

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended
September 30, 2012
City of Webster, Texas

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

OF THE

CITY OF WEBSTER, TEXAS

**For the Fiscal Year Ended
September 30, 2012**

CITY MANAGER

Wayne J. Sabo

Prepared by:

**William Michael Rodgers, CPA
Director of Finance**

**Melinda Caperton, MS, CGFO
Accounting Manager**

**Stephen Shen, CGFO
Senior Accountant**

**Carol Fontenot
Accounting Technician**

**Debbie Pinkston
Accounting Technician**

**Jo Ellen Canning
Accounting Technician**

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

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

TABLE OF CONTENTS

September 30, 2012

	<u>Page</u>
INTRODUCTORY SECTION	
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 (Required Supplementary Information)	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	78

CITY OF WEBSTER, TEXAS

TABLE OF CONTENTS (Continued)

September 30, 2012

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Debt Service Fund	83
Special Revenue:	
Public Safety Fund	84
Municipal Court Programs Fund	85
Grant Fund	86
Tax Increment Reinvestment Zone No. 1	87
Combining Balance Sheet – Internal Service Funds	90
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds	91
Combining Statement of Cash Flows – Internal Service Funds	92

STATISTICAL SECTION

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



www.cityofwebster.com

December 21, 2012

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, 2012. 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.

Southeast Texas has begun to recover from the “Great Recession”. The unemployment rate for the Houston metropolitan area decreased considerably to 6.3% from 8.2% one year ago. Although property values declined from the previous year, it was offset by a substantial increase to sales tax revenue as commercial development continues 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. While in the early stages, the Webster Economic Development Corporation is implementing a destination development project that should greatly expand the City’s sales tax base.

Fiscal year 2011-12 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 176-bed hospital. The nine-story building is scheduled for completion in late 2013.
- Construction continues on Clear Lake Regional Medical Hospital’s \$92 million expansion and renovation project that will include a new 155,000 square foot patient tower.
- BuybuyBaby, a 31,000 square foot baby superstore, and Bone Daddy’s House of Smoke both chose Webster for their first regional location. Conn’s is nearly doubling its footprint and opening a Conn’s Home Plus store with 47,000 square feet at Point NASA.
- 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 from 2008 to 2009 and declined by 9.6% in

2010 with the closing of three major retailers. Growth returned at the respectable pace of 4.7% and 1.9% in 2011 and 2012, respectively. The Fiscal Year 2012-13 Annual Budget predicts an increase of 2.3% as a number of premier restaurants and retailers locate or expand their establishments in Webster.

Another large source of revenue is the ad valorem tax. The City's 2012 taxable value decreased 1.8% from the adjusted 2011 taxable value. Even with the decline in property value, the Fiscal Year 2012-13 Annual Budget reflects an unchanged property tax rate of \$0.28528 per \$100 of valuation.

Public safety continues to be a major initiative. Construction has begun on the City's new Central Fire Station, replacing Fire Station #1 that is neither windstorm rated nor capable of housing newer equipment. A rescue truck and a brush truck were purchased for the Fire Department in 2012. In fiscal year 2012-13, a third K-9 officer will be added to the Police Department.

The Utility Fund has revenue bonds outstanding in the amount of \$7.15 million. This debt funded the expansion of the wastewater treatment plant. City Council approved a five-year schedule of rate changes in 2009. Economic and infrastructure conditions now mandate a variance from that schedule. Water base and water volumetric rates remain unchanged. Wastewater base rates do not increase, but the wastewater volumetric rate rises by \$0.10 per 1,000 gallons. The drainage fee established in 2009 has been reduced by 10% to reflect lower program expenses. New for fiscal year 2012-13, a capital reserve fee of \$0.18 per 1,000 gallons was established for the sole purpose of building a reserve for bond issues related to major infrastructure.

Long-term Financial Planning

A Capital Improvements Program adopted by City Council reflects \$41.1 million of general government and utility projects to be completed over the next five years. Traffic preemption equipment and security cameras are scheduled for the upcoming year. The Fiscal Year 2012-13 Annual Budget also appropriates funds for a utility rate study and various rehabilitation projects.

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, 2012, 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, 2012. 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, 2011. This represents the 26th 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 2011-12 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 2012-13 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,

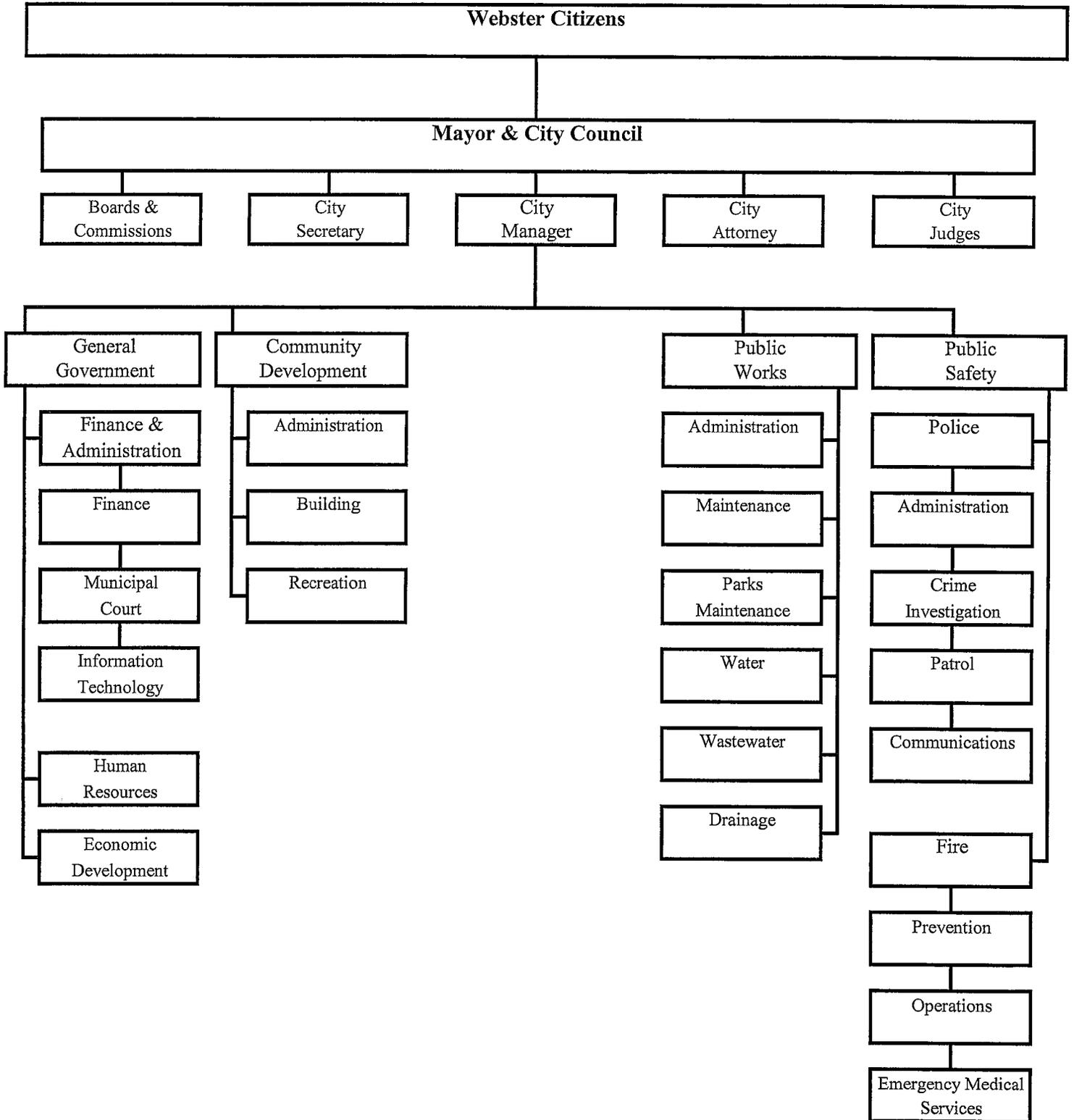


William Michael Rodgers, CPA
Director of Finance

CITY OF WEBSTER, TEXAS

ORGANIZATION CHART

September 30, 2012



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, 2011

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.



Christopher P. Moynell
President

Jeffrey R. Enos
Executive Director

CITY OF WEBSTER, TEXAS

PRINCIPAL OFFICIALS

September 30, 2012

<u>City Officials</u>	<u>Elected Position</u>	<u>Term Expires</u>
Floyd Myers	Mayor	05/2014
Diana Newland	Council Member – Position No. 1	05/2015
Alexandra Dietrich	Council Member – Position No. 2	05/2015
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

<u>Key Staff</u>	<u>Position</u>
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

(This page intentionally left blank.)



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 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, 2012, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

6100 Windy Hill Lane
Bellville, TX 77418
979.865.3169

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



The Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress, identified as Required Supplementary Information on the table of contents, are not required parts 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.

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 required parts of the financial statements. The combining 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 21, 2012

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

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, 2012

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 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the certificates of obligation, series 2012 fund, which are considered to be major funds. 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 ten 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

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general fund and hotel occupancy fund and schedules of funding progress for the Texas Municipal Retirement System and the City's other post-employment healthcare benefits. 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, 2012

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 \$81,148,600 as of September 30, 2012 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 (61.6 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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 28,224,743	\$ 21,846,662	\$ 7,259,545	\$ 6,224,988	\$ 35,484,288	\$ 28,071,650
Capital assets, net	51,506,798	49,952,844	25,925,255	26,192,779	77,432,053	76,145,623
Total Assets	79,731,541	71,799,506	33,184,800	32,417,767	112,916,341	104,217,273
Long-term liabilities	22,000,400	16,676,836	7,272,201	7,497,115	29,272,601	24,173,951
Other liabilities	1,959,855	1,275,611	535,285	607,402	2,495,140	1,883,013
Total Liabilities	23,960,255	17,952,447	7,807,486	8,104,517	31,767,741	26,056,964
Net Assets:						
Invested in capital assets, net of related debt	31,186,591	34,788,233	18,814,693	18,839,292	50,001,284	53,627,525
Restricted	7,951,235	2,756,384	2,549,394	2,336,262	10,500,629	5,092,646
Unrestricted	16,633,460	16,302,442	4,013,227	3,137,696	20,646,687	19,440,138
Total Net Assets	\$ 55,771,286	\$ 53,847,059	\$ 25,377,314	\$ 24,313,250	\$ 81,148,600	\$ 78,160,309

A portion of the primary government's net assets, \$10,500,629 or 12.9 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 which the use is legally restricted, monies restricted for debt service, and capital project funds that represent unspent bond proceeds at the fund level. The remaining balance of unrestricted net assets, \$20,646,687 or 25.5 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, 2012

Statement of Activities

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

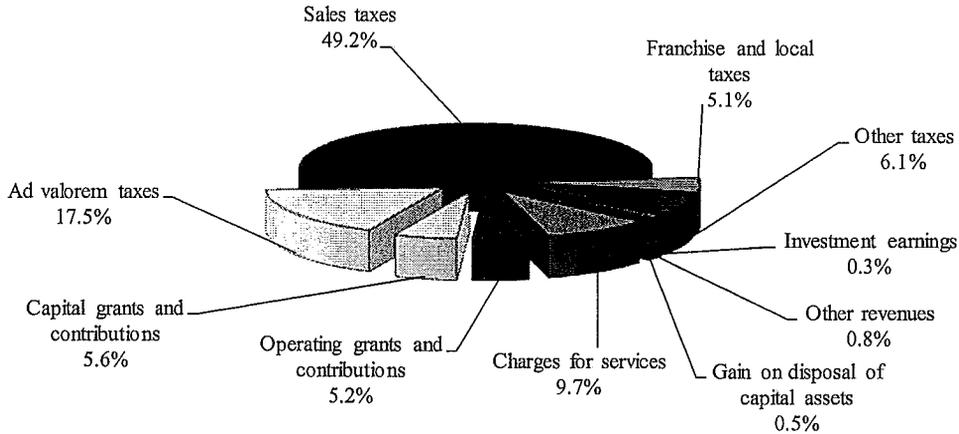
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 2,081,127	\$ 1,691,796	\$ 4,318,765	\$ 4,144,752	\$ 6,399,892	\$ 5,836,548
Operating grants and contributions	1,113,356	1,192,871	-	-	1,113,356	1,192,871
Capital grants and contributions	1,203,465	4,526	423,900	894,767	1,627,365	899,293
General revenues:						
Ad valorem taxes	3,732,383	3,349,978	-	-	3,732,383	3,349,978
Sales taxes	10,495,149	10,270,148	-	-	10,495,149	10,270,148
Franchise and local taxes	1,100,207	1,093,727	-	-	1,100,207	1,093,727
Other taxes	1,302,318	1,241,624	-	-	1,302,318	1,241,624
Investment earnings	65,379	44,039	13,536	14,923	78,915	58,962
Other revenues	169,686	135,353	960,046	185,840	1,129,732	321,193
Gain on disposal of capital assets	100,753	4,500	-	-	100,753	4,500
Total Revenues	<u>21,363,823</u>	<u>19,028,562</u>	<u>5,716,247</u>	<u>5,240,282</u>	<u>27,080,070</u>	<u>24,268,844</u>
Expenses						
General government	3,494,720	3,810,971	-	-	3,494,720	3,810,971
Public safety	9,289,641	8,705,059	-	-	9,289,641	8,705,059
Public works	3,465,582	3,273,335	-	-	3,465,582	3,273,335
Community development	2,930,471	2,724,785	-	-	2,930,471	2,724,785
Interest and fiscal agent fees on long-term debt	509,182	648,743	-	-	509,182	648,743
Water	-	-	1,991,274	1,939,942	1,991,274	1,939,942
Wastewater	-	-	2,122,566	2,034,661	2,122,566	2,034,661
Drainage	-	-	288,343	326,725	288,343	326,725
Total Expenses	<u>19,689,596</u>	<u>19,162,893</u>	<u>4,402,183</u>	<u>4,301,328</u>	<u>24,091,779</u>	<u>23,464,221</u>
Increase (Decrease) in Net Assets						
Before Transfers	1,674,227	(134,331)	1,314,064	938,954	2,988,291	804,623
Transfers In (Out)	250,000	250,000	(250,000)	(250,000)	-	-
Change in Net Assets	1,924,227	115,669	1,064,064	688,954	2,988,291	804,623
Beginning Net Assets	53,847,059	53,731,390	24,313,250	23,624,296	78,160,309	77,355,686
Ending Net Assets	<u>\$ 55,771,286</u>	<u>\$ 53,847,059</u>	<u>\$ 25,377,314</u>	<u>\$ 24,313,250</u>	<u>\$ 81,148,600</u>	<u>\$ 78,160,309</u>

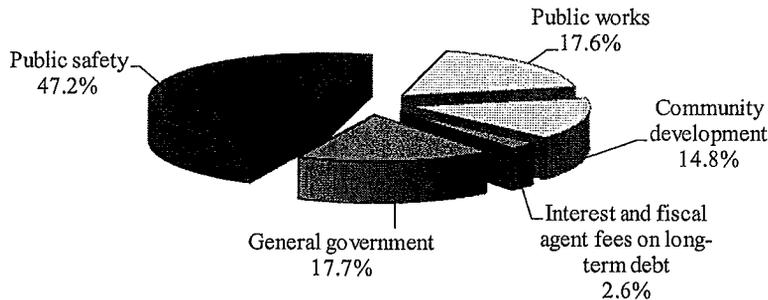
CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

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

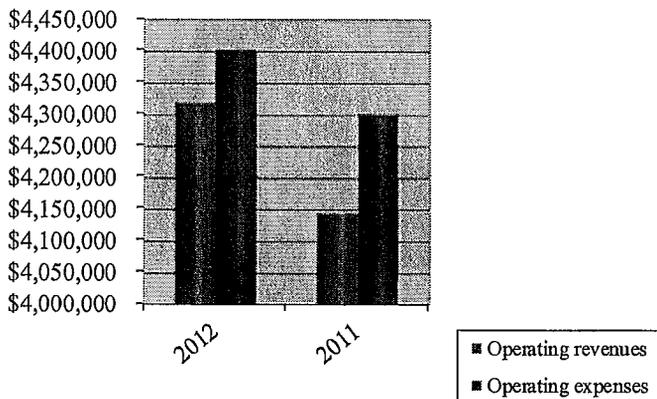
Governmental Activities - Revenues



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, 2012

Governmental Activities

For the year ended September 30, 2012, revenues from governmental activities totaled \$21,363,823. Property and sales tax revenues continue to be the City's largest revenue sources. Sales tax revenue increased by \$225,001 due to an improvement in economic conditions. Operating grants and contributions decreased by \$79,515 due to a slight decrease in the amount of state grants received. Capital contributions increased by \$1,198,939 due to two new federal grants received during the year. Investment income increased by \$21,340 as a result of an increase in investments. Other taxes increased 4.9 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 \$1,100,207 for the year ended September 30, 2012.

For the year ended September 30, 2012, expenses for governmental activities totaled \$19,689,596 which was similar to last year. Expenses per capita were \$1,839, down \$3 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 \$174,013 or 4.2 percent due to higher volumetric rates charged to nonresidential customers. Operating costs are higher than the prior year primarily due to water system maintenance during the year. Capital contributions decreased \$470,867 due to fewer developer contributions.

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 \$22,926,098. Of this, \$52,408 is nonspendable consisting of prepaid items and inventory, \$4,688,601 is assigned and \$7,948,938 is restricted for various purposes.

There was an increase in the combined fund balance of \$5,645,593 over the prior year. This is largely attributable to an increase in sales tax revenue, property tax revenues, and license and permit revenue. The City's fund balance policy for the general fund is a minimum four-month reserve. The general fund's unassigned fund balance of \$10,236,151 is estimated to be \$4,356,861 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 \$479,013 in the general fund balance, bringing ending fund balance to \$10,508,184. This increase is mainly due to an increase in sales tax revenue, property tax revenue, and license and permit revenue.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

There was an increase of \$653,407 in the debt service fund balance, bringing ending fund balance to \$1,230,863. The increase is primarily due to a transfer in to fund the extinguishment of the Certificates of Obligation, Series 2005 scheduled to be extinguished in March 2013. Principal and interest debt service payments totaled \$1,734,747 for the year.

The hotel occupancy tax fund experienced an increase in fund balance of \$339,703, which can be primarily attributed to an increase in tax revenue due to higher hotel occupancy rates.

The certificates of obligation, series 2012 fund experienced an increase in fund balance of \$4,073,087. This new fund was created when bonds were issued during fiscal year 2012.

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 4.5 percent while charges for wastewater increased by 6.2 percent. Drainage charges decreased by 10.1 percent. Operating expenses increased by 2.7 percent. There was an increase in ending net assets of \$1,048,491 mainly due to an increase in water charges, wastewater charges, and impact fees.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$364,283 more than budgeted revenues for 2012. This variance can be primarily attributed to positive variances of \$99,215 for license and permits and \$91,013 for other revenue.

Actual expenditures were less than budgeted expenditures by \$692,082. This is largely the result of significant cost-cutting measures undertaken by management during the year throughout the entire organization.

CAPITAL ASSETS

At September 30, 2012, the City's governmental activities funds had invested \$51,506,798 in a variety of capital assets and infrastructure. This represents a net increase of \$1,553,954. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with an increase in the amount of \$2,995,986.

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

- Addition of a rescue truck in the amount of \$871,480;
- Addition of police equipment in the amount of \$356,855;

Construction in progress at year end represents numerous ongoing projects, the largest of which relates to construction of the Central Fire Station.

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, 2012

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$27,700,000. Of this amount, \$13,705,000 was general obligation debt, while certificates of obligation account for \$6,845,000. The remaining \$7,150,000 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 2012, the Webster City Council approved an expenditure budget in the amount of \$33,701,320, five percent greater than the previous year. The main drivers behind the change, personnel costs increase by \$477,630 and debt service payments rise by \$887,010. Debt service appropriations for fiscal year 2012-13 include the early extinguishment of the Series 2005 Certificates of Obligation.

Property tax values within the City of Webster decreased 1.8% from the adjusted 2011 taxable values. Although property tax values declined slightly, a flat tax rate of \$0.28528 per \$100 of taxable value will still accumulate enough revenue to maintain core programs and services for our citizens. After increasing 4.7% in 2012, the Fiscal Year 2012-13 Annual Budget predicts that sales tax revenue will increase by 1.9% in 2013. Sales tax receipts comprise 62.5% of the revenues for the General Fund and 42.3% of the revenues for all funds, including the component unit. With the exception of an increasing wastewater volumetric rate, water and wastewater rates remain unchanged. The drainage fee implemented in fiscal year 2009-10 decreases 10%. A new capital reserve fee of \$0.18 per 1,000 gallons will be implemented in October 2012.

The recovering economy can be demonstrated by the area's unemployment rate, which decreased from 8.2% in 2011 to 6.3% in 2012. Medistar is partnering with Surgical Development Partners to build the Bay Area Regional Medical Center, a 176-bed, nine-story hospital. Work continues on Clear Lake Regional Medical Hospital's \$92 million expansion and renovation project. Many restaurants and retailers continue to expand or locate in Webster. Several homes have been constructed at the Edgewater residential community. Furthermore, the Webster Economic Development Corporation hopes 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.

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

STATEMENT OF NET ASSETS

September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 16,196,662	\$ 4,654,893	\$ 20,851,555	\$ 7,151,445
Investments	9,349,660	1,781,771	11,131,431	-
Receivables (net of allowance for uncollectible)	2,313,241	503,351	2,816,592	570,431
Internal balances	(41,450)	41,450	-	-
Prepaid items	34,793	4,621	39,414	408
Inventory	20,532	-	20,532	-
Deferred charges	351,305	273,459	624,764	260,539
Capital assets:				
Non-depreciable	6,028,040	102,269	6,130,309	3,101,166
Net depreciable capital assets	45,478,758	25,822,986	71,301,744	-
Total Assets	79,731,541	33,184,800	112,916,341	11,083,989
LIABILITIES				
Accounts payable and accrued liabilities	1,862,003	231,202	2,093,205	20,143
Deficit consolidated cash	41,110	-	41,110	-
Customer deposits	13,200	291,376	304,576	-
Accrued interest payable	43,542	12,707	56,249	20,184
Noncurrent liabilities:				
Long-term liabilities due within one year	1,984,620	317,256	2,301,876	1,047,967
Long-term liabilities due in more than one year	20,015,780	6,954,945	26,970,725	10,100,786
Total Liabilities	23,960,255	7,807,486	31,767,741	11,189,080
NET ASSETS				
Invested in capital assets, net of related debt	31,186,591	18,814,693	50,001,284	2,684,404
Restricted for:				
Debt service	1,233,160	4,304	1,237,464	118,285
Enabling legislation	2,548,799	-	2,548,799	-
Emergency management	96,189	-	96,189	-
Construction/capital improvements	4,073,087	2,545,090	6,618,177	4,681,542
Economic development	-	-	-	2,882,130
Unrestricted	16,633,460	4,013,227	20,646,687	(10,471,452)
Total Net Assets	\$ 55,771,286	\$ 25,377,314	\$ 81,148,600	\$ (105,091)

See Notes to Financial Statements.

CITY OF WEBSTER, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 3,494,720	\$ 178,404	\$ 1,030,030
Public safety	9,289,641	1,244,467	83,326
Public works	3,465,582	-	-
Community development	2,930,471	658,256	-
Interest and fiscal agent fees	509,182	-	-
Total Governmental Activities	19,689,596	2,081,127	1,113,356
Business-Type Activities			
Water	1,991,274	1,953,541	-
Wastewater	2,122,566	2,082,345	-
Drainage	288,343	282,879	-
Total Business-Type Activities	4,402,183	4,318,765	-
Total Primary Government	\$ 24,091,779	\$ 6,399,892	\$ 1,113,356
Component Units			
Webster Economic Development Corporation	\$ 1,723,775	\$ -	\$ -
Total Component Units	\$ 1,723,775	\$ -	\$ -

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Beginning Net Assets

Ending Net Assets

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (2,286,286)	\$ -	\$ (2,286,286)	\$ -
952,555	(7,009,293)	-	(7,009,293)	-
-	(3,465,582)	-	(3,465,582)	-
250,910	(2,021,305)	-	(2,021,305)	-
-	(509,182)	-	(509,182)	-
<u>1,203,465</u>	<u>(15,291,648)</u>	<u>-</u>	<u>(15,291,648)</u>	<u>-</u>
423,900	-	386,167	386,167	-
-	-	(40,221)	(40,221)	-
-	-	(5,464)	(5,464)	-
<u>423,900</u>	<u>-</u>	<u>340,482</u>	<u>340,482</u>	<u>-</u>
<u>\$ 1,627,365</u>	<u>(15,291,648)</u>	<u>340,482</u>	<u>(14,951,166)</u>	<u>-</u>
\$ -	-	-	-	(1,723,775)
\$ -	-	-	-	(1,723,775)
	3,732,383	-	3,732,383	-
	10,495,149	-	10,495,149	3,498,383
	1,100,207	-	1,100,207	-
	1,302,318	-	1,302,318	-
	65,379	13,536	78,915	8,834
	169,686	960,046	1,129,732	-
	100,753	-	100,753	-
	250,000	(250,000)	-	-
	<u>17,215,875</u>	<u>723,582</u>	<u>17,939,457</u>	<u>3,507,217</u>
	1,924,227	1,064,064	2,988,291	1,783,442
	53,847,059	24,313,250	78,160,309	(1,888,533)
	<u>\$ 55,771,286</u>	<u>\$ 25,377,314</u>	<u>\$ 81,148,600</u>	<u>\$ (105,091)</u>

CITY OF WEBSTER, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2012

	General	Debt Service	Hotel Occupancy Tax	Certificates of Obligation, Series 2012
ASSETS				
Cash and cash equivalents	\$ 2,056,470	\$ 1,230,822	\$ 1,497,867	\$ 4,850,355
Investments	7,335,658	-	-	-
Receivables (net of allowance for uncollectible)	2,027,834	50,741	75,153	-
Due from other funds	3,855	-	-	-
Deposits	200	-	-	-
Prepaid items	30,862	-	-	-
Inventory	20,532	-	-	-
Total Assets	\$ 11,475,411	\$ 1,281,563	\$ 1,573,020	\$ 4,850,355
LIABILITIES				
Accounts payable and accrued liabilities	\$ 921,693	\$ -	\$ 43	\$ 777,268
Deficit consolidated cash	-	-	-	-
Grants payable	-	-	-	-
Insurance payable	-	-	-	-
Customer deposits	13,200	-	-	-
Due to other funds	4,139	-	-	-
Deferred revenue	28,195	50,700	-	-
Total Liabilities	967,227	50,700	43	777,268
FUND BALANCES				
Nonspendable:				
Prepaid items	30,862	-	-	-
Inventory	20,532	-	-	-
Restricted for:				
Debt service	-	1,230,863	-	-
Construction/capital improvements	-	-	-	4,073,087
Enabling legislation	-	-	1,572,977	-
Emergency management	-	-	-	-
Assigned to:				
Special revenue	-	-	-	-
Capital projects	-	-	-	-
Other post-employment benefits	220,639	-	-	-
Unassigned	10,236,151	-	-	-
Total Fund Balances	10,508,184	1,230,863	1,572,977	4,073,087
Total Liabilities and Fund Balances	\$ 11,475,411	\$ 1,281,563	\$ 1,573,020	\$ 4,850,355

See Notes to Financial Statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,028,530	\$ 14,664,044
517,050	7,852,708
158,381	2,312,109
-	3,855
-	200
1,014	31,876
-	20,532
<u>\$ 5,704,975</u>	<u>\$ 24,885,324</u>

\$ 45,386	\$ 1,744,390
41,110	41,110
57,470	57,470
20,022	20,022
-	13,200
-	4,139
-	78,895
<u>163,988</u>	<u>1,959,226</u>

1,014	31,876
-	20,532
-	1,230,863
-	4,073,087
975,822	2,548,799
96,189	96,189
91,485	91,485
4,376,477	4,376,477
-	220,639
-	10,236,151
<u>5,540,987</u>	<u>22,926,098</u>
<u>\$ 5,704,975</u>	<u>\$ 24,885,324</u>

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
September 30, 2012

Total fund balances – total governmental funds \$ 22,926,098

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	6,028,040
Capital assets – net depreciable	45,478,758

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 78,895

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. 2,952,132

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

Accrued interest payable	(43,542)
Non-current liabilities due in one year	(1,984,620)
Non-current liabilities due in more than one year	(20,015,780)
Deferred charges for issuance costs	351,305

Net Assets of Governmental Activities \$ 55,771,286

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, 2012

	General	Debt Service	Hotel Occupancy Tax	Certificates of Obligation, Series 2012
REVENUES				
Property taxes	\$ 2,291,618	\$ 1,450,165	\$ -	\$ -
Sales taxes	10,495,149	-	-	-
Franchise fees	1,074,263	-	-	-
Other taxes	434,222	-	868,096	-
Licenses and permits	616,215	-	-	-
Fines and forfeitures	1,128,536	-	-	-
Charges for services	220,445	-	-	-
Intergovernmental	-	-	-	-
Investment earnings	39,642	1,029	1,521	3,663
Contributions	700,000	330,030	-	-
Other revenue	156,523	-	613	-
Total Revenues	17,156,613	1,781,224	870,230	3,663
EXPENDITURES				
Current				
General government	3,144,019	-	-	-
Public safety	9,037,573	-	-	-
Public works	2,463,501	-	-	-
Community development	1,472,465	-	493,627	-
Capital Outlay	-	-	-	2,241,857
Debt Service				
Principal	-	1,185,000	-	-
Interest and fiscal charges	-	549,747	-	-
Total Expenditures	16,117,558	1,734,747	493,627	2,241,857
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,039,055	46,477	376,603	(2,238,194)
OTHER FINANCING SOURCES (USES)				
Transfers in	320,960	606,930	-	-
Transfers out	(907,500)	-	(36,900)	-
Issuance of long-term debt	-	-	-	6,250,000
Premium on the issuance of long-term debt	-	-	-	61,281
Sale of capital assets	26,498	-	-	-
Total Other Financing Sources (Uses)	(560,042)	606,930	(36,900)	6,311,281
Net Change in Fund Balances	479,013	653,407	339,703	4,073,087
Beginning Fund Balances	10,029,171	577,456	1,233,274	-
Ending Fund Balances	\$ 10,508,184	\$ 1,230,863	\$ 1,572,977	\$ 4,073,087

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,741,783
-	10,495,149
25,944	1,100,207
-	1,302,318
-	616,215
115,931	1,244,467
-	220,445
1,286,791	1,286,791
10,464	56,319
-	1,030,030
12,550	169,686
<u>1,451,680</u>	<u>21,263,410</u>
71,897	3,215,916
1,261,750	10,299,323
-	2,463,501
-	1,966,092
348,930	2,590,787
-	1,185,000
-	549,747
<u>1,682,577</u>	<u>22,270,366</u>
<u>(230,897)</u>	<u>(1,006,956)</u>
365,340	1,293,230
(34,060)	(978,460)
-	6,250,000
-	61,281
-	26,498
<u>331,280</u>	<u>6,652,549</u>
100,383	5,645,593
5,440,604	17,280,505
<u>\$ 5,540,987</u>	<u>\$ 22,926,098</u>

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

Net changes in fund balances – total governmental funds \$ 5,645,593

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

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

Depreciation	(2,995,986)
Capital outlay	4,632,294

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.

(82,354)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

(9,400)

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	1,185,000
Certificates of obligation issued	(6,250,000)
Premium on certificates of obligation issued	(61,281)
Bond issuance costs	99,233
Amortization of bond issuance costs	(31,650)
Amortization of deferred charges	(29,315)
Accrued interest	2,297
Compensated absences	(66,445)
Net pension obligation	(44,404)
Net OPEB obligation	(57,119)

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.

(12,236)

Change in Net Assets of Governmental Activities

\$ 1,924,227

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2012

	Business-Type Activities Utility Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,654,893	\$ 1,532,618
Investments	1,781,771	1,496,952
Receivables, net	503,351	932
Due from other funds	4,139	-
Prepaid expenses	4,621	2,917
Total Current Assets	6,948,775	3,033,419
Noncurrent Assets		
Deferred charges	273,459	-
Capital assets:		
Non-depreciable	102,269	-
Depreciable capital assets	38,783,053	3,653,705
Less: accumulated depreciation	(12,960,067)	(2,661,285)
Total Capital Assets (Net)	25,925,255	992,420
Total Noncurrent Assets	26,198,714	992,420
Total Assets	33,147,489	4,025,839
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	231,202	20,719
Accrued interest payable	12,707	-
Due to other funds	-	3,855
Current portion of compensated absences	64,331	1,454
Customer deposits	291,376	-
Matured bonds payable	252,925	-
Total Current Liabilities	852,541	26,028
Noncurrent Liabilities		
Compensated absences	13,248	9,472
Net pension obligation	56,352	13,893
Net other postemployment benefit obligation	27,708	5,509
Revenue bonds payable (net of unamortized discount)	6,857,637	-
Total Noncurrent Liabilities	6,954,945	28,874
Total Liabilities	7,807,486	54,902
NET ASSETS		
Invested in capital assets, net of related debt	18,814,693	992,420
Restricted for debt service	4,304	-
Restricted for construction/capital improvements	2,545,090	-
Unrestricted	3,975,916	2,978,517
Total Net Assets	25,340,003	\$ 3,970,937
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	37,311	
Net assets of business-type activities	\$ 25,377,314	

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

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

For the Year Ended September 30, 2012

	Business-Type Activities Utility Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Water charges	\$ 1,953,541	\$ -
Wastewater charges	2,082,345	-
Drainage charges	282,879	-
Penalties and reconnect fees	23,867	-
Charges for services	-	982,270
Other revenue	239,108	11,071
Total Operating Revenues	4,581,740	993,341
OPERATING EXPENSES		
Personnel	1,165,795	260,256
Supplies	616,346	13,884
Maintenance	499,101	49,294
Services	609,760	220,521
Depreciation	1,192,603	347,564
Total Operating Expenses	4,083,605	891,519
Operating Income	498,135	101,822
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	13,536	9,060
Interest expense	(334,151)	-
Impact fees	697,071	-
Gain on sale of capital assets	-	74,255
Total Nonoperating Revenues (Expenses)	376,456	83,315
Income Before Contributions and Transfers	874,591	185,137
CONTRIBUTIONS AND TRANSFERS		
Capital contributions	423,900	-
Transfers out	(250,000)	(64,770)
Change in Net Assets	1,048,491	120,367
Beginning Net Assets	24,291,512	3,850,570
Ending Net Assets	\$ 25,340,003	\$ 3,970,937
Change in net assets before adjustment	1,048,491	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	15,573	
Change in net assets of business-type activities	\$ 1,064,064	

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, 2012

	Business-Type Activities Utility Fund	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,651,305	\$ 1,022,289
Payments to suppliers	(1,822,687)	(295,218)
Payments to employees	(1,156,106)	(240,222)
Net Cash Provided by Operating Activities	1,672,512	486,849
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Impact fees	697,071	-
Transfers to other funds	(250,000)	(64,770)
Net Cash Provided (Used) by Noncapital Financing Activities	447,071	(64,770)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(501,179)	(497,387)
Principal paid on debt	(245,000)	-
Interest paid on debt	(317,683)	-
Proceeds from sale of capital assets	-	106,416
Net Cash (Used) by Capital and Related Financing Activities	(1,063,862)	(390,971)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	3,295,374	1,484,786
Purchase of investments	(1,781,749)	(1,496,780)
Interest on investments	13,536	9,060
Net Cash Provided (Used) by Investing Activities	1,527,161	(2,934)
Net Increase in Cash and Cash Equivalents	2,582,882	28,174
Beginning Cash and Cash Equivalents	2,072,011	1,504,444
Ending Cash and Cash Equivalents	\$ 4,654,893	\$ 1,532,618

CITY OF WEBSTER, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2012

	Business-Type Activities Utility Fund	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income		
to Net Cash Provided by Operating Activities		
Operating income	\$ 498,135	\$ 101,822
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,192,603	347,564
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Current Assets:		
Accounts receivable	38,370	25,093
Due from other funds	(2,638)	861
Prepaid expenses	148	(167)
Increase (Decrease) in Current Liabilities:		
Accounts payable and accrued liabilities	(94,990)	(12,213)
Due to other funds	-	3,855
Compensated absences	9,689	20,034
Customer deposits	31,195	-
Net Cash Provided by Operating Activities	\$ 1,672,512	\$ 486,849
 Noncash investing, capital, and financing activities:		
Contributions of capital assets	\$ 423,900	\$ -

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

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)
For the Year Ended September 30, 2012

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. 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)
For the Year Ended September 30, 2012

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, the PEG channel 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 nonmajor fund for reporting purposes; however, the City has chosen to report it as a major fund.

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 the certificates of obligation, series 2012 fund, street construction fund, building construction fund, general projects fund, and other capital projects fund. The certificates of obligation, series 2012 fund is considered a major fund for reporting purposes. The remaining capital project funds 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)
For the Year Ended September 30, 2012

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 balances 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)
For the Year Ended September 30, 2012

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. A penalty of six percent and interest of one percent are added to delinquent taxes on February 1. 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. 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) and 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)
For the Year Ended September 30, 2012

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)
For the Year Ended September 30, 2012

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 purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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.

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 have 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. agencies	\$ 9,135,728	1.36
Certificates of Deposit	1,995,703	1.52
External investment pools	7,916,939	0.00
Total fair value	<u>\$ 19,048,370</u>	
Portfolio weighted average maturity		0.81

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, 2012, the City's investment in TexPool and TexSTAR 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, 2012 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, 2012, market values of pledged securities were \$17,998,737 and bank balances were \$16,343,691.

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexSTAR

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

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

B. Receivables

The following comprise receivable balances at year end:

Governmental Funds

	<u>General</u>	<u>Debt Service</u>	<u>Hotel Occupancy Tax</u>	<u>Nonmajor Funds</u>	<u>Component Unit</u>
Ad valorem taxes	\$ 28,641	\$ 51,751	\$ -	\$ -	\$ -
Other taxes	1,917,108	-	75,153	-	570,431
Accounts	766	-	-	24,310	-
Accrued interest	8,559	-	-	849	-
Intergovernmental	-	-	-	133,222	-
Other	73,141	-	-	-	-
Less allowance	(381)	(1,010)	-	-	-
	<u>\$ 2,027,834</u>	<u>\$ 50,741</u>	<u>\$ 75,153</u>	<u>\$ 158,381</u>	<u>\$ 570,431</u>

Proprietary Funds

	<u>Enterprise</u>	<u>Internal Service</u>
Accounts	\$ 535,896	\$ -
Accrued interest	2,241	932
Less allowance	(34,786)	-
	<u>\$ 503,351</u>	<u>\$ 932</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

C. Capital Assets

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases/ Reclassifications	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,282,408	\$ 55,086	\$ -	\$ 3,337,494
Construction in progress	410,696	2,605,866	(326,016)	2,690,546
Total capital assets not being depreciated	<u>3,693,104</u>	<u>2,660,952</u>	<u>(326,016)</u>	<u>6,028,040</u>
Other capital assets:				
Buildings and improvements	18,254,204	-	(6,476)	18,247,728
Furniture and equipment	8,113,214	1,994,405	(1,264,807)	8,842,812
Infrastructure	46,477,188	302,953	-	46,780,141
Total other capital assets	<u>72,844,606</u>	<u>2,297,358</u>	<u>(1,271,283)</u>	<u>73,870,681</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,101,233)	(404,980)	6,476	(7,499,737)
Furniture and equipment	(5,533,830)	(738,074)	1,182,453	(5,089,451)
Infrastructure	(13,949,803)	(1,852,932)	-	(15,802,735)
Total accumulated depreciation	<u>(26,584,866)</u>	<u>(2,995,986)</u>	<u>1,188,929</u>	<u>(28,391,923)</u>
Other capital assets, net	46,259,740	(698,628)	(82,354)	45,478,758
Totals	<u>\$ 49,952,844</u>	<u>\$ 1,962,324</u>	<u>\$ (408,370)</u>	<u>51,506,798</u>
			Less debt associated with capital assets	(20,320,207)
			Invested in capital assets, net of related debt	<u>\$ 31,186,591</u>

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Depreciation was charged to governmental functions as follows:

General government	\$	237,739
Public safety		489,510
Public works		1,309,721
Community development		611,452
Internal service funds		<u>347,564</u>
Total Governmental Activities Depreciation Expense	\$	<u>2,995,986</u>

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

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

Governmental Activities:

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Recreation Building Renovations	\$ 53,000	\$ 50,780	\$ 2,220
I-45 Utility Relocation - Med Ctr to FM 2351	158,293	104,190	54,103
Central Fire Station	5,373,000	2,054,810	3,318,190
Fuel Island	183,000	9,454	173,546
Police Department Renovations	300,000	161,013	138,987
Totals	<u>\$ 6,067,293</u>	<u>\$ 2,380,247</u>	<u>\$ 3,687,046</u>

WEDC:

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:

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 102,269	\$ -	\$ -	\$ 102,269
Construction in progress	44,485	441,789	(486,274)	-
Total capital assets not being depreciated	<u>146,754</u>	<u>441,789</u>	<u>(486,274)</u>	<u>102,269</u>
Other capital assets:				
Building and improvements	25,814,770	441,991	-	26,256,761
Furniture and equipment	95,286	-	-	95,286
Water and wastewater system	11,903,433	527,573	-	12,431,006
Total other capital assets	<u>37,813,489</u>	<u>969,564</u>	<u>-</u>	<u>38,783,053</u>
Less accumulated depreciation for:				
Building and improvements	(5,252,512)	(825,677)	-	(6,078,189)
Furniture and equipment	(71,437)	(9,612)	-	(81,049)
Water and wastewater system	(6,443,515)	(357,314)	-	(6,800,829)
Total accumulated depreciation	<u>(11,767,464)</u>	<u>(1,192,603)</u>	<u>-</u>	<u>(12,960,067)</u>
Other capital assets, net	26,046,025	(223,039)	-	25,822,986
Totals	<u>\$ 26,192,779</u>	<u>\$ 218,750</u>	<u>\$ (486,274)</u>	<u>25,925,255</u>
			Less debt associated with capital assets	(7,110,562)
			Invested in capital assets, net of related debt	<u>\$ 18,814,693</u>

Depreciation was charged to business-type functions as follows:

Water	\$ 436,350
Wastewater	<u>756,253</u>
Total Business-type Activities Depreciation Expense	<u>\$ 1,192,603</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds	\$ 14,830,000	\$ -	\$ (1,125,000)	\$ 13,705,000 ⁽¹⁾	\$ 1,150,000
Certificates of obligation	655,000	6,250,000	(60,000)	6,845,000 ⁽¹⁾	185,000
Less deferred charges	(320,389)	61,281	29,315	(229,793) ⁽¹⁾	(27,513)
	<u>15,164,611</u>	<u>6,311,281</u>	<u>(1,155,685)</u>	<u>20,320,207</u>	<u>1,307,487</u>
Other liabilities:					
Net pension obligation	568,970	44,404	-	613,374	-
Net OPEB obligation	169,029	61,578	(4,459)	226,148	-
Compensated absences	774,226	696,914	(630,469)	840,671	677,133
Total Governmental Activities	<u>\$ 16,676,836</u>	<u>\$ 7,114,177</u>	<u>\$ (1,790,613)</u>	<u>\$ 22,000,400</u>	<u>\$ 1,984,620</u>
Business-Type Activities:					
Revenue bonds	\$ 7,395,000	\$ -	\$ (245,000)	\$ 7,150,000 ⁽²⁾	\$ 255,000
Less bond discount	(41,513)	-	2,075	(39,438) ⁽²⁾	(2,075)
Net pension obligation	54,945	1,407	-	56,352	-
Net OPEB obligation	20,792	7,457	(541)	27,708	-
Compensated absences	67,891	65,985	(56,297)	77,579	64,331
Total Business-Type Activities	<u>\$ 7,497,115</u>	<u>\$ 74,849</u>	<u>\$ (299,763)</u>	<u>\$ 7,272,201</u>	<u>\$ 317,256</u>
WEDC					
Bonds payable	\$ 12,390,000	\$ -	\$ (1,025,000)	\$ 11,365,000 ⁽¹⁾	\$ 1,075,000
Less deferred charges	(243,280)	-	27,033	(216,247) ⁽¹⁾	(27,033)
Total WEDC	<u>\$ 12,146,720</u>	<u>\$ -</u>	<u>\$ (997,967)</u>	<u>\$ 11,148,753</u>	<u>\$ 1,047,967</u>

(1) Debt associated with governmental capital assets

Total debt associated with governmental activities \$ 20,320,207

Total debt associated with WEDC \$ 11,148,753

(2) Debt associated with business-type capital assets \$ 7,110,562

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 post employment 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)
For the Year Ended September 30, 2012

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

Description	Interest Rates	Balance
<u>Governmental Activities</u>		
General Obligation Bonds		
General Obligation Refunding Bonds Series 2005	3.00-4.125%	\$ 9,070,000
General Obligation Refunding Bonds Series 2010	2.00-4.50%	4,635,000
Total General Obligation Bonds		13,705,000
Certificates of Obligation		
Tax and Revenue Certificates of Obligation Series 2005	3.25-4.125%	595,000
Tax and Revenue Certificates of Obligation Series 2012	1.50-3.00%	6,250,000
Total Certificates of Obligation		6,845,000
Total Governmental Activities Long-Term Debt		\$ 20,550,000
<u>Business-type Activities</u>		
Revenue Bonds		
Water and Sewer, series 2006	4.00-4.50%	\$ 5,210,000
Water and Sewer, series 2008	3.30-4.30%	1,940,000
Total Business-type Activities Long-Term Debt		\$ 7,150,000
<u>WEDC</u>		
Sales Tax Revenue Improvement and Refunding Bonds Series 2006	3.75-5.00%	\$ 11,365,000

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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
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	1,620,000	321,956
2018-2021	7,040,000	594,872
Total	\$ 13,705,000	\$ 2,707,709

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
2013	\$ 185,000	\$ 260,854
2014	290,000	184,469
2015	305,000	177,756
2016	315,000	171,356
2017	330,000	164,069
2018-2022	1,660,000	683,891
2023-2027	1,705,000	439,875
2028-2032	2,055,000	158,925
Total	\$ 6,845,000	\$ 2,241,195

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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
2013	\$ 255,000	\$ 306,653
2014	265,000	296,803
2015	275,000	286,484
2016	285,000	275,765
2017	295,000	264,565
2018-2022	1,685,000	1,129,318
2023-2027	2,075,000	730,895
2028-2031	2,015,000	229,205
Total	\$ 7,150,000	\$ 3,519,688

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
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	1,330,000	284,265
2018-2021	5,285,000	577,403
Total	\$ 11,365,000	\$ 2,514,072

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

E. Interfund Transactions

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General Fund	Nonmajor Governmental	\$ 300,570
Hotel Occupancy Tax Fund	General Fund	36,900
General Fund	Debt Service Fund	606,930
Nonmajor Governmental	General Fund	34,060
Equipment Replacement Fund	Nonmajor Governmental	64,770
Utility Fund	General Fund	250,000
		<u>\$ 1,293,230</u>

Amounts transferred between funds related to amounts collected by general, enterprise, internal service, hotel occupancy tax – special revenue, and other nonmajor governmental funds for various governmental expenditures and debt payments.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
Utility Fund	General Fund	\$ 4,139
General Fund	Equipment Replacement Fund	3,855
		<u>\$ 7,994</u>

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.

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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 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.

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 from TMRS's website at www.TMRS.com.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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>2012</u>	<u>2011</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 retirement eligibility (expressed as age/ yrs 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.

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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

Annual required contribution (ARC)	\$	1,442,520
Interest on net pension obligation (NPO)		43,674
Adjustment to the ARC		(37,542)
Annual pension cost (APC)		1,448,652
Contributions made		(1,402,841)
Increase in net pension obligation		45,811
Net pension obligation-beginning of year		623,915
Net pension obligation-end of year	\$	669,726

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

Fiscal year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 1,652,292	1,239,860	75.04%	\$ 412,432
2011	\$ 1,500,844	1,289,361	85.91%	\$ 623,915
2012	\$ 1,448,652	1,402,841	96.84%	\$ 669,726

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	2012	2011	2010
Actuarial Valuation Date	12/31/2011	12/31/2010	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	26.2 Years - Closed period	27.2 Years - Closed period	28.1 Years - Closed period
Amortization Period for new Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.5%
Projected Salary Increases	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%
	2.1%	2.1%	2.1%

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date		12/31/2011
Actuarial Value of Assets	\$	30,575,870
Actuarial Accrued Liability	\$	39,180,804
Percentage Funded		78.0%
Unfunded Actuarial Accrued Liability (UAAL)		
	\$	8,604,934
Annual Covered Payroll	\$	8,525,881
UAAL as a Percentage of Covered Payroll		100.9%

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.

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, 2012, 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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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 2012, 2011, and 2010 were \$1,728, \$1,697, and 1,709, respectively. The City's contribution rates for the past three years are shown below:

	<u>2012</u>	<u>2011</u>	<u>2010</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 2012, the City has an assigned fund balance of \$220,639 for OPEB costs.

Annual OPEB Cost

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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)	\$	72,619
Interest on OPEB Obligation		7,593
Adjustment to the ARC		(11,177)
Annual OPEB Cost		69,035
Net Estimated Employer Contributions		5,000
Increase in Net OPEB obligation		64,035
Net OPEB Obligation-beginning of year		189,821
Net OPEB Obligation-end of year	\$	253,856

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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
2010	\$ 63,911	0.00%	\$ 61,453	\$ 125,364
2011	\$ 66,457	3.00%	\$ 125,364	\$ 189,821
2012	\$ 69,035	7.24%	\$ 189,821	\$ 253,856

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 \$435,433, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$435,433. The annual covered payroll was \$8,525,881 and the UAAL as a percentage of the annual covered payroll was 5.1 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.

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar
Remaining Amortization Period	27 years – Closed period
Asset Valuation Method	Market value
Investment Rate of Return	4.0%
Healthcare Cost Trend Rate (Initial/Ulimate)	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.

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, 2012, 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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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, 2012, the City's total investment in SEWPP totaled \$5,262,378. The net investment reported is \$3,402,246, which includes accumulated depreciation of \$1,860,132.

Agreement with WEDC

WEDC agreed to pay \$330,030 of the City's tax-supported debt that was issued in 2000. The agreement extends until the debt matures in 2021.

F. Subsequent Event

On October 16, 2012, the City Council approved an ordinance authorizing the issuance of General Obligation Refunding Bonds, Series 2013. The bonds are anticipated to be issued in January 2013.

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, 2012
With Comparative Totals for the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>	<u>2011</u>
	<u>Original</u>	<u>Budget as</u>		<u>with Final</u>	
	<u>Budget</u>	<u>Amended</u>		<u>Positive</u>	
				<u>(Negative)</u>	
REVENUES					
Property taxes	\$ 2,243,760	\$ 2,243,760	\$ 2,291,618	\$ 47,858	\$ 1,920,729
Sales taxes	9,850,000	10,446,340	10,495,149	48,809	10,246,579
Franchise fees	1,085,070	1,085,070	1,074,263	(10,807)	1,093,727
Other taxes	380,800	380,800	434,222	53,422	465,682
Licenses and permits	285,920	517,000	616,215	99,215	301,990
Fines and forfeitures	1,150,210	1,150,210	1,128,536	(21,674)	1,114,652
Charges for services	172,320	172,320	220,445	48,125	188,334
Other	65,510	65,510	156,523	91,013	129,505
Investment earnings	31,320	31,320	39,642	8,322	26,041
Contributions	700,000	700,000	700,000	-	700,000
Total Revenues	<u>15,964,910</u>	<u>16,792,330</u>	<u>17,156,613</u>	<u>364,283</u>	<u>16,187,239</u>
EXPENDITURES					
General government					
City council	224,040	224,040	174,520	49,520	192,218
City secretary	429,920	429,920	421,181	8,739	412,075
City manager	400,950	361,350	327,812	33,538	348,268
Finance	1,001,890	966,550	910,736	55,814	1,130,033
Municipal court	670,760	670,760	648,897	21,863	656,062
Human resources	376,000	376,000	345,284	30,716	342,701
Economic development	326,270	326,270	315,589	10,681	309,978
Total general government	<u>3,429,830</u>	<u>3,354,890</u>	<u>3,144,019</u>	<u>210,871</u>	<u>3,391,335</u>
Public safety					
Police	6,527,920	6,590,590	6,449,715	140,875	6,391,242
Fire	2,662,160	2,698,260	2,587,858	110,402	1,731,710
Total public safety	<u>9,190,080</u>	<u>9,288,850</u>	<u>9,037,573</u>	<u>251,277</u>	<u>8,122,952</u>
Public works					
Administrative	399,080	399,080	383,504	15,576	361,406
Maintenance	1,194,080	1,161,080	1,120,423	40,657	1,101,068
Parks	828,350	828,350	761,527	66,823	821,691
Engineering	201,670	202,670	198,047	4,623	195,073
Total public works	<u>2,623,180</u>	<u>2,591,180</u>	<u>2,463,501</u>	<u>127,679</u>	<u>2,479,238</u>

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, 2012
With Comparative Totals for the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2011 Actual
	Original Budget	Budget as Amended			
Community development					
Community development					
Administrative	\$ 596,410	\$ 596,410	584,667	\$ 11,743	\$ 578,483
Building	627,420	627,420	579,276	48,144	600,676
Recreational	350,890	350,890	308,522	42,368	298,777
Total community development	1,574,720	1,574,720	1,472,465	102,255	1,477,936
Total Expenditures	16,817,810	16,809,640	16,117,558	692,082	15,471,461
Revenues Over (Under) Expenditures	(852,900)	(17,310)	1,039,055	1,056,365	715,778
OTHER FINANCING SOURCES (USES)					
Transfers in	320,960	320,960	320,960	-	320,960
Transfers out	(141,520)	(1,006,390)	(907,500)	98,890	(294,713)
Sale of capital assets	1,000	1,000	26,498	25,498	-
Total Other Financing Sources (Uses)	180,440	(684,430)	(560,042)	124,388	26,247
Net Change in Fund Balance	\$ (672,460)	\$ (701,740)	479,013	\$ 1,180,753	\$ 742,025
Beginning Fund Balance			10,029,171		
Ending Fund Balance			\$ 10,508,184		

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, 2012
With Comparative Totals for the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance	2011
	Original Budget	Budget as Amended		with Final Budget Positive (Negative)	
REVENUES					
Hotel occupancy taxes	\$ 701,040	\$ 701,040	\$ 868,096	\$ 167,056	\$ 775,942
Other revenue	1,500	1,500	613	(887)	863
Investment earnings	1,650	1,650	1,521	(129)	1,431
Total Revenues	<u>704,190</u>	<u>704,190</u>	<u>870,230</u>	<u>166,040</u>	<u>778,236</u>
EXPENDITURES					
Community services	667,290	667,290	493,627	173,663	455,834
Total Expenditures	<u>667,290</u>	<u>667,290</u>	<u>493,627</u>	<u>173,663</u>	<u>455,834</u>
Revenues Over Expenditures	<u>36,900</u>	<u>36,900</u>	<u>376,603</u>	<u>339,703</u>	<u>322,402</u>
OTHER FINANCING (USES)					
Transfers out	(36,900)	(36,900)	(36,900)	-	(36,900)
Total Other Financing (Uses)	<u>(36,900)</u>	<u>(36,900)</u>	<u>(36,900)</u>	<u>-</u>	<u>(36,900)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>339,703</u>	<u>\$ 339,703</u>	<u>\$ 285,502</u>
Beginning Fund Balance			<u>1,233,274</u>		
Ending Fund Balance			<u>\$ 1,572,977</u>		

Note to Required Supplementary Information:

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

(This page intentionally left blank.)

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

Fiscal year	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Valuation date	12/31/2009	12/31/2010	12/31/2011
Actuarial Value of Assets	\$ 17,119,133	\$ 27,763,966	\$ 30,575,870
Actuarial Accrued Liability	\$ 26,790,967	\$ 36,594,643	\$ 39,180,804
Percentage Funded	63.9%	75.9%	78.0%
Unfunded Actuarial			
Accrued Liability	\$ 9,671,834	\$ 8,830,677	\$ 8,604,934
Annual Covered Payroll	\$ 8,485,183	\$ 8,581,419	\$ 8,525,881
Unfunded Actuarial Accrued Liability			
(UAAL) % of Covered Payroll	114.0%	102.9%	100.9%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ -	\$ 412,432	\$ 623,915
Annual Pension Cost (APC)	1,652,292	1,500,844	1,448,652
Contributions Made	1,239,860	1,289,361	1,402,841
NPO at the End of Period	<u><u>\$ 412,432</u></u>	<u><u>\$ 623,915</u></u>	<u><u>\$ 669,726</u></u>

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT HEALTHCARE BENEFITS¹

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%
10/01/11	\$ -	\$ 435,433	\$ 435,433	0.0%	\$ 8,525,881	5.1%

¹ 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. The AAL as of October 1, 2011 was estimated on a roll-forward basis from the October 1, 2010 liability.

(This page intentionally left blank.)

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.

The PEG Channel fund is used to account for revenues received from local cablevision franchisees in accordance with Chapter 66 of the Texas Utilities Code. These funds can be spent only on capital items used to provide or enhance public, educational, and government access channel capacity, programming, and transmission.

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 (Page 1 of 2)
September 30, 2012

Special Revenue Funds

	Public Safety	Municipal Court Programs	Grant Fund	Emergency Management
ASSETS				
Cash and cash equivalents	\$ 92,342	\$ 216,697	\$ -	\$ 57,259
Investments	-	-	-	-
Receivables	-	-	41,110	116,422
Prepaid items	1,014	-	-	-
Total Assets	\$ 93,356	\$ 216,697	\$ 41,110	\$ 173,681
LIABILITIES				
Accounts payable	\$ 857	\$ 940	\$ -	\$ -
Deficit consolidated cash	-	-	41,110	-
Grants payable	-	-	-	57,470
Insurance payable	-	-	-	20,022
Total Liabilities	857	940	41,110	77,492
FUND BALANCES				
Nonspendable:				
Prepaid items	1,014	-	-	-
Restricted for:				
Enabling legislation	-	215,757	-	-
Emergency management	-	-	-	96,189
Assigned to:				
Special revenue	91,485	-	-	-
Capital projects	-	-	-	-
Total Fund Balances	92,499	215,757	-	96,189
Total Liabilities and Fund Balance	\$ 93,356	\$ 216,697	\$ 41,110	\$ 173,681

Special Revenue Funds		Capital Project Funds			
TIRZ No. 1	PEG Channel	Street Construction	Building Construction	Other Capital Projects	General Projects Fund
\$ 698,787	\$ 61,278	\$ 1,447,675	\$ 40,203	\$ 2,130,084	\$ 284,205
-	-	517,050	-	-	-
-	-	849	-	-	-
-	-	-	-	-	-
<u>\$ 698,787</u>	<u>\$ 61,278</u>	<u>\$ 1,965,574</u>	<u>\$ 40,203</u>	<u>\$ 2,130,084</u>	<u>\$ 284,205</u>
\$ -	\$ -	\$ 1,316	\$ 37,204	\$ -	\$ 5,069
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,316	37,204	-	5,069
-	-	-	-	-	-
698,787	61,278	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,964,258	2,999	2,130,084	279,136
<u>698,787</u>	<u>61,278</u>	<u>1,964,258</u>	<u>2,999</u>	<u>2,130,084</u>	<u>279,136</u>
<u>\$ 698,787</u>	<u>\$ 61,278</u>	<u>\$ 1,965,574</u>	<u>\$ 40,203</u>	<u>\$ 2,130,084</u>	<u>\$ 284,205</u>

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2012

	Total Nonmajor Governmental Funds
ASSETS	
Cash and cash equivalents	\$ 5,028,530
Investments	517,050
Receivables	158,381
Prepaid items	1,014
Total Assets	\$ 5,704,975
 LIABILITIES	
Accounts payable	\$ 45,386
Deficit consolidated cash	41,110
Grants payable	57,470
Insurance payable	20,022
Total Liabilities	163,988
 FUND BALANCES	
Nonspendable:	
Prepaid items	1,014
Restricted for:	
Enabling legislation	975,822
Emergency management	96,189
Assigned to:	
Special revenue	91,485
Capital projects	4,376,477
Total Fund Balances	5,540,987
Total Liabilities and Fund Balance	\$ 5,704,975

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
For the Year Ended September 30, 2012

Special Revenue Funds

	Public Safety	Municipal Court Programs	Grant Fund	Emergency Management
REVENUES				
Fines and forfeitures	\$ 43,136	\$ 72,795	\$ -	\$ -
Franchise fees	-	-	-	-
Investment earnings	122	261	-	-
Intergovernmental	-	-	976,865	-
Other revenue	12,550	-	-	-
Total Revenues	55,808	73,056	976,865	-
EXPENDITURES				
General government	-	71,897	-	-
Public safety	79,225	-	1,067,812	-
Capital outlay	-	-	-	-
Total Expenditures	79,225	71,897	1,067,812	-
Revenues Over (Under) Expenditures	(23,417)	1,159	(90,947)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	90,947	-
Transfers out	-	(34,060)	-	-
Total Other Financing Sources (Uses)	-	(34,060)	90,947	-
Net Change in Fund Balances	(23,417)	(32,901)	-	-
Beginning Fund Balances	115,916	248,658	-	96,189
Ending Fund Balances	\$ 92,499	\$ 215,757	\$ -	\$ 96,189

Special Revenue Funds		Capital Project Funds			
TIRZ No. 1	PEG Channel	Street Construction	Building Construction	Other Capital Projects	General Projects Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	25,944	-	-	-	-
808	-	6,358	49	2,557	309
59,016	-	250,910	-	-	-
-	-	-	-	-	-
<u>59,824</u>	<u>25,944</u>	<u>257,268</u>	<u>49</u>	<u>2,557</u>	<u>309</u>
-	-	-	-	-	-
-	-	-	-	-	114,713
-	-	159,276	50,780	107,735	31,139
-	-	<u>159,276</u>	<u>50,780</u>	<u>107,735</u>	<u>145,852</u>
<u>59,824</u>	<u>25,944</u>	<u>97,992</u>	<u>(50,731)</u>	<u>(105,178)</u>	<u>(145,543)</u>
40,769	35,334	-	9,000	-	189,290
-	-	-	-	-	-
<u>40,769</u>	<u>35,334</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>189,290</u>
100,593	61,278	97,992	(41,731)	(105,178)	43,747
598,194	-	1,866,266	44,730	2,235,262	235,389
<u>\$ 698,787</u>	<u>\$ 61,278</u>	<u>\$ 1,964,258</u>	<u>\$ 2,999</u>	<u>\$ 2,130,084</u>	<u>\$ 279,136</u>

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended September 30, 2012

	Total Nonmajor Governmental Funds
REVENUES	
Fines and forfeitures	\$ 115,931
Franchise fees	25,944
Investment earnings	10,464
Intergovernmental	1,286,791
Other revenue	12,550
Total Revenues	1,451,680
 EXPENDITURES	
General government	71,897
Public safety	1,261,750
Capital outlay	348,930
Total Expenditures	1,682,577
Revenues Over (Under)	
Expenditures	(230,897)
 OTHER FINANCING SOURCES (USES)	
Transfers in	365,340
Transfers out	(34,060)
Total Other Financing Sources (Uses)	331,280
Net Change in Fund Balances	100,383
Beginning Fund Balances	5,440,604
Ending Fund Balances	\$ 5,540,987

(This page intentionally left blank.)

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, 2012
With Comparative Totals for the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2011 Actual
	Original Budget	Budget as Amended			
REVENUES					
Property taxes	\$ 1,440,560	\$ 1,440,560	\$ 1,450,165	\$ 9,605	\$ 1,463,186
Contributions	330,030	330,030	330,030	-	330,030
Investment earnings	1,460	1,460	1,029	(431)	1,063
Total Revenues	<u>1,772,050</u>	<u>1,772,050</u>	<u>1,781,224</u>	<u>9,174</u>	<u>1,794,279</u>
EXPENDITURES					
Principal	1,185,000	1,185,000	1,185,000	-	1,150,000
Interest and fiscal charges	562,260	562,260	549,747	12,513	591,188
Total Expenditures	<u>1,747,260</u>	<u>1,747,260</u>	<u>1,734,747</u>	<u>12,513</u>	<u>1,741,188</u>
Revenues Over (Under) Expenditures	<u>24,790</u>	<u>24,790</u>	<u>46,477</u>	<u>21,687</u>	<u>53,091</u>
OTHER FINANCING SOURCES					
Transfers in	-	606,930	606,930	-	-
Total Other Financing Sources	<u>-</u>	<u>606,930</u>	<u>606,930</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 24,790</u>	<u>\$ 631,720</u>	<u>653,407</u>	<u>\$ 21,687</u>	<u>\$ 53,091</u>
Beginning Fund Balance			<u>577,456</u>		
Ending Fund Balance			<u>\$ 1,230,863</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, 2012
With Comparative Totals for the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
REVENUES					
Fines and forfeitures	\$ 181,000	\$ 181,000	\$ 43,136	\$ (137,864)	\$ 11,886
Investment earnings	280	280	122	(158)	244
Intergovernmental	-	-	-	-	4,466
Other revenue	-	-	12,550	12,550	1,645
Total Revenues	<u>181,280</u>	<u>181,280</u>	<u>55,808</u>	<u>(125,472)</u>	<u>18,241</u>
EXPENDITURES					
Public safety	269,100	269,100	79,225	189,875	38,918
Revenues Over (Under) Expenditures	<u>(87,820)</u>	<u>(87,820)</u>	<u>(23,417)</u>	<u>64,403</u>	<u>(20,677)</u>
Net Change in Fund Balance	<u>\$ (87,820)</u>	<u>\$ (87,820)</u>	<u>(23,417)</u>	<u>\$ 64,403</u>	<u>\$ (20,677)</u>
Beginning Fund Balance			<u>115,916</u>		
Ending Fund Balance			<u>\$ 92,499</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, 2012
 With Comparative Totals for the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
REVENUES					
Fines and forfeitures	\$ 76,540	\$ 76,540	\$ 72,795	\$ (3,745)	\$ 74,934
Investment earnings	530	530	261	(269)	339
Total Revenues	<u>77,070</u>	<u>77,070</u>	<u>73,056</u>	<u>(4,014)</u>	<u>75,273</u>
EXPENDITURES					
General government	109,730	109,730	71,897	37,833	69,347
Revenues Over					
(Under) Expenditures	<u>(32,660)</u>	<u>(32,660)</u>	<u>1,159</u>	<u>33,819</u>	<u>5,926</u>
OTHER FINANCING (USES)					
Transfers out	(34,060)	(34,060)	(34,060)	-	(34,060)
Total Other Financing (Uses)	<u>(34,060)</u>	<u>(34,060)</u>	<u>(34,060)</u>	<u>-</u>	<u>(34,060)</u>
Net Change in Fund Balance	<u>\$ (66,720)</u>	<u>\$ (66,720)</u>	<u>(32,901)</u>	<u>\$ 33,819</u>	<u>\$ (28,134)</u>
Beginning Fund Balance			<u>248,658</u>		
Ending Fund Balance			<u>\$ 215,757</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, 2012
With Comparative Totals for the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
REVENUES					
Intergovernmental	\$ 1,331,500	\$ 1,331,500	\$ 976,865	\$ (354,635)	\$ 62,745
Total Revenues	<u>1,331,500</u>	<u>1,331,500</u>	<u>976,865</u>	<u>(354,635)</u>	<u>62,745</u>
EXPENDITURES					
Public safety	1,428,420	1,428,420	1,067,812	360,608	75,678
Revenues Over (Under) Expenditures	<u>(96,920)</u>	<u>(96,920)</u>	<u>(90,947)</u>	<u>5,973</u>	<u>(12,933)</u>
OTHER FINANCING SOURCES					
Transfers in	96,920	96,920	90,947	(5,973)	25,933
Total Other Financing Sources	<u>96,920</u>	<u>96,920</u>	<u>90,947</u>	<u>(5,973)</u>	<u>25,933</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 13,000</u>
Beginning Fund Balance			<u>-</u>		
Ending Fund Balance			<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, 2012
 With Comparative Totals for the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
REVENUES					
Intergovernmental	\$ 88,000	\$ 88,000	\$ 59,016	\$ (28,984)	\$ 82,630
Investment earnings	780	780	808	28	746
Total Revenues	<u>88,780</u>	<u>88,780</u>	<u>59,824</u>	<u>(28,956)</u>	<u>83,376</u>
EXPENDITURES					
Economic development	198,780	198,780	-	198,780	-
Revenues Over (Under) Expenditures	<u>(110,000)</u>	<u>(110,000)</u>	<u>59,824</u>	<u>169,824</u>	<u>83,376</u>
OTHER FINANCING SOURCES					
Transfers in	110,000	110,000	40,769	(69,231)	95,000
Total Other Financing Sources	<u>110,000</u>	<u>110,000</u>	<u>40,769</u>	<u>(69,231)</u>	<u>95,000</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>100,593</u>	<u>\$ 100,593</u>	<u>\$ 178,376</u>
Beginning Fund Balance			<u>598,194</u>		
Ending Fund Balance			<u>\$ 698,787</u>		

(This page intentionally left blank.)

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, 2012

	Equipment Replacement	Information Technology	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,267,385	\$ 265,233	\$ 1,532,618
Investments	1,496,952	-	1,496,952
Receivables, net	932	-	932
Prepaid expenses	-	2,917	2,917
Total Current Assets	2,765,269	268,150	3,033,419
Noncurrent assets			
Capital assets:			
Machinery and equipment	3,396,886	256,819	3,653,705
Less: accumulated depreciation	(2,539,662)	(121,623)	(2,661,285)
Total Capital Assets (Net)	857,224	135,196	992,420
Total Noncurrent Assets	857,224	135,196	992,420
Total Assets	3,622,493	403,346	4,025,839
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	-	20,719	20,719
Due to other funds	3,855	-	3,855
Current portion of compensated absences	-	1,454	1,454
Total Current Liabilities	3,855	22,173	26,028
Noncurrent liabilities			
Compensated absences	-	9,472	9,472
Net pension obligation	-	13,893	13,893
Net other postemployment benefit obligation	-	5,509	5,509
Total Noncurrent Liabilities	-	28,874	28,874
Total Liabilities	3,855	51,047	54,902
NET ASSETS			
Invested in capital assets	857,224	135,196	992,420
Unrestricted	2,761,414	217,103	2,978,517
Total Net Assets	\$ 3,618,638	\$ 352,299	\$ 3,970,937

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, 2012

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 394,560	\$ 587,710	\$ 982,270
Other income	11,071	-	11,071
Total Operating Revenues	<u>405,631</u>	<u>587,710</u>	<u>993,341</u>
OPERATING EXPENSES			
Personnel	-	260,256	260,256
Supplies	-	13,884	13,884
Maintenance	-	49,294	49,294
Services	-	220,521	220,521
Depreciation	298,050	49,514	347,564
Total Operating Expenses	<u>298,050</u>	<u>593,469</u>	<u>891,519</u>
Operating Income (Loss)	<u>107,581</u>	<u>(5,759)</u>	<u>101,822</u>
NONOPERATING REVENUES			
Investment earnings	8,675	385	9,060
Gain on sale of capital assets	74,255	-	74,255
Total Nonoperating Revenues	<u>82,930</u>	<u>385</u>	<u>83,315</u>
Income (Loss) Before Transfers	190,511	(5,374)	185,137
TRANSFERS			
Transfers out	<u>(64,770)</u>	<u>-</u>	<u>(64,770)</u>
Change in Net Assets	125,741	(5,374)	120,367
Beginning Net Assets	<u>3,492,897</u>	<u>357,673</u>	<u>3,850,570</u>
Ending Net Assets	<u>\$ 3,618,638</u>	<u>\$ 352,299</u>	<u>\$ 3,970,937</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, 2012

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from users	\$ 434,579	\$ 587,710	\$ 1,022,289
Payments to suppliers	-	(295,218)	(295,218)
Payments to employees	-	(240,222)	(240,222)
Net Cash Provided by Operating Activities	<u>434,579</u>	<u>52,270</u>	<u>486,849</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(64,770)	-	(64,770)
Net Cash (Used) by Noncapital Financing Activities	<u>(64,770)</u>	<u>-</u>	<u>(64,770)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(462,194)	(35,193)	(497,387)
Proceeds from sales of capital assets	106,416	-	106,416
Net Cash (Used) by Capital and Related Financing Activities	<u>(355,778)</u>	<u>(35,193)</u>	<u>(390,971)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	1,484,786	-	1,484,786
Purchase of investments	(1,496,780)	-	(1,496,780)
Interest on investments	8,675	385	9,060
Net Cash Provided (Used) by Investing Activities	<u>(3,319)</u>	<u>385</u>	<u>(2,934)</u>
Net Increase in Cash and Cash Equivalents	10,712	17,462	28,174
Beginning Cash and Cash Equivalents	<u>1,256,673</u>	<u>247,771</u>	<u>1,504,444</u>
Ending Cash and Cash Equivalents	<u>\$ 1,267,385</u>	<u>\$ 265,233</u>	<u>\$ 1,532,618</u>

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Page 2 of 2)
For the Year Ended September 30, 2012

	Equipment Replacement	Information Technology	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 107,581	\$ (5,759)	\$ 101,822
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	298,050	49,514	347,564
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Current Assets:			
Accounts receivable	25,093	-	25,093
Due from other funds	-	861	861
Prepaid expenses	-	(167)	(167)
Increase (Decrease) in Current Liabilities:			
Accounts payable and accrued liabilities	-	(12,213)	(12,213)
Due to other funds	3,855	-	3,855
Compensated absences	-	20,034	20,034
Net Cash Provided by Operating Activities	\$ 434,579	\$ 52,270	\$ 486,849

See Notes to Financial Statements.

(This page intentionally left blank.)

STATISTICAL SECTION

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

Contents	Page
Financial Trends	96
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	110
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	
Debt Capacity	118
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	127
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	129
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

CITY OF WEBSTER, TEXAS

NET ASSETS BY COMPONENT

Last Ten Years
(accrual basis of accounting)

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 34,682,185	\$ 36,295,260	\$ 38,656,099	\$ 35,859,223	\$ 34,788,233	\$ 31,186,591
5,080,935	4,878,125	6,335,017	5,906,096	2,756,384	7,951,235
10,649,642	11,320,614	11,584,484	11,966,071	16,302,442	16,633,460
<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>	<u>\$ 55,771,286</u>
\$ 13,239,394	\$ 13,676,387	\$ 16,697,191	\$ 18,060,249	\$ 18,839,292	\$ 18,814,693
2,743,668	3,314,199	2,853,477	2,684,805	2,336,262	2,549,394
2,292,205	1,247,194	2,210,839	2,879,242	3,137,696	4,013,227
<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>	<u>\$ 25,377,314</u>
\$ 47,921,579	\$ 49,971,647	\$ 55,353,290	\$ 53,919,472	\$ 53,627,525	\$ 50,001,284
7,824,603	8,192,324	9,188,494	8,590,901	5,092,646	10,500,629
12,941,847	12,567,808	13,795,323	14,845,313	19,440,138	20,646,687
<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>	<u>\$ 81,148,600</u>

CITY OF WEBSTER, TEXAS

CHANGES IN NET ASSETS

Last Ten Years

(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 3,379,338	\$ 3,319,970	\$ 3,266,448	\$ 3,715,779
Public safety	6,160,314	6,105,672	6,436,542	6,485,161
Public works ⁽¹⁾	-	-	-	-
Community development ⁽¹⁾	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>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 39,212	\$ 43,253	\$ 53,809	\$ 123,184
Public safety	652,594	819,980	841,367	1,094,780
Community development	233,376	305,699	640,068	443,971
Operating grants and contributions	1,118,955	1,074,146	1,664,269	1,043,288
Capital grants and contributions	729,851	717,841	972,830	4,143,859
Total Governmental Activities Program Revenues	<u>2,773,988</u>	<u>2,960,919</u>	<u>4,172,343</u>	<u>6,849,082</u>
Business-type activities				
Charges for services				
Water	1,143,080	1,115,767	1,298,509	1,436,718
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>
Net (Expense)/Revenue				
Governmental activities	\$ (11,563,747)	\$ (11,091,420)	\$ (10,513,623)	\$ (8,781,292)
Business-type activities	(75,826)	(457,314)	(157,254)	607,749
Total Primary Government Net Expense	<u>\$ (11,639,573)</u>	<u>\$ (11,548,734)</u>	<u>\$ (10,670,877)</u>	<u>\$ (8,173,543)</u>

⁽¹⁾ 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	2012
\$	3,127,988	\$ 4,372,934	\$ 3,518,765	\$ 3,231,366	\$ 3,810,971	\$ 3,494,720
	7,186,702	7,438,134	8,275,633	8,945,639	8,705,059	9,289,641
	-	-	-	3,813,092	3,273,335	3,465,582
	5,562,641	5,666,080	7,245,743	3,359,280	2,724,785	2,930,471
	1,317,336	1,352,133	938,611	802,010	648,743	509,182
	<u>17,194,667</u>	<u>18,829,281</u>	<u>19,978,752</u>	<u>20,151,387</u>	<u>19,162,893</u>	<u>19,689,596</u>
	1,347,623	1,676,357	1,722,540	1,854,204	1,939,942	1,991,274
	1,468,095	1,531,042	1,637,288	1,891,447	2,034,661	2,122,566
	-	-	-	328,732	326,725	288,343
	<u>2,815,718</u>	<u>3,207,399</u>	<u>3,359,828</u>	<u>4,074,383</u>	<u>4,301,328</u>	<u>4,402,183</u>
\$	<u>20,010,385</u>	<u>\$ 22,036,680</u>	<u>\$ 23,338,580</u>	<u>\$ 24,225,770</u>	<u>\$ 23,464,221</u>	<u>\$ 24,091,779</u>
\$	150,143	\$ 184,886	\$ 211,429	\$ 155,730	\$ 150,660	\$ 178,404
	1,331,735	1,592,374	1,310,891	1,418,862	1,201,472	1,244,467
	516,178	528,630	376,597	357,679	339,664	658,256
	1,082,168	1,584,928	2,236,981	1,252,410	1,192,871	1,113,356
	1,147,059	220,542	3,001,168	29,579	4,526	1,203,465
	<u>4,227,283</u>	<u>4,111,360</u>	<u>7,137,066</u>	<u>3,214,260</u>	<u>2,889,193</u>	<u>4,397,948</u>
	1,502,776	1,571,025	1,771,314	1,756,318	1,869,325	1,953,541
	1,398,083	1,434,841	1,683,648	1,791,595	1,960,596	2,082,345
	-	-	-	311,377	314,831	282,879
	-	-	3,412,361	238,564	894,767	423,900
	<u>2,900,859</u>	<u>3,005,866</u>	<u>6,867,323</u>	<u>4,097,854</u>	<u>5,039,519</u>	<u>4,742,665</u>
\$	<u>7,128,142</u>	<u>\$ 7,117,226</u>	<u>\$ 14,004,389</u>	<u>\$ 7,312,114</u>	<u>\$ 7,928,712</u>	<u>\$ 9,140,613</u>
\$	(12,967,384)	\$ (14,717,921)	\$ (12,841,686)	\$ (16,937,127)	\$ (16,273,700)	\$ (15,291,648)
	85,141	(201,533)	3,507,495	23,471	738,191	340,482
\$	<u>(12,882,243)</u>	<u>\$ (14,919,454)</u>	<u>\$ (9,334,191)</u>	<u>\$ (16,913,656)</u>	<u>\$ (15,535,509)</u>	<u>\$ (14,951,166)</u>

CITY OF WEBSTER, TEXAS

CHANGES IN NET ASSETS (Continued)

Last Ten Years

(accrual basis of accounting)

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

	2007	2008	2009	2010	2011	2012
\$	2,407,997	\$ 2,614,259	\$ 2,801,925	\$ 3,144,351	\$ 3,349,978	\$ 3,732,383
	10,773,089	11,000,547	10,922,780	9,883,594	10,270,148	10,495,149
	982,871	1,016,549	1,014,492	1,076,618	1,093,727	1,100,207
	999,567	1,012,157	1,126,527	1,188,572	1,241,624	1,302,318
	710,004	533,397	236,386	56,944	44,039	65,379
	381,250	190,782	508,982	273,551	135,353	169,686
	(372,365)	70,055	66,215	44,725	4,500	100,753
	389,590	455,633	245,980	(1,575,438)	250,000	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>	<u>17,215,875</u>
	531,946	347,054	65,851	12,940	14,923	13,536
	601,777	256,674	196,361	250,940	185,840	960,046
	-	15,951	-	-	-	-
	(389,590)	(455,633)	(245,980)	1,575,438	(250,000)	(250,000)
	<u>744,133</u>	<u>164,046</u>	<u>16,232</u>	<u>1,839,318</u>	<u>(49,237)</u>	<u>723,582</u>
\$	<u><u>17,016,136</u></u>	<u><u>17,057,425</u></u>	<u><u>16,939,519</u></u>	<u><u>15,932,235</u></u>	<u><u>16,340,132</u></u>	<u><u>17,939,457</u></u>
\$	3,304,619	\$ 2,175,458	\$ 4,081,601	\$ (2,844,210)	\$ 115,669	\$ 1,924,227
	829,274	(37,487)	3,523,727	1,862,789	688,954	1,064,064
\$	<u><u>4,133,893</u></u>	<u><u>2,137,971</u></u>	<u><u>7,605,328</u></u>	<u><u>(981,421)</u></u>	<u><u>804,623</u></u>	<u><u>2,988,291</u></u>

CITY OF WEBSTER, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
 Last Ten Years
 (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
Total	<u>\$ 11,068,890</u>	<u>\$ 11,136,896</u>	<u>\$ 12,772,789</u>	<u>\$ 13,484,829</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	Change 2011-2012
\$ 2,407,997	\$ 2,614,259	\$ 2,801,925	\$ 3,144,351	\$ 3,349,978	\$ 3,732,383	11.4%
10,773,089	11,000,547	10,922,780	9,883,594	10,270,148	10,495,149	2.2%
982,871	1,016,549	1,014,492	1,076,618	1,093,727	1,100,207	0.6%
999,567	1,012,157	1,126,527	1,188,572	1,241,624	1,302,318	4.9%
<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>	<u>\$ 16,630,057</u>	4.2%

CITY OF WEBSTER, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Years
 (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>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 71,297	\$ 107,542	\$ 75,033	\$ 40,273	\$ 889,606	\$ 51,394
345,252	288,156	898,871	950,221	164,811	220,639
7,425,532	8,687,164	8,630,449	8,296,652	8,974,754	10,236,151
<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>	<u>\$ 10,508,184</u>
\$ -	\$ 810	\$ -	\$ -	\$ 325	\$ 1,014
1,205,440	1,305,817	1,400,456	524,365	2,753,771	7,948,938
3,573,955	2,167,484	4,234,221	4,478,279	4,381,647	4,376,477
4,048,554	4,389,743	1,175,414	1,864,164	115,591	91,485
<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>	<u>\$ 12,417,914</u>

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

Last Ten Years
(modified accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 11,087,784	\$ 10,991,009	\$ 12,601,416	\$ 13,693,412
Licenses and permits	233,376	305,699	640,068	443,971
Fines and forfeitures	652,594	819,980	841,367	1,094,780
Charges for services	39,212	43,253	53,809	123,184
Intergovernmental	63,925	44,116	134,239	13,258
Investment earnings	184,263	158,718	299,161	544,246
Contributions	1,055,030	1,030,030	1,530,030	1,030,030
Other revenues	34,779	75,861	127,736	164,710
Total Revenues	13,350,963	13,468,666	16,227,826	17,107,591
Expenditures				
General government	2,534,476	2,444,528	2,509,122	2,887,475
Public safety	5,777,489	5,650,560	6,166,468	6,230,882
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
Total expenditures	15,746,257	14,203,101	14,836,661	16,905,353
Excess of Revenues Over (Under) Expenditures	(2,395,294)	(734,435)	1,391,165	202,238
Other Financing Sources (Uses)				
Issuance of debt	4,935,000	-	11,705,000	-
Premium on debt	13,711	-	4,470	-
Discount on debt	-	-	(46,545)	-
Payment to refunded bond escrow agent	(4,816,625)	-	(10,049,293)	-
Transfers in	1,125,040	556,063	1,669,368	1,621,661
Transfers out	(894,020)	(285,643)	(1,373,948)	(2,185,171)
Proceeds from capital lease	-	-	-	-
Sale of capital assets	36,773	26,184	-	36,528
Total Other Financing Sources (Uses)	399,879	296,604	1,909,052	(526,982)
Net Change in Fund Balances	\$ (1,995,415)	\$ (437,831)	\$ 3,300,217	\$ (324,744)
Debt service as a percentage of noncapital expenditures	22.41%	15.66%	15.79%	14.37%

2007	2008	2009	2010	2011	2012
\$ 15,080,159	\$ 15,558,086	\$ 15,771,588	\$ 15,213,296	\$ 15,965,845	\$ 16,639,457
516,178	470,577	354,447	328,389	301,990	616,215
1,331,735	1,592,374	1,310,891	1,418,862	1,201,472	1,244,467
150,143	242,939	233,579	185,020	188,334	220,445
52,138	554,898	1,206,951	209,380	149,841	1,286,791
710,004	533,397	204,198	50,164	36,949	56,319
1,030,030	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	169,686
<u>19,251,637</u>	<u>20,173,083</u>	<u>20,620,666</u>	<u>18,708,692</u>	<u>19,009,814</u>	<u>21,263,410</u>
2,952,100	4,193,306	3,319,192	3,450,702	3,460,682	3,215,916
6,795,850	8,335,646	7,879,104	8,314,199	8,328,825	10,299,323
-	-	-	2,505,572	2,479,238	2,463,501
4,569,811	4,503,793	4,788,497	1,929,381	1,933,770	1,966,092
572,345	1,077,980	1,350,549	196,605	189,560	2,590,787
1,010,266	860,998	1,210,000	1,135,000	1,150,000	1,185,000
1,110,595	1,450,363	850,305	839,487	591,188	549,747
<u>17,010,967</u>	<u>20,422,086</u>	<u>19,397,647</u>	<u>18,370,946</u>	<u>18,133,263</u>	<u>22,270,366</u>
2,240,670	(249,003)	1,223,019	337,746	876,551	(1,006,956)
-	-	-	6,075,000	-	6,250,000
-	-	-	306,893	-	61,281
-	-	-	-	-	-
-	-	-	(7,233,220)	-	-
2,699,003	2,580,586	2,840,687	906,302	675,673	1,293,230
(2,309,413)	(2,124,953)	(2,594,707)	(656,302)	(425,673)	(978,460)
26,453	-	-	-	-	-
30,368	70,055	27,301	3,091	-	26,498
<u>446,411</u>	<u>525,688</u>	<u>273,281</u>	<u>(598,236)</u>	<u>250,000</u>	<u>6,652,549</u>
<u>\$ 2,687,081</u>	<u>\$ 276,685</u>	<u>\$ 1,496,300</u>	<u>\$ (260,490)</u>	<u>\$ 1,126,551</u>	<u>\$ 5,645,593</u>
13.30%	13.14%	11.42%	10.86%	10.13%	9.84%

CITY OF WEBSTER, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
 Last Ten Years
 (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
Total	\$ 11,087,784	\$ 10,991,009	\$ 12,601,416	\$ 13,693,412

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	Change 2011-2012
\$ 2,438,400	\$ 2,623,072	\$ 2,802,028	\$ 3,158,751	\$ 3,383,915	\$ 3,741,783	10.6%
10,659,321	10,906,308	10,828,541	9,789,355	10,246,579	10,495,149	2.4%
982,871	1,016,549	1,014,492	1,076,618	1,093,727	1,100,207	0.6%
999,567	1,012,157	1,126,527	1,188,572	1,241,624	1,302,318	4.9%
<u>\$ 15,080,159</u>	<u>\$ 15,558,086</u>	<u>\$ 15,771,588</u>	<u>\$ 15,213,296</u>	<u>\$ 15,965,845</u>	<u>\$ 16,639,457</u>	4.2%

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential Property	\$ 183,423,560	\$ 188,198,130	\$ 185,853,920	\$ 203,476,378
Commercial Property	569,548,840	577,844,650	588,166,020	706,105,193
Industrial Property	38,938,490	39,320,230	48,278,150	57,356,684
Total Assessed Value	791,910,890	805,363,010	822,298,090	966,938,255
Less: Tax Exempt Property	<u>22,946,700</u>	<u>25,094,880</u>	<u>26,274,610</u>	<u>100,696,203</u>
Total Taxable Value	<u>\$ 768,964,190</u>	<u>\$ 780,268,130</u>	<u>\$ 796,023,480</u>	<u>\$ 866,242,052</u>
Total Direct Tax Rate ⁽¹⁾	0.24000	0.25100	0.26800	0.25750

Source: Harris County Appraisal District

Notes:

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

Assessed and taxable values reflect the certified and uncertified values of each fiscal year as of September 30, 2012.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 220,285,562	\$ 251,466,620	\$ 289,228,607	\$ 314,011,758	\$ 293,907,235	\$ 300,064,496
755,117,695	851,185,931	1,099,113,355	1,137,360,532	1,082,366,624	1,077,751,277
<u>57,154,669</u>	<u>46,263,195</u>	<u>45,621,080</u>	<u>30,822,429</u>	<u>38,805,228</u>	<u>47,334,112</u>
1,032,557,926	1,148,915,746	1,433,963,042	1,482,194,719	1,415,079,087	1,425,149,885
<u>99,213,659</u>	<u>103,060,905</u>	<u>116,769,369</u>	<u>122,254,305</u>	<u>116,991,283</u>	<u>109,566,950</u>
<u>\$ 933,344,267</u>	<u>\$ 1,045,854,841</u>	<u>\$ 1,317,193,673</u>	<u>\$ 1,359,940,414</u>	<u>\$ 1,298,087,804</u>	<u>\$ 1,315,582,935</u>
0.25750	0.24887	0.20600	0.23252	0.25750	0.28528

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City of Webster by fund:				
General	\$ 0.02000	\$ 0.04053	\$ 0.05446	\$ 0.05000
Debt service	0.22000	0.21047	0.21354	0.20750
Total Direct Rates	<u>\$ 0.24000</u>	<u>\$ 0.25100</u>	<u>\$ 0.26800</u>	<u>\$ 0.25750</u>
Clear Creek School District	\$ 1.74000	\$ 1.73000	\$ 1.74500	\$ 1.77500
Harris County	0.38814	0.38803	0.39986	0.39986
Harris County Flood Control District	0.04174	0.04174	0.03318	0.03322
Port of Houston Authority	0.01989	0.02000	0.01673	0.01474
Harris County Hospital District	0.19021	0.19021	0.19021	0.19216
Harris County Department of Education	0.00629	0.00629	0.00629	0.00629
Total Direct and Overlapping Rates ⁽¹⁾	<u>\$ 2.62627</u>	<u>\$ 2.62727</u>	<u>\$ 2.65927</u>	<u>\$ 2.67877</u>

Source: Harris County Appraisal District, Clear Creek School District

Notes:

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

Tax rates are per \$100 of assessed value.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 0.04904	\$ 0.05672	\$ 0.07335	\$ 0.11333	\$ 0.14669	\$ 0.17470
0.20846	0.19215	0.13265	0.11919	0.11081	0.11058
<u>\$ 0.25750</u>	<u>\$ 0.24887</u>	<u>\$ 0.20600</u>	<u>\$ 0.23252</u>	<u>\$ 0.25750</u>	<u>\$ 0.28528</u>
\$ 1.63000	\$ 1.32000	\$ 1.36000	\$ 1.36000	\$ 1.36000	\$ 1.36000
0.40239	0.39239	0.38923	0.39224	0.38805	0.39117
0.03241	0.03106	0.03086	0.02922	0.29233	0.02809
0.01302	0.01437	0.01773	0.01636	0.02054	0.01856
0.19216	0.19216	0.19216	0.19216	0.19216	0.19216
0.00629	0.00585	0.00584	0.00605	0.00658	0.00658
<u>\$ 2.53377</u>	<u>\$ 2.20470</u>	<u>\$ 2.20182</u>	<u>\$ 2.22855</u>	<u>\$ 2.51716</u>	<u>\$ 2.28184</u>

CITY OF WEBSTER, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2012			2003		
	Assessed Value	Rank	% of Assessed Value	Assessed Value	Rank	% of Assessed Value
Clear Lake Regional Medical Center	\$ 78,652,195	1	5.52%	\$ 31,401,000	1	3.97%
Inland American Webster	41,055,000	2	2.88%	17,749,960	5	2.24%
Texas Baybrook Square Center ⁽¹⁾	35,599,993	3	2.50%	-		
Webster Partners LP ⁽²⁾	30,819,091	4	2.16%	-		
NP SSP Baybrook LLC	33,251,674	5	2.33%	16,057,810	8	2.03%
US Housing Partners VIII LP	24,900,000	6	1.75%	26,649,970	2	3.37%
Clear Lake Center LP	21,160,649	7	1.48%	16,432,120	7	2.07%
G&E Healthcare REIT ⁽³⁾	20,926,054	8	1.47%	-		
MPT Clear Lake LP ⁽⁴⁾	18,874,000	9	1.32%	-		
Price Baybrook Ltd	18,724,557	10	1.31%	20,869,540	3	2.64%
Clear Lake Central II/III Ltd ⁽⁵⁾	-			19,877,290	4	2.51%
WDOP Sub I LP ⁽⁶⁾	-			17,199,970	6	2.17%
UDR Camino Village LP ⁽⁷⁾	-			15,699,980	9	1.98%
CRP TBG Waterford LP ⁽⁸⁾	-			9,680,000	10	1.22%
Subtotal	\$ 323,963,213		22.73%	\$ 191,617,640		24.20%
Other Taxpayers	1,101,186,672		77.27%	600,293,250		75.80%
Total	\$ 1,425,149,885		100.00%	\$ 791,910,890		100.00%

Source: Harris County Appraisal District

Notes:

- ⁽¹⁾ Texas Baybrook Square Center was not a top ten taxpayer in 2003. It is included in the Other Taxpayers subtotal.
- ⁽²⁾ Webster Partners LP was not a top ten taxpayer in 2003. It is included in the Other Taxpayers subtotal.
- ⁽³⁾ G&E Healthcare REIT Mountain Plains was not a top ten taxpayer in 2003. It is included in the Other Taxpayers subtotal.
- ⁽⁴⁾ MPT Clear Lake LP was not a top ten taxpayer in 2003. It is included in the Other Taxpayers subtotal.
- ⁽⁵⁾ Clear Lake Central II/III Ltd is not a top ten taxpayer in 2012. It is included in the Other Taxpayers subtotal.
- ⁽⁶⁾ WDOP Sub I LP is not a top ten taxpayer in 2012. It is included in the Other Taxpayers subtotal.
- ⁽⁷⁾ UDR Camino Village LP is not a top ten taxpayer in 2012. It is included in the Other Taxpayers subtotal.
- ⁽⁸⁾ CRP TBG Waterford LP is not a top ten taxpayer in 2012. It is included in the Other Taxpayers subtotal.

CITY OF WEBSTER, TEXAS

PRINCIPAL SALES TAX REMITTERS

Current Year and Nine Years Ago

Sales Tax Remitter	Sales Tax Rate ^{(1) (2)}	2012 Rank	2003 Rank
Fry's Electronics	\$ 0.02000	1	n/a
Academy Sports & Outdoors	0.02000	2	n/a
Star Furniture	0.02000	3	2
Bed Bath & Beyond	0.02000	4	12
Ashley Furniture	0.02000	5	n/a
Cinemark USA	0.02000	6	7
Pappa's Seafood House / Pappasito's Cantina	0.02000	7	9
ExxonMobil Corporation ⁽³⁾	0.02000	8	n/a
Burlington Coat Factory	0.02000	9	10
Conn's Appliances	0.02000	10	6
Critical Infrastructure Solutions	0.02000	11	n/a
Hobby Lobby Creative Center	0.02000	12	19
Jared - The Galleria of Jewelry	0.02000	13	20
Garden Ridge	0.02000	14	4
Top Gun Security	0.02000	15	n/a
Barnes & Noble ⁽⁴⁾	0.02000		11
Office Depot ⁽⁵⁾	0.02000		8
Reliant Energy ⁽⁶⁾	0.02000		15
Home Depot	0.02000		1
CompUSA Stores	0.02000		3
Kmart	0.02000		5
The Sports Authority	0.02000		13
Old Navy	0.02000		14

Source: State Comptroller's Office

- ⁽¹⁾ This represents the City's portion only; the state's rate is \$0.0625.
- ⁽²⁾ The sales tax rate has remained the same since 2003.
- ⁽³⁾ ExxonMobil Corporation was not a top fifteen sales tax remitter in 2003.
- ⁽⁴⁾ Barnes & Noble is not a top fifteen sales tax remitter in 2012.
- ⁽⁵⁾ Office Depot is not a top fifteen sales tax remitter in 2012.
- ⁽⁶⁾ Reliant Energy is not a top fifteen sales tax remitter in 2012.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Tax levy ⁽¹⁾	\$ 1,818,570	\$ 1,940,214	\$ 2,115,135	\$ 2,223,263
Current tax collected	1,788,647	1,912,018	2,075,818	2,186,611
Percent of current tax collections	98.35%	98.55%	98.14%	98.35%
Delinquent tax collections ⁽²⁾	17,789	10,412	7,516	17,676
Total tax collections	1,806,436	1,922,430	2,083,334	2,204,287
Total collections as a percentage of current levy	99.33%	99.08%	98.50%	99.15%
Outstanding delinquent taxes ⁽²⁾	8,121	5,682	7,317	5,198
Outstanding delinquent taxes as a percentage of current levy	0.45%	0.29%	0.35%	0.23%

Notes:

⁽¹⁾ The tax levy reflects the certified and uncertified property values of each fiscal year as of September 30, 2012.

⁽²⁾ Negative delinquent tax collections and outstanding delinquent taxes reflect refunds due to property tax hearing losses.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	2,403,361	\$ 2,602,819	\$ 2,713,419	\$ 3,162,133	\$ 3,342,576	\$ 3,753,095
	2,379,571	2,581,717	2,755,735	3,173,639	3,356,460	3,746,982
	99.01%	99.19%	101.56%	100.36%	100.42%	99.84%
	22,656	23,517	(40,226)	(23,387)	(22,384)	-
	2,402,227	2,605,235	2,715,509	3,150,252	3,334,076	3,746,982
	99.95%	100.09%	100.08%	99.62%	99.75%	99.84%
	1,134	(2,416)	(2,090)	11,882	8,500	6,113
	0.05%	-0.09%	-0.08%	0.38%	0.25%	0.16%

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Primary Government				
Governmental Activities:				
General obligation bonds	\$ 13,179,035	\$ 12,659,035	\$ 18,551,445	\$ 17,756,264
Certificates of obligation	8,900,000	8,500,000	4,355,000	4,210,000
Capital leases	239,257	158,655	-	-
Subtotal	<u>\$ 22,318,292</u>	<u>\$ 21,317,690</u>	<u>\$ 22,906,445</u>	<u>\$ 21,966,264</u>
Business-Type Activities:				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
Total Primary Government	<u>\$ 22,318,292</u>	<u>\$ 21,317,690</u>	<u>\$ 22,906,445</u>	<u>\$ 21,966,264</u>
Component Unit Activities ⁽¹⁾:				
Sales Tax Revenue Bonds	\$ 13,905,000	\$ 13,375,000	\$ 12,820,000	\$ 16,055,000
Personal Income ^{(2) (3)}	\$ -	\$ 262,284,736	\$ 236,243,150	\$ 280,866,250
Primary Government Debt as a Percentage of Personal Income	-	8.13%	9.70%	7.82%
Population ⁽⁴⁾	10,323	9,923	8,695	8,750
Primary Government Debt per Capita	\$ 2,162	\$ 2,148	\$ 2,634	\$ 2,510

Notes:

- (1) Component unit activities are not included in the calculation of debt as a percentage of personal income or debt per capita.
- (2) Personal income data prior to 2004 is not available.
- (3) Personal income information is a total for the year.
- (4) 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 16,900,998	\$ 16,205,000	\$ 15,165,000	\$ 15,920,000	\$ 14,830,000	\$ 13,705,000
4,055,000	3,890,000	3,720,000	715,000	655,000	6,845,000
24,247	20,221	15,865	-	-	-
<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>	<u>\$ 20,550,000</u>
<u>\$ 6,030,000</u>	<u>\$ 8,080,000</u>	<u>\$ 7,860,000</u>	<u>\$ 7,630,000</u>	<u>\$ 7,395,000</u>	<u>\$ 7,150,000</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>	<u>\$ 27,700,000</u>
\$ 15,445,000	\$ 14,800,000	\$ 14,125,000	\$ 13,415,000	\$ 12,390,000	\$ 11,365,000
\$ 223,392,930	\$ 223,982,980	\$ 232,951,740	\$ 239,324,700	\$ 254,086,888	\$ 320,592,140
12.09%	12.59%	11.49%	10.14%	9.00%	8.64%
9,465	9,490	9,870	10,338	10,684	10,706
\$ 2,854	\$ 2,971	\$ 2,711	\$ 2,347	\$ 2,142	\$ 2,587

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Taxable Value of Property ⁽¹⁾				
All property	\$ 768,964,190	\$ 780,268,130	\$ 796,023,480	\$ 866,242,052
Net Bonded Debt ⁽²⁾				
Gross bonded debt	\$ 22,079,035	\$ 21,159,035	\$ 22,906,445	\$ 21,966,264
Less debt service funds	304,315	366,178	852,624	933,697
Net Bonded Debt	<u>\$ 21,774,720</u>	<u>\$ 20,792,857</u>	<u>\$ 22,053,821</u>	<u>\$ 21,032,567</u>
Ratio of Net Bonded Debt to Taxable Value	2.83%	2.66%	2.77%	2.43%
Population ⁽³⁾	10,323	9,923	8,695	8,750
Net Bonded Debt per Capita	\$ 2,109	\$ 2,095	\$ 2,536	\$ 2,404

Notes:

⁽¹⁾ Taxable values reflect the certified and uncertified values of each fiscal year as of September 30, 2012.

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

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 933,344,267	\$ 1,045,854,811	\$ 1,317,193,673	\$ 1,359,940,414	\$ 1,298,087,804	\$ 1,315,582,935
\$ 20,955,998	\$ 20,095,000	\$ 18,885,000	\$ 16,635,000	\$ 15,485,000	\$ 20,550,000
1,205,440	1,305,817	1,400,456	524,365	577,456	1,230,863
<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>	<u>\$ 19,319,137</u>
2.12%	1.80%	1.33%	1.18%	1.15%	1.47%
9,465	9,490	9,870	10,338	10,684	10,706
\$ 2,087	\$ 1,980	\$ 1,771	\$ 1,558	\$ 1,395	\$ 1,805

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2012

	<u>Debt Outstanding</u>	<u>As Of</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit				
Clear Creek ISD	\$ 650,935,000	8/31/2012	8.79%	\$ 57,217,187
Clear Lake City Water Authority	79,115,000	9/30/2012	5.92%	4,683,608
Harris County	1,849,377,190	2/28/2013	0.49%	9,061,948
Harris Co. Dept of Education	7,980,000	8/31/2012	0.49%	39,102
Harris Co. Flood Control District	100,020,000	2/28/2012	0.49%	490,098
Port of Houston Authority	745,874,397	12/31/2012	0.49%	<u>3,654,785</u>
Subtotal, overlapping debt				75,146,727
City Direct Debt ⁽²⁾				<u>20,550,000</u>
Total Direct and Overlapping Debt				<u><u>\$ 95,696,727</u></u>

Source: Coastal Securities, Ltd.

Notes:

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

⁽²⁾ 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 Ten Years

	Year			
	2003	2004	2005	2006
Debt limit ⁽¹⁾	\$ 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	\$ 57,416,369	\$ 59,743,444	\$ 60,175,988	\$ 75,661,259
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 2012

Assessed value	\$ 1,425,149,885
Debt limit (10% of assessed value)	142,514,989
Debt applicable to limit:	
General obligation bonds	20,550,000
Less: amount set aside for repayment of general obligation debt	(1,230,863)
Total net debt applicable to limit	19,319,137
Legal debt margin	\$ 123,195,852

Notes:

⁽¹⁾ 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 \$0.28528 per \$100 of assessed valuation.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 103,255,793	\$ 114,891,575	\$ 143,396,304	\$ 148,219,472	\$ 141,507,909	\$ 142,514,989
19,750,559	18,789,182	17,484,544	16,110,635	14,907,544	19,319,137
<u>\$ 83,505,234</u>	<u>\$ 96,102,393</u>	<u>\$ 125,911,760</u>	<u>\$ 132,108,837</u>	<u>\$ 126,600,365</u>	<u>\$ 123,195,852</u>
19.13%	16.35%	12.19%	10.87%	10.53%	13.56%

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

Fiscal Year Ended Sept. 30	Population ⁽¹⁾	Personal Income ^{(5) (6)}	Per Capita Personal Income ⁽²⁾	Median Age ⁽⁵⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
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	10,684	254,086,888	23,782	32.8	1,134	8.6%
2012	10,706	320,592,140	30,767	29.8	1,169	6.3%

Data sources:

- ⁽¹⁾ Population was estimated using data received from the Harris County Appraisal District.
- ⁽²⁾ Sperling's BestPlaces
- ⁽³⁾ Clear Creek Independent School District; intermediate school was converted to a high school in 2006.
- ⁽⁴⁾ Bureau of Labor Statistics
- ⁽⁵⁾ Sperling's BestPlaces; personal income and median age data prior to 2004 are not available.
- ⁽⁶⁾ Personal income information is a total for the year.

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

Source: Bay Area Economic Partnership

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

(This page intentionally left blank.)

CITY OF WEBSTER, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund:										
City Secretary	4	4	4	4	4	4	4	4	4	4
City Manager	1	1	1	1	1	1	1	2	2	2
Finance	7	7	7	7	7	6	6	6	6	6
Municipal Court	4	5	5	6	6	7	7	7	7	7
Information Technology	2	2	2	2	2	2	0	0	0	0
Human Resources	3	2.8	2.8	3	3	3	3	3	3	3
Community Development										
Administration	4.9	4.9	4.9	5.8	5.8	5.8	6	6	6	6
Building	7	6	6	6	7	7	7	7	7	7
Engineering	2	2	2	2	2	0	0	0	0	0
Recreation Programs	2	1	1	1	1	1	1	1	1	1
Public Works										
Administration	3	3	2	2	3	3.5	3.5	3	3	3
Maintenance	12	10	10	10	11	11	11	10	10	10
Parks Maintenance	4	4	4	5	6	6	6	7	7	7
Engineering						2	2	2	2	2
Police										
Administration	6	6	6	6	6	6	4	4	4	4
Criminal Investigation	7	7	7	7	7	6	7	7	7	7
Patrol	30	31	34	34	35	35	36	37	37	37
Communications	16	15	13	14	15	16	16	16	16	16
Technical Support		1	1	1	1	2	0	0	0	0
Fire										
Prevention	2.4	2.4	2.4	2.4	2.7	2.7	2.7	3	3	3
Operations	27	27	27	27	27	27	27	27	27	27
Economic Development										
Economic Development	3	3	2	2	2	2	3	3	3	3
Public Relations	1	1	1	1	1	1	0	0	0	0
General Fund Total	148.3	146.0	145.0	149.2	155.5	157.0	153.2	155	155	155
Utility Fund:										
Water	7	7	7	7	8	8.3	8.3	8.5	8.5	8.5
Sewer	7	6	6	6	7	7.3	7.3	6.5	6.5	6.5
Drainage	0	0	0	0	0	0.0	0.0	2.0	2.0	2.0
Utility Fund Total	14.0	13.0	13.0	13.0	15.0	15.5	15.5	17.0	17.0	17.0
Information Technology Fund:										
Information Technology	0	0	0	0	0	0	4	4	4	4
IT Fund Total	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.0	4.0	4.0
Total City Positions	162.3	159.0	158.0	162.2	170.5	172.5	172.7	176	176	176

Notes:

Around 16-24 seasonal employees are hired during the summer months as recreation staff. This count is not reflected above.
A part-time seasonal school crossing guard is not included.

CITY OF WEBSTER, TEXAS
OPERATING INDICATORS BY FUNCTION / PROGRAM
 Last Ten Years

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

2007	2008	2009	2010	2011	2012
2,801	3,119	3,133	3,451	3,030	3,055
1,167	1,024	947	855	952	971
8,456	8,554	6,516	7,699	6,725	7,663
2,801	2,470	2,268	2,392	2,316	2,366
38,818	39,786	35,840	32,974	32,553	31,782
985	935	1036	878	794	857
73	77	90	70	74	57
5 min, 43 sec	4 min, 53 sec	5 min, 0 sec	4 min, 5 sec	4 min, 12 sec	4 min, 23 sec
168	143	131	121	129	238
1.650	1.793	1.897	1.709	1.930	1.763
610.670	656.656	692.483	623.954	704.562	643.460
2.638	2.695	2.438	2.940	2.726	2.534
1.489	1.433	1.354	1.409	1.247	1.444
541.127	523.101	494.050	514.276	455.230	527.061
3.033	2.734	1.853	3.192	2.696	2.819

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

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

2007	2008	2009	2010	2011	2012
1	1	1	1	1	1
48	45	46	47	47	47
2	2	2	2	2	2
18.8	20.7	20.7	23.2	25.1	25.1
717	692	910	929	978	977
5	5	5	5	5	5
26.0	26.0	26.0	26.0	26.0	26.0
2	2	2	2	2	2
1	0	0	0	0	0
1	1	1	1	1	1
44.5	46.8	48.7	49.1	50.3	50.7
578	601	629	631	642	644
2.95	2.95	2.95	2.95	2.95	2.95
28.8	29.8	30.7	31.0	32.0	32.6
18.9	19.7	20.8	20.5	22.4	25
4.0	5.6	6.1	7.1	7.3	7.4
1.65	1.65	3.30	3.30	3.30	3.30

(This page intentionally left blank.)