,722)	(159,206)
Proceeds from sales of capital assets	<u>4,500</u>	<u>-</u>	<u>4,500</u>
<b>Net Cash (Used) by Capital and Related     Financing Activities</b>	<u>(91,984)</u>	<u>(62,722)</u>	<u>(154,706)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments	1,156,449	-	1,156,449
Purchase of investments	(1,494,780)	-	(1,494,780)
Interest on investments	<u>6,606</u>	<u>484</u>	<u>7,090</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(331,725)</u>	<u>484</u>	<u>(331,241)</u>
 <b>Net Increase in Cash and Cash Equivalents</b>	 58,082	 36,932	 95,014
<b>Beginning Cash and Cash Equivalents</b>	<u>1,198,591</u>	<u>210,839</u>	<u>1,409,430</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 1,256,673</u></u>	<u><u>\$ 247,771</u></u>	<u><u>\$ 1,504,444</u></u>

**CITY OF WEBSTER, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS (Page 2 of 2)**  
For the Year Ended September 30, 2011

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Total</u>
<b>Reconciliation of Operating Income</b>			
<b>to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 113,041	\$ 52,943	\$ 165,984
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	377,870	40,070	417,940
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in Current Assets:</b>			
Accounts receivable	(9,120)	-	(9,120)
Due from other funds	-	(208)	(208)
Prepaid expenses	-	(2,750)	(2,750)
<b>Increase (Decrease) in Current Liabilities:</b>			
Accounts payable and accrued liabilities	-	(12,486)	(12,486)
Compensated absences	-	21,601	21,601
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 481,791</u>	<u>\$ 99,170</u>	<u>\$ 580,961</u>

See Notes to Financial Statements.



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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.

<b>Contents</b>	<b>Page</b>
Financial Trends	92
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	106
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	
Debt Capacity	114
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	123
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	125
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 Nine Years <sup>(1)</sup>  
(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 27,733,166	\$ 29,047,446	\$ 28,559,397	\$ 33,987,295
Restricted	1,501,035	2,145,738	3,909,606	2,864,520
Unrestricted	9,434,518	8,047,965	9,753,629	10,256,328
Total Governmental Activities Net Assets	<u>\$ 38,668,719</u>	<u>\$ 39,241,149</u>	<u>\$ 42,222,632</u>	<u>\$ 47,108,143</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 13,676,380	\$ 13,113,572	\$ 13,018,963	\$ 12,990,258
Restricted	694,529	968,225	1,711,882	1,782,536
Unrestricted	1,328,789	1,199,605	1,096,759	2,673,199
Total Business-type Activities Net Assets	<u>\$ 15,699,698</u>	<u>\$ 15,281,402</u>	<u>\$ 15,827,604</u>	<u>\$ 17,445,993</u>
Primary government				
Invested in capital assets, net of related debt	\$ 41,409,546	\$ 42,161,018	\$ 41,578,360	\$ 46,977,553
Restricted	2,195,564	3,113,963	5,621,488	4,647,056
Unrestricted	10,763,307	9,247,570	10,850,388	12,929,527
Total Primary Government Net Assets	<u>\$ 54,368,417</u>	<u>\$ 54,522,551</u>	<u>\$ 58,050,236</u>	<u>\$ 64,554,136</u>

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 34,682,185	\$ 36,295,260	\$ 38,656,099	\$ 35,859,223	\$ 34,788,233
5,080,935	4,878,125	6,335,017	5,906,096	2,756,384
10,649,642	11,320,614	11,584,484	11,966,071	16,302,442
<u>\$ 50,412,762</u>	<u>\$ 52,493,999</u>	<u>\$ 56,575,600</u>	<u>\$ 53,731,390</u>	<u>\$ 53,847,059</u>
\$ 13,239,394	\$ 13,676,387	\$ 16,697,191	\$ 18,060,249	\$ 18,839,292
2,743,668	3,314,199	2,853,477	2,684,805	2,336,262
2,292,205	1,247,194	2,210,839	2,879,242	3,137,696
<u>\$ 18,275,267</u>	<u>\$ 18,237,780</u>	<u>\$ 21,761,507</u>	<u>\$ 23,624,296</u>	<u>\$ 24,313,250</u>
\$ 47,921,579	\$ 49,971,647	\$ 55,353,290	\$ 53,919,472	\$ 53,627,525
7,824,603	8,192,324	9,188,494	8,590,901	5,092,646
12,941,847	12,567,808	13,795,323	14,845,313	19,440,138
<u>\$ 68,688,029</u>	<u>\$ 70,731,779</u>	<u>\$ 78,337,107</u>	<u>\$ 77,355,686</u>	<u>\$ 78,160,309</u>

# CITY OF WEBSTER, TEXAS

## CHANGES IN NET ASSETS

Last Nine Years <sup>(1)</sup>

(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
<b>Expenses</b>				
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
Public works <sup>(2)</sup>	-	-	-	-
Community development <sup>(2)</sup>	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
Wastewater	1,033,796	1,168,643	1,181,352	1,172,291
Drainage	-	-	-	-
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>
<b>Program Revenues</b>				
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
Wastewater	946,727	939,458	1,057,025	1,280,748
Drainage	-	-	-	-
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>
<b>Net (Expense)/Revenue</b>				
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>

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> Beginning in 2010, the public works function has been separated from the community development function. This change has been implemented prospectively.

2007	2008	2009	2010	2011
\$ 3,127,988	\$ 4,372,934	\$ 3,518,765	\$ 3,231,366	\$ 3,810,971
7,186,702	7,438,134	8,275,633	8,945,639	8,705,059
-	-	-	3,813,092	3,273,335
5,562,641	5,666,080	7,245,743	3,359,280	2,724,785
1,317,336	1,352,133	938,611	802,010	648,743
17,194,667	18,829,281	19,978,752	20,151,387	19,162,893
1,347,623	1,676,357	1,722,540	1,854,204	1,939,942
1,468,095	1,531,042	1,637,288	1,891,447	2,034,661
-	-	-	328,732	326,725
2,815,718	3,207,399	3,359,828	4,074,383	4,301,328
\$ 20,010,385	\$ 22,036,680	\$ 23,338,580	\$ 24,225,770	\$ 23,464,221
\$ 150,143	\$ 184,886	\$ 211,429	\$ 155,730	\$ 150,660
1,331,735	1,592,374	1,310,891	1,418,862	1,201,472
516,178	528,630	376,597	357,679	339,664
1,082,168	1,584,928	2,236,981	1,252,410	1,192,871
1,147,059	220,542	3,001,168	29,579	4,526
4,227,283	4,111,360	7,137,066	3,214,260	2,889,193
1,502,776	1,571,025	1,771,314	1,756,318	1,869,325
1,398,083	1,434,841	1,683,648	1,791,595	1,960,596
-	-	-	311,377	314,831
-	-	3,412,361	238,564	894,767
2,900,859	3,005,866	6,867,323	4,097,854	5,039,519
\$ 7,128,142	\$ 7,117,226	\$ 14,004,389	\$ 7,312,114	\$ 7,928,712
\$ (12,967,384)	\$ (14,717,921)	\$ (12,841,686)	\$ (16,937,127)	\$ (16,273,700)
85,141	(201,533)	3,507,495	23,471	738,191
\$ (12,882,243)	\$ (14,919,454)	\$ (9,334,191)	\$ (16,913,656)	\$ (15,535,509)

# CITY OF WEBSTER, TEXAS

## CHANGES IN NET ASSETS (Continued)

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

	Year			
	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities				
Ad valorem taxes	\$ 1,828,882	\$ 1,979,032	\$ 2,274,512	\$ 2,228,993
Sales taxes	7,682,515	7,739,590	8,972,603	9,563,065
Franchise and local taxes	771,355	740,553	777,018	822,881
Other taxes	786,138	677,721	748,656	869,890
Investment earnings	184,263	158,718	299,161	544,246
Other revenues	34,779	75,861	127,736	201,238
Gain (loss) on sale of capital assets	20,568	21,955	-	-
Transfers	(144,483)	270,420	295,420	(563,510)
Total Governmental Activities	<u>11,164,017</u>	<u>11,663,850</u>	<u>13,495,106</u>	<u>13,666,803</u>
Business-type activities				
Investment earnings	30,828	37,997	82,182	197,176
Other revenues	136,000	271,441	916,694	249,954
Gain (loss) on sale of capital assets	-	-	-	-
Transfers	144,483	(270,420)	(295,420)	563,510
Total Business-type Activities	<u>311,311</u>	<u>39,018</u>	<u>703,456</u>	<u>1,010,640</u>
Total Primary Government	<u>\$ 11,475,328</u>	<u>\$ 11,702,868</u>	<u>\$ 14,198,562</u>	<u>\$ 14,677,443</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ (399,730)	\$ 572,430	\$ 2,981,483	\$ 4,885,511
Business-type activities	235,485	(418,296)	546,202	1,618,389
Total Primary Government	<u>\$ (164,245)</u>	<u>\$ 154,134</u>	<u>\$ 3,527,685</u>	<u>\$ 6,503,900</u>

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



2007	2008	2009	2010	2011
\$ 2,407,997	\$ 2,614,259	\$ 2,801,925	\$ 3,144,351	\$ 3,349,978
10,773,089	11,000,547	10,922,780	9,883,594	10,270,148
982,871	1,016,549	1,014,492	1,076,618	1,093,727
999,567	1,012,157	1,126,527	1,188,572	1,241,624
710,004	533,397	236,386	56,944	44,039
381,250	190,782	508,982	273,551	135,353
(372,365)	70,055	66,215	44,725	4,500
389,590	455,633	245,980	(1,575,438)	250,000
<u>16,272,003</u>	<u>16,893,379</u>	<u>16,923,287</u>	<u>14,092,917</u>	<u>16,389,369</u>
531,946	347,054	65,851	12,940	14,923
601,777	256,674	196,361	250,940	185,840
-	15,951	-	-	-
<u>(389,590)</u>	<u>(455,633)</u>	<u>(245,980)</u>	<u>1,575,438</u>	<u>(250,000)</u>
<u>744,133</u>	<u>164,046</u>	<u>16,232</u>	<u>1,839,318</u>	<u>(49,237)</u>
<u>\$ 17,016,136</u>	<u>\$ 17,057,425</u>	<u>\$ 16,939,519</u>	<u>\$ 15,932,235</u>	<u>\$ 16,340,132</u>
\$ 3,304,619	\$ 2,175,458	\$ 4,081,601	\$ (2,844,210)	\$ 115,669
829,274	(37,487)	3,523,727	1,862,789	688,954
<u>\$ 4,133,893</u>	<u>\$ 2,137,971</u>	<u>\$ 7,605,328</u>	<u>\$ (981,421)</u>	<u>\$ 804,623</u>

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

Last Nine Years <sup>(1)</sup>  
(accrual basis of accounting)

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

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Change 2010-2011</u>
\$ 2,407,997	\$ 2,614,259	\$ 2,801,925	\$ 3,144,351	\$ 3,349,978	6.5%
10,773,089	11,000,547	10,922,780	9,883,594	10,270,148	3.9%
982,871	1,016,549	1,014,492	1,076,618	1,093,727	1.6%
999,567	1,012,157	1,126,527	1,188,572	1,241,624	4.5%
<u>\$ 15,163,524</u>	<u>\$ 15,643,512</u>	<u>\$ 15,865,724</u>	<u>\$ 15,293,135</u>	<u>\$ 15,955,477</u>	4.3%

**CITY OF WEBSTER, TEXAS**  
**FUND BALANCES, GOVERNMENTAL FUNDS**

Last Nine Years <sup>(1)</sup>  
(modified accrual basis of accounting)

	Year			
	2003	2004	2005	2006
General Fund				
Nonspendable	\$ 13,263	\$ 13,143	\$ 129,460	\$ 12,195
Assigned	-	509,537	455,918	401,165
Unassigned	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				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	304,315	366,178	852,624	933,696
Assigned, reported in:				
Capital project funds	3,274,851	2,497,912	3,825,346	2,135,028
Special revenue funds	1,689,863	1,761,021	2,944,444	3,135,703
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>

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 71,297	\$ 107,542	\$ 75,033	\$ 40,273	\$ 889,606
345,252	288,156	898,871	950,221	164,811
7,425,532	8,687,164	8,630,449	8,296,652	8,974,754
<u>\$ 7,842,081</u>	<u>\$ 9,082,862</u>	<u>\$ 9,604,353</u>	<u>\$ 9,287,146</u>	<u>\$ 10,029,171</u>
\$ -	\$ 810	\$ -	\$ -	\$ 325
1,205,440	1,305,817	1,400,456	524,365	2,753,771
3,573,955	2,167,484	4,234,221	4,478,279	4,381,647
4,048,554	4,389,743	1,175,414	1,864,164	115,591
<u>\$ 8,827,949</u>	<u>\$ 7,863,854</u>	<u>\$ 6,810,091</u>	<u>\$ 6,866,808</u>	<u>\$ 7,251,334</u>

# CITY OF WEBSTER, TEXAS

## CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Nine Years <sup>(1)</sup>  
(modified accrual basis of accounting)

	Year			
	2003	2004	2005	2006
<b>Revenues</b>				
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
<b>Total Revenues</b>	<b>13,350,963</b>	<b>13,468,666</b>	<b>16,227,826</b>	<b>17,107,591</b>
<b>Expenditures</b>				
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
Public works	-	-	-	-
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
<b>Total expenditures</b>	<b>15,746,257</b>	<b>14,203,101</b>	<b>14,836,661</b>	<b>16,905,353</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,395,294)</b>	<b>(734,435)</b>	<b>1,391,165</b>	<b>202,238</b>
<b>Other Financing Sources (Uses)</b>				
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
<b>Total Other Financing Sources (Uses)</b>	<b>399,879</b>	<b>296,604</b>	<b>1,909,052</b>	<b>(526,982)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,995,415)</b>	<b>\$ (437,831)</b>	<b>\$ 3,300,217</b>	<b>\$ (324,744)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>22.41%</b>	<b>15.66%</b>	<b>15.79%</b>	<b>14.37%</b>

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

2007	2008	2009	2010	2011
\$ 15,080,159	\$ 15,558,086	\$ 15,771,588	\$ 15,213,296	\$ 15,965,845
516,178	470,577	354,447	328,389	301,990
1,331,735	1,592,374	1,310,891	1,418,862	1,201,472
150,143	242,939	233,579	185,020	188,334
52,138	554,898	1,206,951	209,380	149,841
710,004	533,397	204,198	50,164	36,949
1,030,030	1,030,030	1,030,030	1,030,030	1,030,030
381,250	190,782	508,982	273,551	135,353
19,251,637	20,173,083	20,620,666	18,708,692	19,009,814
2,952,100	4,193,306	3,319,192	3,450,702	3,460,682
6,795,850	8,335,646	7,879,104	8,314,199	8,328,825
-	-	-	2,505,572	2,479,238
4,569,811	4,503,793	4,788,497	1,929,381	1,933,770
572,345	1,077,980	1,350,549	196,605	189,560
1,010,266	860,998	1,210,000	1,135,000	1,150,000
1,110,595	1,450,363	850,305	839,487	591,188
17,010,967	20,422,086	19,397,647	18,370,946	18,133,263
2,240,670	(249,003)	1,223,019	337,746	876,551
-	-	-	6,075,000	-
-	-	-	306,893	-
-	-	-	-	-
-	-	-	(7,233,220)	-
2,699,003	2,580,586	2,840,687	906,302	675,673
(2,309,413)	(2,124,953)	(2,594,707)	(656,302)	(425,673)
26,453	-	-	-	-
30,368	70,055	27,301	3,091	-
446,411	525,688	273,281	(598,236)	250,000
\$ 2,687,081	\$ 276,685	\$ 1,496,300	\$ (260,490)	\$ 1,126,551
13.30%	13.14%	11.42%	10.86%	10.13%

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

Last Nine Years <sup>(1)</sup>  
(modified accrual basis of accounting)

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

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.



2007	2008	2009	2010	2011	Change 2010-2011
\$ 2,438,400	\$ 2,623,072	\$ 2,802,028	\$ 3,158,751	\$ 3,383,915	7.1%
10,659,321	10,906,308	10,828,541	9,789,355	10,246,579	4.7%
982,871	1,016,549	1,014,492	1,076,618	1,093,727	1.6%
999,567	1,012,157	1,126,527	1,188,572	1,241,624	4.5%
\$ 15,080,159	\$ 15,558,086	\$ 15,771,588	\$ 15,213,296	\$ 15,965,845	4.9%

**CITY OF WEBSTER, TEXAS**  
**ASSESSED VALUE AND TAXABLE VALUE OF PROPERTY**  
 Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential Property	\$ 171,310,610	\$ 183,423,560	\$ 188,198,130	\$ 185,853,920
Commercial Property	573,020,560	569,548,840	577,844,650	588,166,020
Industrial Property	<u>39,377,650</u>	<u>38,938,490</u>	<u>39,320,230</u>	<u>48,278,150</u>
Total Assessed Value	783,708,820	791,910,890	805,363,010	822,298,090
Less: Tax Exempt Property	<u>15,414,720</u>	<u>22,946,700</u>	<u>25,094,880</u>	<u>26,274,610</u>
Total Taxable Value	<u>\$ 768,294,100</u>	<u>\$ 768,964,190</u>	<u>\$ 780,268,130</u>	<u>\$ 796,023,480</u>
Total Direct Tax Rate <sup>(1)</sup>	0.26000	0.24000	0.25100	0.26800

Source: Harris County Appraisal District

Notes:

<sup>(1)</sup> Tax rates are per \$100 of assessed value.

Presented are the estimated actual value for each fiscal year as of September 30, 2011.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 203,476,378	\$ 220,285,562	\$ 251,465,804	\$ 289,433,529	\$ 314,019,430	\$ 293,997,442
706,105,193	755,117,695	851,185,931	1,099,154,271	1,137,219,706	1,102,820,387
<u>57,356,684</u>	<u>57,154,669</u>	<u>46,263,195</u>	<u>45,621,080</u>	<u>30,822,429</u>	<u>38,172,973</u>
966,938,255	1,032,557,926	1,148,914,930	1,434,208,880	1,482,061,565	1,434,990,802
<u>100,696,203</u>	<u>99,213,659</u>	<u>103,060,556</u>	<u>116,676,359</u>	<u>122,173,651</u>	<u>116,750,452</u>
<u>\$ 866,242,052</u>	<u>\$ 933,344,267</u>	<u>\$ 1,045,854,374</u>	<u>\$ 1,317,532,521</u>	<u>\$ 1,359,887,914</u>	<u>\$ 1,318,240,350</u>
0.25750	0.25750	0.24887	0.20600	0.23252	0.25750

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
City of Webster by fund:				
General	\$ 0.02000	\$ 0.02000	\$ 0.04053	\$ 0.05446
Debt service	0.24000	0.22000	0.21047	0.21354
<b>Total Direct Rates</b>	<u>\$ 0.26000</u>	<u>\$ 0.24000</u>	<u>\$ 0.25100</u>	<u>\$ 0.26800</u>
Clear Creek School District	\$ 1.74000	\$ 1.74000	\$ 1.73000	\$ 1.74500
Harris County	0.38814	0.38814	0.38803	0.39986
Harris County Flood Control District	0.04174	0.04174	0.04174	0.03318
Port of Houston Authority	0.01989	0.01989	0.02000	0.01673
Harris County Hospital District	0.19021	0.19021	0.19021	0.19021
Harris County Department of Education	0.00629	0.00629	0.00629	0.00629
<b>Total Direct and Overlapping Rates <sup>(1)</sup></b>	<u>\$ 2.64627</u>	<u>\$ 2.62627</u>	<u>\$ 2.62727</u>	<u>\$ 2.65927</u>

Source: Harris County Appraisal District, Clear Creek School District

Notes:

<sup>(1)</sup> 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).

Tax rates are per \$100 of assessed value.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 0.05000	\$ 0.04904	\$ 0.05672	\$ 0.07335	\$ 0.11333	\$ 0.14669
0.20750	0.20846	0.19215	0.13265	0.11919	0.11081
<u>\$ 0.25750</u>	<u>\$ 0.25750</u>	<u>\$ 0.24887</u>	<u>\$ 0.20600</u>	<u>\$ 0.23252</u>	<u>\$ 0.25750</u>
\$ 1.77500	\$ 1.63000	\$ 1.32000	\$ 1.36000	\$ 1.36000	\$ 1.36000
0.39986	0.40239	0.39239	0.38923	0.39224	0.38805
0.03322	0.03241	0.03106	0.03086	0.02922	0.29233
0.01474	0.01302	0.01437	0.01773	0.01636	0.02054
0.19216	0.19216	0.19216	0.19216	0.19216	0.19216
0.00629	0.00629	0.00585	0.00584	0.00605	0.00658
<u>\$ 2.67877</u>	<u>\$ 2.53377</u>	<u>\$ 2.20470</u>	<u>\$ 2.20182</u>	<u>\$ 2.22855</u>	<u>\$ 2.51716</u>

# CITY OF WEBSTER, TEXAS

## PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2011			2002		
	Assessed Value	Rank	% of Assessed Value	Assessed Value	Rank	% of Assessed Value
Clear Lake Regional Medical Center	\$ 81,501,417	1	5.68%	\$ 42,238,720	1	5.50%
Inland American Webster	49,525,569	2	3.45%	16,821,860	8	2.19%
Texas Baybrook Square Center <sup>(1)</sup>	38,688,314	3	2.70%	-		
Webster Partners LP <sup>(2)</sup>	30,719,827	4	2.14%	-		
NP SSP Baybrook LLC	28,300,000	5	1.97%	16,057,810	9	2.09%
Price Baybrook Ltd	25,000,000	6	1.74%	24,513,770	2	3.19%
El Camino Village of Texas	24,250,000	7	1.69%	17,479,490	5	2.28%
Rockwell International	23,711,000	8	1.65%	19,803,750	4	2.58%
Clear Lake Center LP	21,964,600	9	1.53%	17,277,930	6	2.25%
US Housing Partners VIII LP	20,500,000	10	1.43%	22,826,200	3	2.97%
WDOP Sub I LP <sup>(3)</sup>	-			17,149,980	7	2.23%
UDR Camino Village, LP <sup>(4)</sup>	-			12,633,960	10	1.64%
Subtotal	\$ 344,160,727		23.98%	\$ 206,803,470		26.92%
Other Taxpayers	1,090,830,075		76.02%	561,490,630		73.08%
Total	\$ 1,434,990,802		100.00%	\$ 768,294,100		100.00%

Source: Harris County Appraisal District

Notes:

<sup>(1)</sup> Texas Baybrook Square Center was not a top ten taxpayer in 2002. It is included in the Other Taxpayers subtotal.

<sup>(2)</sup> Webster Partners LP is not a top ten taxpayer in 2002. It is included in the Other Taxpayers subtotal.

<sup>(3)</sup> WDOP Sub I LP is not a top ten taxpayer in 2011. It is included in the Other Taxpayers subtotal.

<sup>(4)</sup> UDR Camino Village, LP is not a top ten taxpayer in 2011. It is included in the Other Taxpayers subtotal.

# CITY OF WEBSTER, TEXAS

## PRINCIPAL SALES TAX REMITTERS

Current Year and Eight Years Ago <sup>(1)</sup>

Sales Tax Remitter	Sales Tax Rate <sup>(2) (3)</sup>	2011 Rank	2003 Rank
Fry's Electronics	\$ 0.02000	1	n/a
Academy Sports & Outdoors	0.02000	2	n/a
Bed Bath & Beyond	0.02000	3	12
Star Furniture	0.02000	4	2
Cinemark USA	0.02000	5	7
Ashley Furniture	0.02000	6	n/a
Pappa's Seafood House / Pappasito's Cantina	0.02000	7	9
Burlington Coat Factory	0.02000	8	10
ExxonMobil Corporation <sup>(4)</sup>	0.02000	9	
Conn's Appliances	0.02000	10	6
Garden Ridge	0.02000	11	4
Guitar Center <sup>(5)</sup>	0.02000	12	
Hobby Lobby Creative Center	0.02000	13	19
Jared - The Galleria of Jewelry	0.02000	14	20
Barnes & Noble	0.02000	15	11
Office Depot <sup>(6)</sup>	0.02000		8
Reliant Energy <sup>(7)</sup>	0.02000		15
The Sports Authority <sup>(8)</sup>	0.02000		13
Old Navy <sup>(9)</sup>	0.02000		14
Home Depot	0.02000	n/a	1
CompUSA Stores	0.02000	n/a	3
Kmart	0.02000	n/a	5

Source: State Comptroller's Office

<sup>(1)</sup> The requirement for statistical data is ten years; only the current year and eight years ago is available.

<sup>(2)</sup> This represents the City's portion only; the state's rate is \$0.0625.

<sup>(3)</sup> The sales tax rate has remained the same since 2003.

<sup>(4)</sup> ExxonMobil Corporation was not a top fifteen sales tax remitter in 2003.

<sup>(5)</sup> Guitar Center was not a top fifteen sales tax remitter in 2003.

<sup>(6)</sup> Office Depot was not a top fifteen sales tax remitter in 2011.

<sup>(7)</sup> Reliant Energy was not a top fifteen sales tax remitter in 2011.

<sup>(8)</sup> The Sports Authority was not a top fifteen sales tax remitter in 2011.

<sup>(9)</sup> Old Navy was not a top fifteen sales tax remitter in 2011.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Tax levy	\$ 1,976,524	\$ 1,818,570	\$ 1,940,214	\$ 2,115,135
Current tax collected	1,921,917	1,788,647	1,912,018	2,075,818
Percent of current tax collections	97.24%	98.35%	98.55%	98.14%
Delinquent tax collections	37,292	17,789	10,412	7,516
Total tax collections	1,959,209	1,806,436	1,922,430	2,083,334
Total collections as a percentage of current levy	99.12%	99.33%	99.08%	98.50%
Outstanding delinquent taxes	14,344	8,121	5,682	7,317
Outstanding delinquent taxes as a percentage of current levy	0.73%	0.45%	0.29%	0.35%



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	2,223,263	\$ 2,403,361	\$ 2,602,818	\$ 2,714,117	\$ 3,162,011	\$ 3,394,469
	2,186,611	2,379,571	2,581,717	2,755,735	3,173,639	3,356,460
	98.35%	99.01%	99.19%	101.53%	100.37%	98.88%
	17,676	22,656	22,956	(40,832)	(27,999)	-
	2,204,287	2,402,227	2,604,674	2,714,902	3,145,640	3,356,460
	99.15%	99.95%	100.07%	100.03%	99.48%	98.88%
	5,198	1,134	(1,856)	(785)	16,371	38,009
	0.23%	0.05%	-0.07%	-0.03%	0.52%	1.12%

**CITY OF WEBSTER, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
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	-
<b>Subtotal</b>	<u>\$ 24,069,807</u>	<u>\$ 22,318,292</u>	<u>\$ 21,317,690</u>	<u>\$ 22,906,445</u>
<b>Business-Type Activities:</b>				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
<b>Total Primary Government</b>	<u><u>\$ 24,069,807</u></u>	<u><u>\$ 22,318,292</u></u>	<u><u>\$ 21,317,690</u></u>	<u><u>\$ 22,906,445</u></u>
<b>Component Unit Activities <sup>(1)</sup>:</b>				
Sales Tax Revenue Bonds	\$ 14,410,000	\$ 13,905,000	\$ 13,375,000	\$ 12,820,000
<b>Personal Income <sup>(2) (3)</sup></b>	\$ -	\$ -	\$ 262,284,736	\$ 236,243,150
<b>Primary Government Debt as     a Percentage of Personal Income</b>	-	-	8.13%	9.70%
<b>Population <sup>(4)</sup></b>	10,308	10,323	9,923	8,695
<b>Primary Government Debt per Capita</b>	\$ 2,335	\$ 2,162	\$ 2,148	\$ 2,634

Notes:

<sup>(1)</sup> Component unit activities are not included in the calculation of debt as a percentage of personal income or debt per capita.

<sup>(2)</sup> Personal income data prior to 2004 is not available.

<sup>(3)</sup> Personal income information is a total for the year.

<sup>(4)</sup> 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>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 17,756,264	\$ 16,900,998	\$ 16,205,000	\$ 15,165,000	\$ 15,920,000	\$ 14,830,000
4,210,000	4,055,000	3,890,000	3,720,000	715,000	655,000
-	24,247	20,221	15,865	-	-
<u>\$ 21,966,264</u>	<u>\$ 20,980,245</u>	<u>\$ 20,115,221</u>	<u>\$ 18,900,865</u>	<u>\$ 16,635,000</u>	<u>\$ 15,485,000</u>
\$ -	\$ 6,030,000	\$ 8,080,000	\$ 7,860,000	\$ 7,630,000	\$ 7,395,000
<u>\$ 21,966,264</u>	<u>\$ 27,010,245</u>	<u>\$ 28,195,221</u>	<u>\$ 26,760,865</u>	<u>\$ 24,265,000</u>	<u>\$ 22,880,000</u>
\$ 16,055,000	\$ 15,445,000	\$ 14,800,000	\$ 14,125,000	\$ 13,415,000	\$ 12,390,000
\$ 280,866,250	\$ 223,392,930	\$ 223,982,980	\$ 232,951,740	\$ 239,324,700	\$ 247,332,800
7.82%	12.09%	12.59%	11.49%	10.14%	9.25%
8,750	9,465	9,490	9,870	10,338	10,400
\$ 2,510	\$ 2,854	\$ 2,971	\$ 2,711	\$ 2,347	\$ 2,200

**CITY OF WEBSTER, TEXAS**  
**RATIO OF NET BONDED DEBT TO TAXABLE VALUE**  
**AND NET BONDED DEBT PER CAPITA**  
**Last Ten Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Taxable Value of Property <sup>(1)</sup></b>				
All property	\$ 768,294,100	\$ 768,964,190	\$ 780,268,130	\$ 796,023,480
<b>Net Bonded Debt <sup>(2)</sup></b>				
Gross bonded debt	\$ 23,494,035	\$ 22,079,035	\$ 21,159,035	\$ 22,906,445
Less debt service funds	727,646	304,315	366,178	852,624
<b>Net Bonded Debt</b>	<u><u>\$ 22,766,389</u></u>	<u><u>\$ 21,774,720</u></u>	<u><u>\$ 20,792,857</u></u>	<u><u>\$ 22,053,821</u></u>
<b>Ratio of Net Bonded Debt to Taxable Value</b>	2.96%	2.83%	2.66%	2.77%
<b>Population <sup>(3)</sup></b>	10,308	10,323	9,923	8,695
<b>Net Bonded Debt per Capita</b>	\$ 2,209	\$ 2,109	\$ 2,095	\$ 2,536

Notes:

<sup>(1)</sup> Shown are estimated actual values for each fiscal year as of September 30, 2011.

<sup>(2)</sup> Net bonded debt reflects obligations supported by a pledge of ad valorem taxes.

<sup>(3)</sup> Population was estimated using data received from the Harris County Appraisal District.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 866,242,052	\$ 933,344,267	\$ 1,045,854,374	\$ 1,317,532,521	\$ 1,359,887,914	\$ 1,318,240,350
\$ 21,966,264	\$ 20,955,998	\$ 20,095,000	\$ 18,885,000	\$ 16,635,000	\$ 15,485,000
933,697	1,205,440	1,305,817	1,400,456	524,365	577,456
<u>\$ 21,032,567</u>	<u>\$ 19,750,558</u>	<u>\$ 18,789,183</u>	<u>\$ 17,484,544</u>	<u>\$ 16,110,635</u>	<u>\$ 14,907,544</u>
2.43%	2.12%	1.80%	1.33%	1.18%	1.13%
8,750	9,465	9,490	9,870	10,338	10,400
\$ 2,404	\$ 2,087	\$ 1,980	\$ 1,771	\$ 1,558	\$ 1,433

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**CITY OF WEBSTER, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
September 30, 2011

	<u>Debt Outstanding</u>	<u>As Of</u>	<u>Estimated Percentage Applicable <sup>(1)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Governmental Unit</b>				
Clear Creek ISD	\$ 669,359,458	8/31/2011	9.15%	\$ 61,246,390
Clear Lake City Water Authority	74,850,000	9/30/2011	7.03%	5,261,955
Harris County	1,827,861,628	2/28/2011	0.49%	8,956,522
Harris Co. Dept of Education	8,160,000	8/31/2011	0.49%	39,984
Harris Co. Flood Control District	105,482,945	2/28/2011	0.49%	516,866
Port of Houston Authority	778,269,397	12/31/2011	0.49%	<u>3,813,520</u>
<b>Subtotal, overlapping debt</b>				79,835,238
<b>City Direct Debt <sup>(2)</sup></b>	15,485,000	9/30/2011	100.00%	<u>15,485,000</u>
<b>Total Direct and Overlapping Debt</b>				<u><u>\$ 95,320,238</u></u>

Source: Coastal Securities, Ltd.

Notes:

<sup>(1)</sup> Estimated Percentage Applicable obtained from Municipal Advisory Council of Texas.

<sup>(2)</sup> City Direct Debt is comprised of debt obligations supported by a pledge of ad valorem taxes.

# CITY OF WEBSTER, TEXAS

## LEGAL DEBT MARGIN INFORMATION

Last Nine Years <sup>(1)</sup>

	Year			
	2003	2004	2005	2006
Debt limit <sup>(2)</sup>	\$ 79,191,089	\$ 80,536,301	\$ 82,229,809	\$ 96,693,826
Total net debt applicable to limit	21,774,720	20,792,857	22,053,821	21,032,567
Legal debt margin	<u>\$ 57,416,369</u>	<u>\$ 59,743,444</u>	<u>\$ 60,175,988</u>	<u>\$ 75,661,259</u>
Total net debt applicable to the limit as a percentage of debt limit	27.50%	25.82%	26.82%	21.75%

### Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 1,434,990,802
Debt limit (10% of assessed value)	143,499,080
Debt applicable to limit:	
General obligation bonds	15,485,000
Less: amount set aside for repayment of general obligation debt	<u>(577,456)</u>
Total net debt applicable to limit	<u>14,907,544</u>
Legal debt margin	<u>\$ 128,591,536</u>

#### Notes:

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> 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 \$0.25750 per \$100 of assessed valuation.



<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 103,255,793	\$ 114,891,493	\$ 143,420,888	\$ 148,206,157	\$ 143,499,080
19,750,559	18,789,182	17,484,544	16,106,314	14,907,544
<u>\$ 83,505,234</u>	<u>\$ 96,102,311</u>	<u>\$ 125,936,344</u>	<u>\$ 132,099,843</u>	<u>\$ 128,591,536</u>
19.13%	16.35%	12.19%	10.87%	10.39%

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

<b>Fiscal Year Ended Sept. 30</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income <sup>(5) (6)</sup></b>	<b>Per Capita Personal Income <sup>(2)</sup></b>	<b>Median Age <sup>(5)</sup></b>	<b>School Enrollment <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(4)</sup></b>
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	878	3.1%
2007	9,465	223,392,930	23,602	31.2	884	3.8%
2008	9,490	223,982,980	23,602	31.2	864	5.1%
2009	9,870	232,951,740	23,602	31.2	990	8.2%
2010	10,338	239,324,700	23,150	32.2	1,061	8.2%
2011	10,400	247,332,800	23,782	32.8	1,134	8.6%

Data sources:

<sup>(1)</sup> Population was estimated using data received from the Harris County Appraisal District.

<sup>(2)</sup> Sperling's BestPlaces

<sup>(3)</sup> Clear Creek Independent School District; intermediate school was converted to a high school in 2006.

<sup>(4)</sup> Bureau of Labor Statistics

<sup>(5)</sup> Sperling's BestPlaces; personal income and median age data prior to 2004 are not available.

<sup>(6)</sup> Personal income information is a total for the year.

# **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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund:</b>										
City Secretary	4	4	4	4	4	4	4	4	4	4
City Manager	1	1	1	1	1	1	1	1	2	2
Finance	8	7	7	7	7	7	6	6	6	6
Municipal Court	4	4	5	5	6	6	7	7	7	7
Information Technology	2	2	2	2	2	2	2	0	0	0
Human Resources	3	3	2.8	2.8	3	3	3	3	3	3
Community Development	17									
Administration		4.9	4.9	4.9	5.8	5.8	5.8	6	6	6
Building		7	6	6	6	7	7	7	7	7
Engineering		2	2	2	2	2	0	0	0	0
Recreation Programs		2	1	1	1	1	1	1	1	1
Public Works	20									
Administration		3	3	2	2	3	3.5	3.5	3	3
Maintenance		12	10	10	10	11	11	11	10	10
Parks Maintenance		4	4	4	5	6	6	6	7	7
Engineering							2	2	2	2
Police	61									
Administration		6	6	6	6	6	6	4	4	4
Criminal Investigation		7	7	7	7	7	6	7	7	7
Patrol		30	31	34	34	35	35	36	37	37
Communications		16	15	13	14	15	16	16	16	16
Technical Support			1	1	1	1	2	0	0	0
Fire	4.5									
Prevention		2.4	2.4	2.4	2.4	2.7	2.7	2.7	3	3
Operations		2	2	2	2	2	2	2	10.1	10.1
Economic Development										
Economic Development	4	3	3	2	2	2	2	3	3	3
Public Relations		1	1	1	1	1	1	0	0	0
<b>General Fund Total</b>	<b>128.5</b>	<b>123.3</b>	<b>121.0</b>	<b>120.0</b>	<b>124.2</b>	<b>130.5</b>	<b>132.0</b>	<b>128.2</b>	<b>138.1</b>	<b>138.1</b>
<b>Utility Fund:</b>										
Water	7	7	7	7	7	8	8.3	8.3	8.5	8.5
Sewer	9	7	6	6	6	7	7.3	7.3	6.5	6.5
Drainage	0	0	0	0	0	0	0.0	0.0	2.0	2.0
<b>Utility Fund Total</b>	<b>16.0</b>	<b>14.0</b>	<b>13.0</b>	<b>13.0</b>	<b>13.0</b>	<b>15.0</b>	<b>15.5</b>	<b>15.5</b>	<b>17.0</b>	<b>17.0</b>
<b>Information Technology Fund:</b>										
Information Technology	0	0	0	0	0	0	0	4	4	4
<b>IT Fund Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
<b>Total City Positions</b>	<b>144.5</b>	<b>137.3</b>	<b>134.0</b>	<b>133.0</b>	<b>137.2</b>	<b>145.5</b>	<b>147.5</b>	<b>147.7</b>	<b>159.1</b>	<b>159.1</b>

**Notes:**

Around 16-24 seasonal employees are hired during the summer months as recreation staff. This count is not reflected above.

Prior to 2002-03, a number of positions were split and reported in separate departments. Prior years were not restated.

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

**CITY OF WEBSTER, TEXAS**  
**OPERATING INDICATORS BY FUNCTION / PROGRAM**  
Last Nine Years <sup>(1)</sup>

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

Notes:

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

2007	2008	2009	2010	2011
2,801	3,119	3,133	3,451	3,030
1,167	1,024	947	855	952
8,456	8,554	6,516	7,699	6,725
2,801	2,470	2,268	2,392	2,316
38,818	39,786	35,840	32,974	32,553
985	935	1036	878	794
73	77	90	70	74
5 min, 43 sec	4 min, 53 sec	5 min, 0 sec	4 min, 5 sec	4 min, 12 sec
168	143	131	121	129
1.650	1.793	1.897	1.709	1.930
610.670	656.656	692.483	623.954	704.562
2.638	2.695	2.438	2.940	2.726
1.489	1.433	1.354	1.409	1.247
541.127	523.101	494.050	514.276	455.230
3.033	2.734	1.853	3.192	2.696

**CITY OF WEBSTER, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM**  
 Last Nine Years <sup>(1)</sup>

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

Notes:

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.



2007	2008	2009	2010	2011
1	1	1	1	1
48	45	46	47	47
2	2	2	2	2
18.8	20.7	20.7	23.2	25.1
717	692	910	929	978
5	5	5	5	5
26.0	26.0	26.0	26.0	26.0
2	2	2	2	2
1	0	0	0	0
1	1	1	1	1
44.5	46.8	48.7	49.1	50.3
578	601	629	631	642
2.95	2.95	2.95	2.95	2.95
28.8	29.8	30.7	31.0	32.0
18.9	19.7	20.8	20.5	22.4
4.0	5.6	6.1	7.1	7.3
1.65	1.65	3.30	3.30	3.30