

City of Webster, Texas

Comprehensive Annual Financial Report



1980

2015

For the Fiscal Year Ended
September 30, 2015



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

**For the Fiscal Year Ended
September 30, 2015**

CITY MANAGER

Wayne J. Sabo

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

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CITY OF WEBSTER, TEXAS

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INTRODUCTORY SECTION



January 15, 2016

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, 2015. 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 result of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. 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 almost 12,000 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 healthcare 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.

Annual sales tax revenue for the City surpassed \$16,000,000 for the first time ever. The unemployment rate for the Houston metropolitan area decreased to 4.6% from 4.9% one year ago. Property values have increased over the previous year, and sales tax revenue continues to grow 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.

Fiscal year 2014-15 brought some good news in economic development. Listed below are just a few of the highlights.

- Construction was completed at TopGolf, Webster’s exciting new entertainment venue.
- Nordstrom Rack opened a successful store at Baybrook Square.
- Webster Rehabilitation Hospital is now accepting patients at its 60,000 square foot facility.
- The Webster Economic Development Corporation’s “destination development” project is taking shape as a developer acquired the land and initiated discussions with potential tenants.

Major Initiatives

The largest revenue source in the General Fund is sales tax. While sales tax is extremely difficult to predict, the Fiscal Year 2015-16 Annual Budget anticipates revenue to grow by 4.5%. A conservative increase of 2.5% is anticipated for existing stores next year. Much of the revenue growth is expected to come from new retailers opening establishments in Webster.

Another large source of revenue is the ad valorem tax. The City’s 2015 taxable value increased 9.6% from the adjusted 2014 taxable value. With the rise in property value, the Fiscal Year 2015-16 Annual Budget reflects a declining property tax rate of \$0.23447 per \$100 of valuation.

Healthy reserves in the General Fund will allow the City to procure several capital items. Egret Bay Park is now fully funded. The communications tower will be replaced. Training and investigative equipment for police will be purchased.

The Utility Fund has just over \$6.18 million of bonds outstanding. This debt funded the expansion of the wastewater treatment plant. City Council approved a five-year schedule of rate changes in 2013. Water and wastewater base rates remain unchanged. While the capital reserve charge ends in fiscal year 2015-16, the \$0.54

that was previously billed for that will now become part of the volumetric water rate. The wastewater volumetric rate rises by \$0.09 per 1,000 gallons. The drainage fee does not change from the previous year.

Long-term Financial Planning

A Capital Improvements Program adopted by City Council reflects \$29 million of general government and utility projects to be completed over the next five years. Major projects include the construction of NASA Bypass Extension and an east-west shared use path. The five-year plan also incorporates the purchase of two fire engines. The Fiscal Year 2015-16 Annual Budget anticipates the issuance of utility bonds to replace the 42-inch water line from the Southeast Water Purification Plant to Webster.

The City of Webster and the Webster Economic Development Corporation have committed financial resources towards the development of Edgewater, a commercial and residential area within the City. 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 City operating 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 approved a fund balance level of at least 33% for the General Fund and the Webster Economic Development Corporation. At September 30, 2015, 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 unmodified ("clean") opinion on the City of Webster's financial statements for the year ended September 30, 2015. 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 CAFR for the fiscal year ended September 30, 2014. This represents the 29th 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 CAFR. 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 CAFR 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 2014-15 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 2015-16 Annual Budget to GFOA to determine its

eligibility for another certificate. I believe it continues to meet the Distinguished Budget Presentation Award criteria.

Acknowledgements

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

Respectfully submitted,

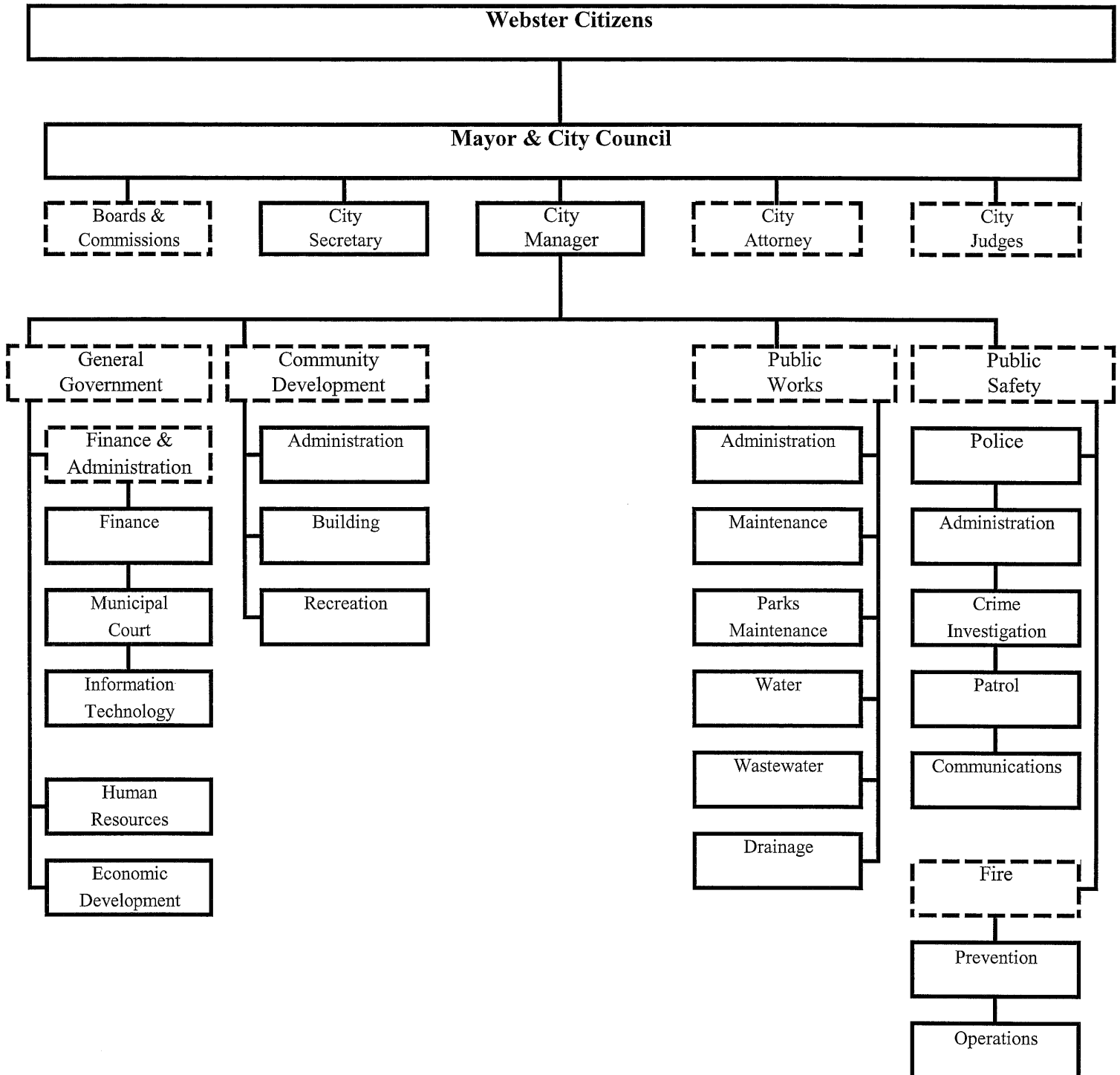
A handwritten signature in black ink, reading "Wm Michael Rodgers". The signature is fluid and cursive, with a long horizontal stroke at the end.

William Michael Rodgers, CPA
Director of Finance



CITY OF WEBSTER, TEXAS

ORGANIZATION CHART

September 30, 2015



Legend:

-  Denotes Functions, Departments, and Appointments
-  Denotes Divisions



Government Finance Officers Association

**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, 2014

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF WEBSTER, TEXAS

PRINCIPAL OFFICIALS

September 30, 2015

City Officials	Elected Position	Term Expires
Donna Rogers	Mayor	05/2017
Jennifer Heidt	Council Member – Position No. 1	05/2018
Andrea Wilson	Council Member – Position No. 2	05/2018
Larry Tosto	Council Member – Position No. 3	05/2016
Beverly Gaines	Council Member – Position No. 4	05/2016
Natalie Dolan	Council Member – Position No. 5	05/2016
Martin Graves	Council Member – Position No. 6	05/2017

Key Staff	Position
Wayne J. Sabo	City Manager
Wm. Michael Rodgers, CPA	Director of Finance
Pauline Small	City Secretary
Dick Gregg, III	City Attorney/Prosecutor
Glenn Chaney	City Judge
Daniel Presley	Police Chief
Derhyl J. Hebert	Director of Community Development
Sara S. Gallagher	Director of Human Resources
Patrick Shipp	Fire Chief
Dr. Betsy Giusto	Director of Economic Development
Shannon Hicks	Director of Public Works

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Partners

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Governmental
Audit Quality Center

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

In 2015, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions, and the schedule of funding progress, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated in all material respects in relation to the basic 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.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 15, 2016

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

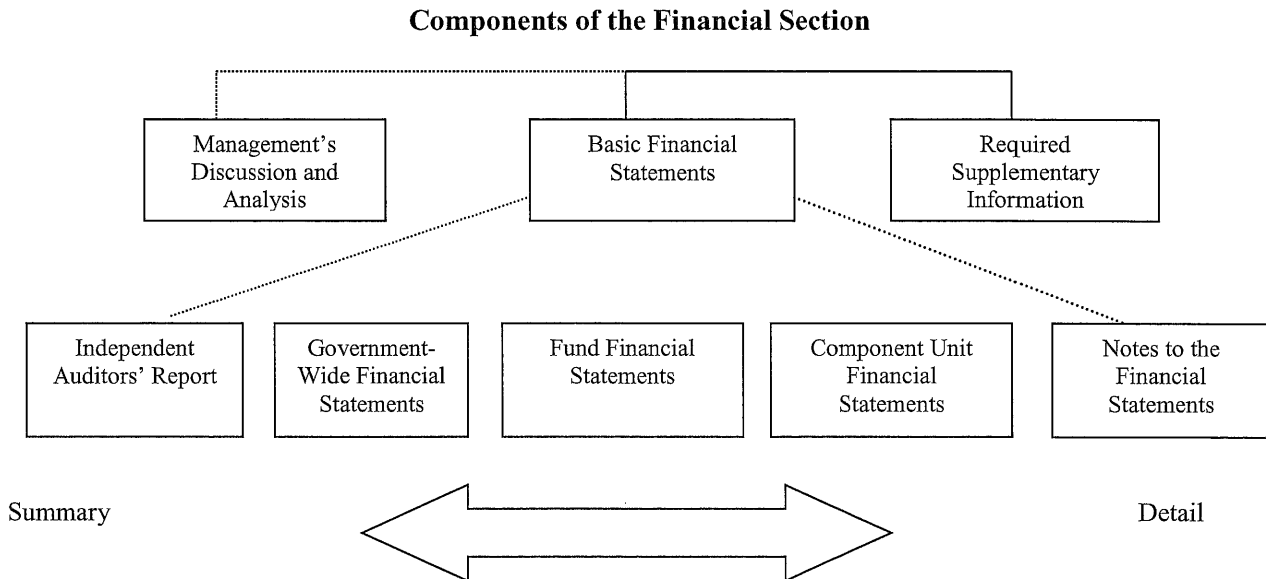
CITY OF WEBSTER, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2015

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Webster, Texas (the "City") for the year ended September 30, 2015. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

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

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position 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.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position 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 Position and the Statement of Activities divide the City's financials into two 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.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, the Webster Economic Development Corporation (WEDC), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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 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*.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

The City maintains 11 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 hotel occupancy tax fund, which are considered to be major funds. Management has elected to present the debt service fund as major fund with singular presentation rather than aggregated with the other non-major funds. Data from the other eight 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. The basic 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, information technology department, and employee benefit program. Because 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, schedules of changes in net pension liability and related ratios for the Texas Municipal Retirement System (TMRS), schedule of contributions for TMRS, and a schedule of funding progress for 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, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$80,201,716 as of September 30, 2015 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 position (65.8 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 Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 27,520,946	\$ 26,414,577	\$ 9,588,881	\$ 9,251,886	\$ 37,109,827	\$ 35,666,463
Capital assets, net	51,721,307	52,646,229	22,894,122	24,160,180	74,615,429	76,806,409
Total Assets	79,242,253	79,060,806	32,483,003	33,412,066	111,725,256	112,472,872
Deferred charge on refunding	461,412	549,174	27,558	29,289	488,970	578,463
Deferred outflows - pension	1,457,151	1,032,237	137,595	97,471	1,594,746	1,129,708
Total Deferred Outflows of Resources	1,918,563	1,581,411	165,153	126,760	2,083,716	1,708,171
Long-term liabilities	23,657,870	25,278,570	7,200,501	7,494,652	30,858,371	32,773,222
Other liabilities	1,638,457	1,064,529	729,342	701,823	2,367,799	1,766,352
Total Liabilities	25,296,327	26,343,099	7,929,843	8,196,475	33,226,170	34,539,574
Deferred inflows - pension	348,206	-	32,880	-	381,086	-
Total Deferred Inflows of Resources	348,206	-	32,880	-	381,086	-
Net Position:						
Net investment						
in capital assets	36,328,271	35,649,793	16,453,147	17,433,119	52,781,418	53,082,912
Restricted	6,440,743	5,337,239	4,287,928	3,726,464	10,728,671	9,063,703
Unrestricted	12,747,269	13,312,086	3,944,358	4,182,768	16,691,627	17,494,854
Total Net Position	\$ 55,516,283	\$ 54,299,118	\$ 24,685,433	\$ 25,342,351	\$ 80,201,716	\$ 79,641,469

A portion of the primary government's net position, \$10,728,671 or 13.4 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 position, \$16,691,627 or 20.8 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, 2015

Statement of Activities

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 1,820,800	\$ 2,093,838	\$ 4,915,207	\$ 4,628,180	\$ 6,736,007	\$ 6,722,018
Operating grants and contributions	1,172,763	1,158,002	-	-	1,172,763	1,158,002
Capital grants and contributions	207,280	390,324	-	-	207,280	390,324
General revenues:						
Ad valorem taxes	4,041,031	4,245,156	-	-	4,041,031	4,245,156
Sales taxes	12,268,588	11,409,472	-	-	12,268,588	11,409,472
Franchise and local taxes	1,124,931	1,103,397	-	-	1,124,931	1,103,397
Other taxes	1,909,860	1,775,967	-	-	1,909,860	1,775,967
Investment earnings	88,227	24,038	26,243	19,521	114,470	43,559
Other revenues	114,116	111,488	322,207	223,033	436,323	334,521
Gain (loss) on disposal of capital assets	102,713	67,238	-	(21,723)	102,713	45,515
Total Revenues	22,850,309	22,378,920	5,263,657	4,849,011	28,113,966	27,227,931
Expenses						
General government	3,719,190	3,433,495	-	-	3,719,190	3,433,495
Public safety	10,439,069	9,919,950	-	-	10,439,069	9,919,950
Public works	4,763,763	3,661,162	-	-	4,763,763	3,661,162
Community development	2,525,988	2,463,304	-	-	2,525,988	2,463,304
Interest and fiscal agent fees on long-term debt	435,134	465,686	-	-	435,134	465,686
Water	-	-	2,641,539	2,089,815	2,641,539	2,089,815
Wastewater	-	-	2,788,256	2,254,186	2,788,256	2,254,186
Drainage	-	-	240,780	205,646	240,780	205,646
Total Expenses	21,883,144	19,943,597	5,670,575	4,549,647	27,553,719	24,493,244
Increase (Decrease) in Net Position						
Before Transfers	967,165	2,435,323	(406,918)	299,364	560,247	2,734,687
Transfers In (Out)	250,000	250,000	(250,000)	(250,000)	-	-
Change in Net Position	1,217,165	2,685,323	(656,918)	49,364	560,247	2,734,687
Beginning Net Position	54,299,118	51,613,795	25,342,351	25,292,987	79,641,469	76,906,782
Ending Net Position	\$ 55,516,283	\$ 54,299,118	\$ 24,685,433	\$ 25,342,351	\$ 80,201,716	\$ 79,641,469

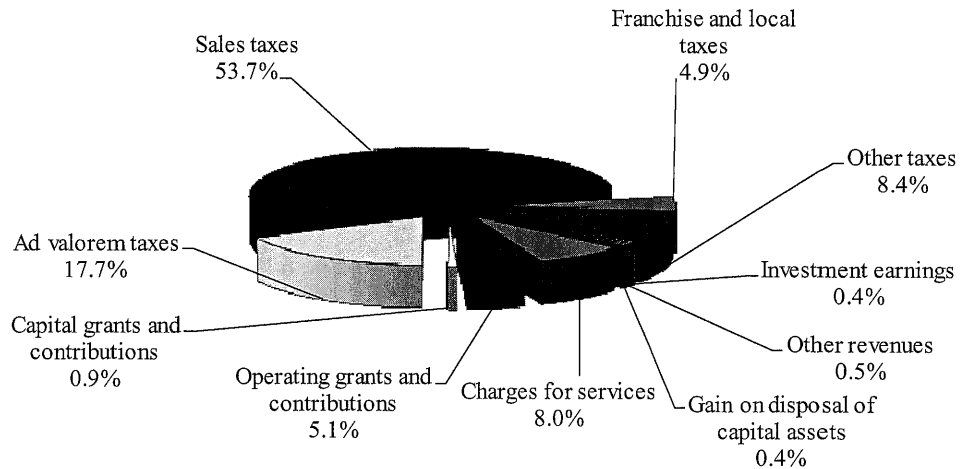
CITY OF WEBSTER, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

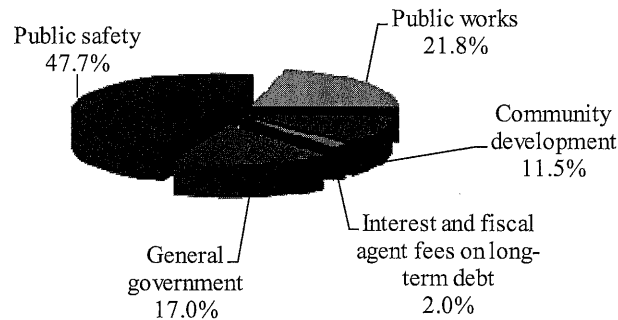
For the Year Ended September 30, 2015

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

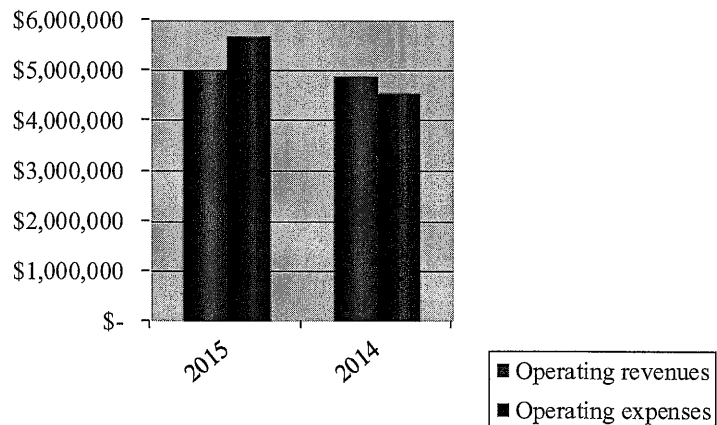
Governmental Activities - Revenues



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, 2015

Governmental Activities

For the year ended September 30, 2015, revenues from governmental activities totaled \$22,850,309. Property and sales tax revenues continue to be the City's largest revenue sources. Sales tax revenue increased by \$859,116 due to an improvement in economic conditions. Property taxes decreased compared to the prior year as the result of a decrease in the tax rate. Charges for services decreased as a result of a decrease in court fines and fees compared to the prior year. Capital grants and contributions decreased as a result of decreased Urban Areas Security Initiative grant activity compared to the prior year. Revenues related to investment earnings, hotel occupancy taxes, mixed beverages taxes, and telecommunication fees all increased compared to the prior year.

For the year ended September 30, 2015, expenses for governmental activities totaled \$21,883,144, which was an increase of \$1,939,547 compared to the prior year. This increase in expenses is largely due to an increase in personnel costs, pension expenses (related to newly implemented GASB 68), depreciation, and building and maintenance projects.

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 \$414,646 or 8.6 percent due to an increase in customer consumption. Operating costs increased by \$1,120,928 or 24.6 percent due mainly to restoration projects to the City's storage tanks.

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 \$22,968,402. Of this, \$39,117 is nonspendable consisting of prepaid items and inventory, \$3,639,015 is assigned, \$6,438,064 is restricted for various purposes, and \$12,852,206 remains as the portion unassigned.

There was an increase in the combined fund balance of \$653,468 from the prior year. Compared to the prior year, revenues increased \$443,435 due mainly to an increase in sales tax and investment earnings partially offset by decreases in property tax revenues and court related fines and fees. Expenditures increased \$1,889,495 compared to the prior year. This increase was the result of increases in personnel costs, capital outlay, and principal payments. The City's fund balance policy for the general fund is a minimum four-month reserve. The general fund's unassigned fund balance of \$12,875,981 is estimated to be \$6,699,905 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 \$656,576 in the general fund fund balance, bringing ending fund balance to \$13,134,431. Revenues increased \$765,570 compared to the prior year. This increase is mainly due to an increase in sales tax revenue and investment earnings, partially offset by a decrease in court fines and fees.

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

There was a decrease of \$100,332 in the debt service fund fund balance, bringing ending fund balance to \$869,019. The decrease is due to lower property tax revenues as a result of a lower tax rate and an increase in scheduled debt payments.

The hotel occupancy tax fund experienced an increase in fund balance of \$957,193, which can be primarily attributed to an increase in tax revenue due to higher hotel occupancy.

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 7.7 percent due to an increase in consumer consumption. Charges for wastewater increased by 5.4 percent due to an increase in the wastewater volumetric rate and an increase in customer consumption. Drainage charges were comparable to the prior year. Operating expenses increased by 31.8 percent, which contributed to the decrease in ending net position of \$702,286.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$617,080 more than budgeted revenues for 2015. This variance can be primarily attributed to positive variances of \$577,588 for sales taxes, \$166,397 for other taxes, and \$66,716 for licenses and permits. These positive variances were partially offset by a negative variance of \$272,915 for fines and forfeitures.

Actual expenditures were less than budgeted expenditures by \$796,011. All functions had positive budget variances, which were largely the result of lower than anticipated costs for personnel and services.

CAPITAL ASSETS

At September 30, 2015, the City's governmental activities funds had invested \$51,721,307 in a variety of capital assets and infrastructure. This represents a net decrease of \$924,922.

Major capital asset events during the year included the following:

- Completion of the traffic preemption system in the amount of \$191,941
- Completion of Packer Court project in the amount of \$448,598
- Completion of a wastewater treatment plant clarifier rehabilitation project in the amount of \$524,922
- Purchase of a Texas Avenue Park splashpad in the amount of \$371,571
- Purchase of portable radios in the amount of \$511,911
- Purchase of 23 vehicles in the amount of \$960,776

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

CITY OF WEBSTER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$21,620,000. Of this amount, \$14,230,000 was general obligation debt, while certificates of obligation accounted for \$5,670,000. The remaining \$1,720,000 consisted of business-type revenue bonds.

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

Current underlying ratings on debt issues are as follows:

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In September 2015, the Webster City Council approved an expenditure budget of \$35,824,230, 7.3 percent less than the previous year. While personnel costs escalate by \$1,574,980, those expenditures are offset by budget presentation changes for the Hotel Occupancy Tax Fund and the Webster Economic Development Corporation Fund that reduce appropriations by \$1,915,350. Debt service expenditures fall by \$847,370 for the Webster Economic Development Corporation after it refinanced debt during fiscal year 2014-15. Capital outlay decreases by \$906,040 with the completion of several projects.

Property tax values within the City increased 9.6 percent above the adjusted 2014 taxable values. The property tax rate declines from \$0.24874 to \$0.23447 per \$100 of taxable value. After increasing by 7.5 percent in 2015, the Fiscal Year 2015-16 Annual Budget conservatively predicts sales tax revenue to grow at the rate of 4.5 percent in 2016. Sales tax receipts comprise 60.4 percent of the revenues for the General Fund and 42.3 percent of the revenues for all funds, including the component unit. Water and wastewater volumetric rates increase. The capital reserve fee is eliminated in accordance with the three-year implementation plan.

The booming economy can be demonstrated by the area's unemployment rate, which decreased from 4.9 percent in 2014 to 4.6 percent in 2015. A record level of annual sales tax revenue is being reported for the fiscal year just ended. Rising property values are expected to continue. The Webster Economic Development Corporation's "destination development" project is coming to fruition as a developer acquired the land and initiated discussions with potential tenants.

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.

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BASIC FINANCIAL STATEMENTS

CITY OF WEBSTER, TEXAS

STATEMENT OF NET POSITION

September 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 15,483,670	\$ 5,925,330	\$ 21,409,000	\$ 5,721,670
Investments	9,399,125	2,871,062	12,270,187	-
Receivables (net of allowance for uncollectible)	2,535,159	638,203	3,173,362	651,840
Internal balances	(148,022)	148,022	-	-
Prepaid items	232,585	6,264	238,849	-
Inventory	18,429	-	18,429	-
Capital assets:				
Non-depreciable	3,681,219	102,269	3,783,488	3,101,166
Net depreciable capital assets	48,040,088	22,791,853	70,831,941	-
Total Assets	79,242,253	32,483,003	111,725,256	9,474,676
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	461,412	27,558	488,970	221,583
Deferred outflows - pension	1,457,151	137,595	1,594,746	-
Total Deferred Outflows of Resources	1,918,563	165,153	2,083,716	221,583
LIABILITIES				
Accounts payable and accrued liabilities	1,572,297	382,113	1,954,410	378,812
Customer deposits	11,800	331,849	343,649	-
Accrued interest payable	32,195	15,380	47,575	4,446
Unearned revenue	22,165	-	22,165	-
Noncurrent liabilities:				
Long-term liabilities due within one year	2,520,351	373,137	2,893,488	695,315
Long-term liabilities due in more than one year	21,137,519	6,827,364	27,964,883	2,971,577
Total Liabilities	25,296,327	7,929,843	33,226,170	4,050,150
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	348,206	32,880	381,086	-
NET POSITION				
Net investment in capital assets	36,328,271	16,453,147	52,781,418	3,101,166
Restricted for:				
Debt service	871,698	662,185	1,533,883	138,913
Enabling legislation	5,569,045	-	5,569,045	-
Construction/capital improvements	-	3,625,743	3,625,743	-
Economic development	-	-	-	5,786,644
Unrestricted	12,747,269	3,944,358	16,691,627	(3,380,614)
Total Net Position	\$ 55,516,283	\$ 24,685,433	\$ 80,201,716	\$ 5,646,109

See Notes to Financial Statements.

CITY OF WEBSTER, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,719,190	\$ 334,944	\$ 1,030,030	\$ -
Public safety	10,439,069	967,522	142,733	207,280
Public works	4,763,763	-	-	-
Community development	2,525,988	518,334	-	-
Interest and fiscal agent fees	435,134	-	-	-
Total Governmental Activities	<u>21,883,144</u>	<u>1,820,800</u>	<u>1,172,763</u>	<u>207,280</u>
Business-Type Activities				
Water	2,641,539	2,289,664	-	-
Wastewater	2,788,256	2,416,837	-	-
Drainage	240,780	208,706	-	-
Total Business-Type Activities	<u>5,670,575</u>	<u>4,915,207</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 27,553,719</u>	<u>\$ 6,736,007</u>	<u>\$ 1,172,763</u>	<u>\$ 207,280</u>
Component Unit				
Webster Economic Development Corporation	\$ 2,243,557	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 2,243,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (2,354,216)	\$ -	\$ (2,354,216)	\$ -
(9,121,534)	-	(9,121,534)	-
(4,763,763)	-	(4,763,763)	-
(2,007,654)	-	(2,007,654)	-
(435,134)	-	(435,134)	-
<u>(18,682,301)</u>	<u>-</u>	<u>(18,682,301)</u>	<u>-</u>
-	(351,875)	(351,875)	-
-	(371,419)	(371,419)	-
-	(32,074)	(32,074)	-
<u>-</u>	<u>(755,368)</u>	<u>(755,368)</u>	<u>-</u>
<u>(18,682,301)</u>	<u>(755,368)</u>	<u>(19,437,669)</u>	<u>-</u>
-	-	-	(2,243,557)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,243,557)</u>
4,041,031	-	4,041,031	-
12,268,588	-	12,268,588	4,089,529
1,124,931	-	1,124,931	-
1,909,860	-	1,909,860	-
88,227	26,243	114,470	7,753
114,116	322,207	436,323	-
102,713	-	102,713	-
250,000	(250,000)	-	-
<u>19,899,466</u>	<u>98,450</u>	<u>19,997,916</u>	<u>4,097,282</u>
1,217,165	(656,918)	560,247	1,853,725
54,299,118	25,342,351	79,641,469	3,792,384
<u>\$ 55,516,283</u>	<u>\$ 24,685,433</u>	<u>\$ 80,201,716</u>	<u>\$ 5,646,109</u>

CITY OF WEBSTER, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2015

	General	Debt Service	Hotel Occupancy Tax	Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,302,332	\$ 868,991	\$ 3,866,027	\$ 4,547,323
Investments	7,418,363	-	-	490,120
Receivables (net of allowance for uncollectible)	2,296,497	33,017	119,734	33,661
Due from other funds	237,622	-	-	-
Prepaid items	19,078	-	-	1,610
Inventory	18,429	-	-	-
Total Assets	<u>\$ 14,292,321</u>	<u>\$ 902,008</u>	<u>\$ 3,985,761</u>	<u>\$ 5,072,714</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,111,659	\$ -	\$ 366	\$ 45,187
Customer deposits	11,800	-	-	-
Due to other funds	5,696	-	-	25,805
Unearned revenue				22,165
Total Liabilities	<u>1,129,155</u>	<u>-</u>	<u>366</u>	<u>93,157</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>28,735</u>	<u>32,989</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	19,078	-	-	1,610
Inventory	18,429	-	-	-
Restricted for:				
Debt service	-	869,019	-	-
Enabling legislation	-	-	3,985,395	1,583,650
Assigned to:				
Special revenue	-	-	-	111,117
Capital projects	-	-	-	3,306,955
Other post-employment benefits	220,943	-	-	-
Unassigned	12,875,981	-	-	(23,775)
Total Fund Balances	<u>13,134,431</u>	<u>869,019</u>	<u>3,985,395</u>	<u>4,979,557</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,292,321</u>	<u>\$ 902,008</u>	<u>\$ 3,985,761</u>	<u>\$ 5,072,714</u>

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 13,584,673
7,908,483

2,482,909
237,622
20,688
18,429

\$ 24,252,804

\$ 1,157,212
11,800
31,501
22,165
1,222,678

61,724

20,688
18,429

869,019
5,569,045

111,117
3,306,955
220,943
12,852,206
22,968,402

\$ 24,252,804

CITY OF WEBSTER, TEXAS
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
September 30, 2015

Total fund balances – total governmental funds	\$	22,968,402
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital assets – non-depreciable		3,681,219
Capital assets – net depreciable		48,040,088

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		61,724
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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 Position.		2,884,558
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Some liabilities, including bonds payable and net pension liability, are not reported as liabilities in the governmental funds.

Accrued interest payable		(32,195)
Non-current liabilities due in one year		(2,520,351)
Non-current liabilities due in more than one year		(21,137,519)
Deferred charge on refunding		461,412
Deferred outflows - pension		1,457,151
Deferred inflows - pension		(348,206)

Net Position of Governmental Activities	\$	55,516,283
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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, 2015

	General	Debt Service	Hotel Occupancy Tax	Nonmajor Governmental Funds
REVENUES				
Ad valorem taxes	\$ 2,570,171	\$ 1,506,071	\$ -	\$ -
Sales taxes	12,268,588	-	-	-
Franchise fees	1,091,533	-	-	33,398
Other taxes	622,097	-	1,287,763	-
Licenses and permits	475,836	-	-	-
Fines and forfeitures	886,295	-	-	81,227
Charges for services	377,442	-	-	-
Intergovernmental	-	-	-	350,013
Investment earnings	70,127	880	3,232	5,443
Contributions	700,000	330,030	-	-
Other revenue	110,411	-	1,005	2,700
Total Revenues	<u>19,172,500</u>	<u>1,836,981</u>	<u>1,292,000</u>	<u>472,781</u>
EXPENDITURES				
Current				
General government	3,489,270	-	-	47,751
Public safety	9,914,032	-	-	334,386
Public works	3,451,280	-	-	-
Community development	1,673,647	-	296,657	-
Capital Outlay	-	-	-	1,129,584
Debt Service				
Principal	-	1,620,000	-	-
Interest and fiscal charges	-	421,213	-	-
Total Expenditures	<u>18,528,229</u>	<u>2,041,213</u>	<u>296,657</u>	<u>1,511,721</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>644,271</u>	<u>(204,232)</u>	<u>995,343</u>	<u>(1,038,940)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	301,650	103,900	-	192,590
Transfers out	(296,371)	-	(38,150)	(13,619)
Sale of capital assets	7,026	-	-	-
Total Other Financing Sources (Uses)	<u>12,305</u>	<u>103,900</u>	<u>(38,150)</u>	<u>178,971</u>
Net Change in Fund Balances	656,576	(100,332)	957,193	(859,969)
Beginning Fund Balances	12,477,855	969,351	3,028,202	5,839,526
Ending Fund Balances	<u>\$ 13,134,431</u>	<u>\$ 869,019</u>	<u>\$ 3,985,395</u>	<u>\$ 4,979,557</u>

See Notes to Financial Statements.

Total Governmental Funds	
\$	4,076,242
	12,268,588
	1,124,931
	1,909,860
	475,836
	967,522
	377,442
	350,013
	79,682
	1,030,030
	114,116
	<u>22,774,262</u>

	3,537,021
	10,248,418
	3,451,280
	1,970,304
	1,129,584
	1,620,000
	421,213
	<u>22,377,820</u>

	<u>396,442</u>
--	----------------

	598,140
	(348,140)
	7,026
	<u>257,026</u>
	653,468
	22,314,934
\$	<u><u>22,968,402</u></u>

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, 2015

Net changes in fund balances – total governmental funds \$ 653,468

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

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

Depreciation	(3,364,248)
Capital outlay	1,072,690

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. 1,366,636

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (35,211)

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	1,620,000
Amortization of deferred charges	(16,600)
Accrued interest	2,679
Compensated absences	(53,952)
Net pension liability	5,316
Net OPEB obligation	(21,826)
Amortization of deferred outflows - pension	424,914
Amortization of deferred inflows - pension	(348,206)

Internal service funds are used by management to charge the costs of certain capital assets and information technology services to individual funds. The net revenue (expense) is reported with governmental activities. (88,495)

Change in Net Position of Governmental Activities **\$ 1,217,165**

See Notes to Financial Statements.

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CITY OF WEBSTER, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2015

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,925,330	\$ 1,898,997
Investments	2,871,062	1,490,642
Receivables, net	638,203	52,250
Due from other funds	5,696	-
Prepaid expenses	6,264	211,897
Total Current Assets	9,446,555	3,653,786
Noncurrent Assets		
Capital assets:		
Non-depreciable	102,269	-
Depreciable capital assets	39,479,573	4,923,586
Less: accumulated depreciation	(16,687,720)	(2,789,564)
Total Capital Assets (Net)	22,894,122	2,134,022
Total Noncurrent Assets	22,894,122	2,134,022
Total Assets	32,340,677	5,787,808
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	27,558	-
Deferred outflows - pension	137,595	37,701
Total Deferred Outflows of Resources	165,153	37,701
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	382,113	415,085
Accrued interest payable	15,380	-
Due to other funds	-	211,817
Current portion of compensated absences	70,320	12,466
Customer deposits	331,849	-
Current portion of bonds payable (net of deferred charges)	302,817	-
Total Current Liabilities	1,102,479	639,368
Noncurrent Liabilities		
Compensated absences	14,482	3,018
Net pension liability	619,362	169,706
Net other postemployment benefit obligation	27,804	5,850
Bonds payable (net of deferred charges)	6,165,716	-
Total Noncurrent Liabilities	6,827,364	178,574
Total Liabilities	7,929,843	817,942
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	32,880	9,009
Total Deferred Inflows of Resources	32,880	9,009
NET POSITION		
Net investment in capital assets	16,453,147	2,134,022
Restricted for debt service	662,185	-
Restricted for construction/capital improvements	3,625,743	-
Unrestricted	3,802,032	2,864,536
Total Net Position	24,543,107	\$ 4,998,558
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	142,326	
Net position of business-type activities	\$ 24,685,433	

See Notes to Financial Statements.

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

For the Year Ended September 30, 2015

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
OPERATING REVENUES		
Water charges	\$ 2,289,664	\$ -
Wastewater charges	2,416,837	-
Drainage charges	208,706	-
Penalties and reconnect fees	41,210	-
Charges for services	-	3,782,025
Other revenue	43,732	-
Total Operating Revenues	5,000,149	3,782,025
OPERATING EXPENSES		
Personnel	1,319,427	2,506,674
Supplies	573,040	54,921
Maintenance	1,662,627	57,791
Services	648,130	217,543
Depreciation	1,284,316	533,712
Total Operating Expenses	5,487,540	3,370,641
Operating Income (Loss)	(487,391)	411,384
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	26,243	8,545
Interest expense	(228,403)	-
Impact fees	237,265	-
Gain on sale of capital assets	-	95,687
Total Nonoperating Revenues	35,105	104,232
Income (Loss) Before Contributions and Transfers	(452,286)	515,616
CONTRIBUTIONS AND TRANSFERS		
Transfers out	(250,000)	-
Change in Net Position	(702,286)	515,616
Beginning Net Position	25,245,393	4,482,942
Ending Net Position	\$ 24,543,107	\$ 4,998,558
Change in net position before adjustment	\$ (702,286)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	45,368	
Change in net position of business-type activities	\$ (656,918)	

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, 2015

	Business-Type Activities <u>Utility Fund</u>	Governmental Activities <u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,904,582	\$ -
Receipts from interfund charges for equipment replacement	-	762,717
Receipts from interfund charges for information technology	-	807,010
Receipts from interfund charges for employee benefit	-	2,162,185
Payments to suppliers	(2,910,483)	(2,104,613)
Payments to employees	(1,292,881)	(343,519)
Net Cash Provided by Operating Activities	<u>701,218</u>	<u>1,283,780</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Impact fees	237,265	-
Transfers to other funds	(250,000)	-
Net Cash (Used) by Noncapital Financing Activities	<u>(12,735)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(18,258)	(1,096,701)
Principal paid on debt	(270,000)	-
Interest paid on debt	(246,220)	-
Proceeds from sale of capital assets	-	98,963
Net Cash (Used) by Capital and Related Financing Activities	<u>(534,478)</u>	<u>(997,738)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,346,860	995,740
Purchase of investments	(1,375,365)	(997,500)
Interest on investments	26,243	8,545
Net Cash Provided (Used) by Investing Activities	<u>(2,262)</u>	<u>6,785</u>
Net Increase in Cash and Cash Equivalents	151,743	292,827
Beginning Cash and Cash Equivalents	<u>5,773,587</u>	<u>1,606,170</u>
Ending Cash and Cash Equivalents	<u><u>\$ 5,925,330</u></u>	<u><u>\$ 1,898,997</u></u>

CITY OF WEBSTER, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2015

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Utility Fund</u>	<u>Internal Service Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (487,391)	\$ 411,384
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	1,284,316	533,712
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Current Assets:		
Accounts receivable	(107,920)	(50,113)
Due from other funds	(2,818)	-
Prepaid expenses	(641)	(80)
Deferred outflows	(38,393)	(10,994)
Increase (Decrease) in Current Liabilities:		
Accounts payable and accrued liabilities	15,166	387,907
Compensated absences	(8,398)	2,452
Customer deposits	12,353	-
Net pension liability	(502)	(138)
Net other post-employment benefit obligation	2,566	641
Deferred inflows	32,880	9,009
Net Cash Provided by Operating Activities	<u><u>\$ 701,218</u></u>	<u><u>\$ 1,283,780</u></u>

See Notes to Financial Statements.

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CITY OF WEBSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

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 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. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Webster Economic Development Corporation

Webster Economic Development Corporation (WEDC) has been included in the reporting entity as a discretely presented component unit. In 1999, the City 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, 2015

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 position of the 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 11 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 Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. 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 to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

The City reports the following governmental funds:

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 general fund is always considered a major fund for reporting purposes.

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 the hotel occupancy tax fund, public safety fund, municipal court program fund, grant 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 hotel occupancy tax fund's major revenue source is hotel occupancy tax.

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 street construction fund, other capital projects fund, and the general projects fund. The capital project funds are considered nonmajor for reporting purposes.

The City reports the following enterprise fund:

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 the following fund type:

Internal service funds 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. The employee benefit fund is used to account for insurance provided to City employees.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

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.

2. Investments

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

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government 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.

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.

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category in the government-wide Statement of Net Position. A deferred inflow has been recognized as a result of differences between the actuarial expectations and the actual economic experience. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. 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.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a capital lease 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 applicable 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.

8. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. 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 Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City strives to maintain an unassigned fund balance of not less than 25 percent 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 percent 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.

11. 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.

12. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during September of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. 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. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 in the approved budget is the division level within a fund. The City Manager may transfer appropriations within a division without seeking the approval of City Council, but changes to the total appropriation for a given division can only be enacted by the Mayor and Council through a budget amendment ordinance. 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, 2015

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2015, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. agencies	\$ 10,131,266	1.09
Certificates of deposit	2,138,922	0.83
External investment pools	6,935,803	0.00
Total fair value	\$ 19,205,991	
Portfolio weighted average maturity		0.67

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, 2015, the City's investments in TexPool and TexSTAR were 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, 2015 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, 2015, market values of pledged securities were \$24,678,653 and bank balances were \$20,138,553.

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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rated 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 fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool and TexSTAR are the same as the value of TexPool and TexSTAR shares.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

B. Receivables

The following comprise receivable balances at year end:

Governmental Funds

	General	Debt Service	Hotel Occupancy Tax	Nonmajor Funds	Component Unit
Ad valorem taxes	\$ 29,073	\$ 35,192	\$ -	\$ -	\$ -
Other taxes	2,194,548	-	119,734	6,508	651,840
Accounts	4,690	-	-	22,165	-
Accrued interest	14,858	-	-	2,054	-
Intergovernmental	-	-	-	2,934	-
Other	53,623	-	-	-	-
Less allowance	(295)	(2,175)	-	-	-
	<u>\$ 2,296,497</u>	<u>\$ 33,017</u>	<u>\$ 119,734</u>	<u>\$ 33,661</u>	<u>\$ 651,840</u>

Proprietary Funds

	Enterprise	Internal Service
Accounts	\$ 667,647	\$ 49,978
Accrued interest	6,533	2,272
Less allowance	(35,977)	-
	<u>\$ 638,203</u>	<u>\$ 52,250</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,681,219	\$ -	\$ -	\$ 3,681,219
Construction in progress	230,462	599,385	(829,847)	-
Total capital assets not being depreciated	<u>3,911,681</u>	<u>599,385</u>	<u>(829,847)</u>	<u>3,681,219</u>
Other capital assets:				
Buildings and improvements	24,633,055	-	-	24,633,055
Furniture and equipment	10,241,622	1,939,771	(1,279,667)	10,901,726
Infrastructure	47,253,979	766,169	(123,121)	47,897,027
Total other capital assets	<u>82,128,656</u>	<u>2,705,940</u>	<u>(1,402,788)</u>	<u>83,431,808</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,403,161)	(638,987)	-	(9,042,148)
Furniture and equipment	(5,783,663)	(1,185,680)	1,276,390	(5,692,953)
Infrastructure	(19,207,284)	(1,539,581)	90,246	(20,656,619)
Total accumulated depreciation	<u>(33,394,108)</u>	<u>(3,364,248)</u>	<u>1,366,636</u>	<u>(35,391,720)</u>
Other capital assets, net	<u>48,734,548</u>	<u>(658,308)</u>	<u>(36,152)</u>	<u>48,040,088</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 52,646,229</u></u>	<u><u>\$ (58,923)</u></u>	<u><u>\$ (865,999)</u></u>	<u><u>51,721,307</u></u>
			Less debt associated with capital assets	(15,854,448)
			Plus deferred charge on refunding	461,412
			Net Investment in Capital Assets	<u><u>\$ 36,328,271</u></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, 2015

Depreciation was charged to governmental functions as follows:

General government	\$ 212,436
Public safety	923,513
Public works	1,140,771
Community development	553,816
Internal service funds	<u>533,712</u>
Total Governmental Activities Depreciation Expense	<u>\$ 3,364,248</u>

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

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

Component Unit:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
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>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

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	540,577	-	(540,577)	-
Total capital assets not being depreciated	<u>642,846</u>	<u>-</u>	<u>(540,577)</u>	<u>102,269</u>
Other capital assets:				
Building and improvements	26,364,452	524,922	-	26,889,374
Furniture and equipment	62,218	26,555	-	88,773
Water and wastewater system	12,494,068	7,358	-	12,501,426
Total other capital assets	<u>38,920,738</u>	<u>558,835</u>	<u>-</u>	<u>39,479,573</u>
Less accumulated depreciation for:				
Building and improvements	(7,823,765)	(927,154)	-	(8,750,919)
Furniture and equipment	(52,790)	(3,823)	-	(56,613)
Water and wastewater system	(7,526,849)	(353,339)	-	(7,880,188)
Total accumulated depreciation	<u>(15,403,404)</u>	<u>(1,284,316)</u>	<u>-</u>	<u>(16,687,720)</u>
Other capital assets, net	<u>23,517,334</u>	<u>(725,481)</u>	<u>-</u>	<u>22,791,853</u>
Business-Type Activities Capital Assets, Net	<u>\$ 24,160,180</u>	<u>\$ (725,481)</u>	<u>\$ (540,577)</u>	<u>22,894,122</u>
			Less debt associated with capital assets	(6,468,533)
			Plus deferred charge on refunding	27,558
			Net Investment in Capital Assets	<u>\$ 16,453,147</u>

Depreciation was charged to business-type functions as follows:

Water	\$ 436,080
Wastewater	<u>848,236</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 1,284,316</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

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	\$ 11,150,000	\$ -	\$ (1,385,000)	\$ 9,765,000 ⁽¹⁾	\$ 1,385,000
Certificates of obligation	5,905,000	-	(235,000)	5,670,000 ⁽¹⁾	245,000
Plus bond premium	490,610	-	(71,162)	419,448 ⁽¹⁾	71,162
	<u>17,545,610</u>	<u>-</u>	<u>(1,691,162)</u>	<u>15,854,448</u>	<u>1,701,162</u>
Other liabilities:					
Net pension liability	6,564,454	-	(5,316)	6,559,138	-
Net OPEB obligation	204,967	21,826	-	226,793	-
Compensated absences	963,539	829,704	(775,752)	1,017,491	819,189
Total Governmental Activities	<u>\$ 25,278,570</u>	<u>\$ 851,530</u>	<u>\$ (2,472,230)</u>	<u>\$ 23,657,870</u>	<u>\$ 2,520,351</u>
Business-Type Activities:					
General obligation bonds	\$ 4,660,000	\$ -	\$ (195,000)	\$ 4,465,000 ⁽²⁾	\$ 205,000
Revenue bonds	1,795,000	-	(75,000)	1,720,000 ⁽²⁾	80,000
Plus bond premiums	313,414	-	(18,527)	294,887 ⁽²⁾	18,527
Less bond discount	(12,064)	-	710	(11,354) ⁽²⁾	(710)
Net pension liability	619,864	-	(502)	619,362	-
Net OPEB obligation	25,238	2,566	-	27,804	-
Compensated absences	93,200	68,886	(77,284)	84,802	70,320
Total Business-Type Activities	<u>\$ 7,494,652</u>	<u>\$ 71,452</u>	<u>\$ (365,603)</u>	<u>\$ 7,200,501</u>	<u>\$ 373,137</u>
WEDC:					
Bonds payable	\$ 9,140,000	\$ 4,510,000	\$ (10,165,000)	\$ 3,485,000	\$ 665,000
Plus bond premiums	-	191,997	(10,105)	181,892	30,315
Less bond discount	(4,581)	-	4,581	-	-
Total WEDC	<u>\$ 9,135,419</u>	<u>\$ 4,701,997</u>	<u>\$ (10,170,524)</u>	<u>\$ 3,666,892</u>	<u>\$ 695,315</u>

* Beginning balance has been restated

(1) Debt associated with governmental capital assets \$ 15,854,448

(2) Debt associated with business-type capital assets \$ 6,468,533

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, 2015

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 2013	1.50-2.00%	\$ 6,905,000
General Obligation Refunding Bonds Series 2010	4.00-4.50%	2,860,000
Total General Obligation Bonds		9,765,000
Certificates of Obligation		
Tax and Revenue Certificates of Obligation Series 2012	1.50-3.00%	5,670,000
Total Certificates of Obligation		5,670,000
Total Governmental Activities Long-Term Debt		\$ 15,435,000
<u>Business-Type Activities</u>		
General Obligation Bonds		
Water and Sewer Refunding Bonds, Series 2014	3.00-4.00%	\$ 4,465,000
Total General Obligation Bonds		4,465,000
Revenue Bonds		
Water and Sewer, Series 2008	3.75-4.30%	1,720,000
Total Revenue Bonds		1,720,000
Total Business-Type Activities Long-Term Debt		\$ 6,185,000
<u>WEDC</u>		
Sales Tax Revenue Refunding Bonds Series 2015	2.00-4.00%	\$ 3,485,000

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, 2015

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 for governmental activities is from taxes levied on all taxable property located within the City, while business-type activities will be paid with utility rate revenue. Annual debt service requirements to maturity for these bonds are as follows:

Year Ending Sept. 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 1,385,000	\$ 227,875	\$ 205,000	\$ 156,263
2017	1,615,000	189,425	215,000	148,063
2018	1,645,000	147,425	225,000	139,463
2019	1,675,000	103,288	235,000	130,463
2020	1,705,000	59,913	245,000	121,063
2021-2025	1,740,000	19,738	1,375,000	451,425
2026-2030	-	-	1,610,000	205,495
2031-2032	-	-	355,000	11,005
Total	\$ 9,765,000	\$ 747,664	\$ 4,465,000	\$ 1,363,240

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
2016	\$ 245,000	\$ 156,738
2017	255,000	152,350
2018	260,000	147,200
2019	270,000	141,900
2020	280,000	135,000
2021-2025	1,585,000	538,575
2026-2030	1,905,000	277,575
2031-2032	870,000	26,400
Total	\$ 5,670,000	\$ 1,575,738

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

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
2016	\$ 80,000	\$ 71,121
2017	80,000	68,121
2018	85,000	65,121
2019	90,000	61,828
2020	90,000	58,340
2021-2025	520,000	232,460
2026-2030	630,000	114,670
2031-2032	145,000	6,235
Total	\$ 1,720,000	\$ 677,896

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 include 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
2016	\$ 665,000	\$ 107,900
2017	640,000	81,300
2018	605,000	55,700
2019	570,000	31,500
2020	525,000	20,100
2021	480,000	9,600
Total	\$ 3,485,000	\$ 306,100

Current Refunding

During fiscal year 2015, the WEDC issued \$4,510,000 of sales tax revenue refunding bonds, series 2015 and contributed \$4,650,000 for the current refunding of \$9,140,000 of sales tax revenue improvement and refunding bonds, series 2006. The refunding was to take advantage of lower interest rates and reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$233,893. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This refunding resulted in an economic gain of \$774,015 and a reduction of \$1,018,313 in future debt service payments over the next seven years.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

Federal Arbitrage

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 (IRS) 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.

E. Interfund Transactions

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
General Fund	Utility Fund	\$ 250,000
General Fund	Hotel Fund	38,150
General Fund	Nonmajor Governmental Funds	13,500
Debt Service Fund	General Fund	103,900
Nonmajor Governmental Funds	General Fund	192,471
Nonmajor Governmental Funds	Nonmajor Governmental Funds	119
		<u>\$ 598,140</u>

Amounts transferred between funds related to amounts collected by general, utility, hotel, and other nonmajor governmental funds for various governmental expenditures and debt payments.

The composition of interfund balances as of year end was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General Fund	Nonmajor Governmental	\$ 25,805
General Fund	Employee Benefit Fund	211,817
Utility Fund	General Fund	5,696
		<u>\$ 243,318</u>

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

F. Fund Equity/Restatement of Net Position

Deficit Fund Balance

The grant fund has a deficit fund balance of \$22,165 at September 30, 2015 as the City anticipates the appropriation by the grantor.

As of September 30, 2015, \$5,569,045 of the City's total fund balance is restricted by enabling legislation.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

The City implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result, the City has restated beginning net position to account for a net pension liability as of the initial measurement date, December 31, 2013. In addition, the City has restated beginning net position to record a deferred outflow for contributions made to the pension plan between the initial measurement date and the end of the prior fiscal year September 30, 2014.

The beginning net position was restated as follows:

	Information Technology	Governmental Activities	Utility Fund	Business-Type Activities
Prior year ending net position as reported	\$ 553,160	\$ 59,209,836	\$ 25,709,100	\$ 25,806,058
Deferred outflows - contributions after measurement date	26,707	1,032,237	97,471	97,471
Net pension liability	(169,844)	(6,564,454)	(619,864)	(619,864)
Reverse net pension obligation	16,080	621,499	58,686	58,686
Restated beginning net position	\$ 426,103	\$ 54,299,118	\$ 25,245,393	\$ 25,342,351

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 over 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

C. Pension Plans

Texas Municipal Retirement System

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

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>2015</u>	<u>2014</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/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	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	77
Active employees	170
Total	<u>324</u>

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.12 percent and 17.28 percent in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$1,659,156, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is seven percent. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the TPL was seven percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 1,666,178	\$ -	\$ 1,666,178
Interest	3,249,390	-	3,249,390
Difference between expected and actual experience	(458,710)	-	(458,710)
Contributions - employer	-	1,594,872	(1,594,872)
Contributions - employee	-	659,927	(659,927)
Net investment income	-	2,233,106	(2,233,106)
Benefit payments, including refunds of employee contributions	(1,259,423)	(1,259,423)	-
Administrative expense	-	(23,312)	23,312
Other changes	-	(1,917)	1,917
Net Changes	3,197,435	3,203,253	(5,818)
Balance at December 31, 2013	46,216,483	39,032,165	7,184,318
Balance at December 31, 2014	\$ 49,413,918	\$ 42,235,418	\$ 7,178,500

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of seven percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$ 14,699,166	\$ 7,178,500	\$ 1,050,523

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2015, the City recognized net pension expense of \$89,770.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 381,086
Difference between projected and actual investment earnings	399,317	-
Contributions subsequent to the measurement date	1,195,429	-
Total	\$ 1,594,746	\$ 381,086

\$1,195,429 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Expense Amount
2016	\$ 22,205
2017	22,205
2018	22,205
2019	22,206
2020	(70,590)
Total	\$ 18,231

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

D. Other Post Employment Benefits

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 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, 2015, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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

The City's contributions to the TMRS SDBF for the fiscal years ended 2015, 2014, and 2013 were \$2,646, \$1,864, and \$1,773, respectively. The City's contribution rates for the past three years are shown below:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual Req. Contrib. (Rate)	0.03%	0.02%	0.02%
Actual Contribution Made	0.03%	0.02%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

Post Employment Healthcare Plan

Plan Description

The City administers a single-employer defined benefit 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 ten 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.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

Funding Policy

The City has elected to subsidize premiums for the Program and funding is provided on a pay-as-you-go basis. For fiscal year 2015, the City has an assigned fund balance of \$220,943 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 accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The annual OPEB cost for the fiscal year ending September 30, 2015 is as follows:

Annual Required Contribution (ARC)	\$ 24,154
Interest on OPEB Obligation	9,208
Adjustment to the ARC	(8,970)
Annual OPEB Cost	<u>24,392</u>
Net Estimated Employer Contributions	-
Increase in Net OPEB obligation	<u>24,392</u>
Net OPEB Obligation-beginning of year	230,205
Net OPEB Obligation-end of year	<u><u>\$ 254,597</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Program, and the net OPEB obligation for 2015 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
2013	\$ (47,021)	-0.63%	\$ 253,856	\$ 206,541
2014	\$ 23,664	0.00%	\$ 206,541	\$ 230,205
2015	\$ 24,392	0.00%	\$ 230,205	\$ 254,597

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$182,766 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$182,766. The annual covered payroll was \$9,406,356 and the UAAL as a percentage of the annual covered payroll was 1.9 percent.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

Since the last actuarial valuation, performed on October 1, 2010, the assumption related to age-rated costs has changed, resulting in a significant decrease in the actuarial accrued liability.

Projections of health benefits are based on the Program as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent-of-payroll contributions
Amortization Period	30 years – open amortization*
Asset Valuation Method	Market value
Payroll Growth	3.0% per annum
Investment Rate of Return	4.0%, net of expenses
Inflation Rate	3.0% per annum
Healthcare Cost Trend Rate (Initial/Ultimate)	7.5%/4.5%

* A one-year amortization period was used for the fiscal year ending September 30, 2013.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the ARC of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as RSI provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Joint Ventures

Development Agreement/Utility Services Contract

The City and, in some cases, the WEDC have entered into a series of agreements with Cherokee Webster Development, L.P. and Cherokee Webster Investors, L.P., as successors in interest to Cherokee Webster, L.P. (the "Developer") on behalf of and to be created by the Harris County Municipal Utility District No. 481 (the "District"). The agreements provide for the creation of a municipal utility district (Harris County Municipal Utility District No. 481) and for construction, operation, maintenance, financing, and reimbursement of development costs within the development area and related matters.

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

The District will own and maintain the detention facilities and navigation system and the City will have no responsibility with respect thereto. The City may dissolve the District after 40 years or after construction of the facilities and reimbursement of the Developer.

CITY OF WEBSTER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

The Developer will make certain improvements and incur financing costs, of which up to \$2,605,600 will be subject to reimbursement by the City based upon the increase in taxable value within the District. The City shall be obligated to pay the Developer \$1,355,600 when the taxable value in the District increases by \$195,000,000 over the base value of the property as determined by the Harris County Appraisal District. The City agreed to pay the Developer \$1,250,000 in February 2009 as an advance towards the total amount due. As of September 30, 2015, the total taxable value of property within the District was approximately \$82,000,000. The date when property values will increase beyond the payment threshold is undeterminable.

In addition to the City contribution, the WEDC shall pay the Developer the actual cost of certain improvements, not to exceed \$4,562,500. WEDC paid \$2,500,000 in February 2009 and will pay an additional amount up to \$2,062,500 pending completion of defined criteria by the Developer. Future reimbursement will be based upon construction of retail/commercial space within the District.

Destination Development Project

The WEDC executed an Economic Development Agreement with TopGolf International (the "Developer") on March 11, 2014. The Developer agreed to acquire land and construct TopGolf Webster, a 65,000 square foot, super-regional, premier golf entertainment complex. In return, the WEDC agreed to reimburse the Developer \$750,000 to offset the cost of certain improvements to be made to the property. Payment to the Developer will be made in two phases. WEDC reimbursed \$375,000 to the Developer when all building permits were issued and vertical construction had begun. The final \$375,000 will be paid to the Developer after the certificate of occupancy is issued. TopGolf Webster must remain open to the public for a minimum of five years or the funds must be refunded to the WEDC.

Southeast Water Purification Plant (SEWPP)

On February 24, 1988, the City entered into a joint venture agreement with the City of Houston; Gulf Coast Water Authority (City of Galveston, City of League City); the City of Nassau Bay; Clear Brook City Municipal Utility District; the LaPorte Area Water Authority; the Harris County Municipal Utility District No. 55; the City of Pasadena; the City of South Houston; the City of Friendswood; and Baybrook Municipal Utility District No. 1 for the construction and operation of the Southeast Water Purification Plant (SEWPP). The City of Houston acts as the managing participant in the venture. Members of the venture are entitled to their proportionate share of the SEWPP'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, 2015, the City's total investment in SEWPP totaled \$5,432,895. The net investment reported is \$3,103,821, which includes accumulated depreciation of \$2,329,074.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2015
With Comparative Totals for the Year Ended September 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2014 Actual
	Original Budget	Budget as Amended	Actual		
REVENUES					
Ad valorem taxes	\$ 2,541,170	\$ 2,541,170	\$ 2,570,171	\$ 29,001	\$ 2,587,734
Sales taxes	11,691,000	11,691,000	12,268,588	577,588	11,409,472
Franchise fees	1,089,600	1,089,600	1,091,533	1,933	1,076,058
Other taxes	455,700	455,700	622,097	166,397	575,288
Licenses and permits	409,120	409,120	475,836	66,716	444,015
Fines and forfeitures	1,159,210	1,159,210	886,295	(272,915)	1,144,875
Charges for services	387,950	387,950	377,442	(10,508)	361,444
Other	89,180	89,180	110,411	21,231	101,484
Investment earnings	32,490	32,490	70,127	37,637	6,560
Contributions	700,000	700,000	700,000	-	700,000
Total Revenues	18,555,420	18,555,420	19,172,500	617,080	18,406,930
EXPENDITURES					
General government					
City council	245,580	245,580	201,443	44,137	194,904
City secretary	489,640	489,640	472,718	16,922	461,866
City manager	497,180	497,180	487,927	9,253	439,192
Finance	781,980	871,570	872,065	(495) *	805,673
Municipal court	697,740	697,740	660,385	37,355	652,406
Human resources	444,640	444,640	431,791	12,849	387,944
Economic development	370,360	370,360	362,941	7,419	347,801
Total general government	3,527,120	3,616,710	3,489,270	127,440	3,289,786
Public safety					
Police					
Administration	1,204,030	1,272,030	1,250,969	21,061	1,022,719
CID	855,180	859,180	791,038	68,142	769,819
Patrol	4,386,640	4,371,640	4,188,242	183,398	3,989,989
Communications	1,311,690	1,311,690	1,252,973	58,717	1,198,144
Total police	7,757,540	7,814,540	7,483,222	331,318	6,980,671
Fire					
Prevention	386,160	397,460	393,436	4,024	345,739
Operations	2,029,570	2,051,540	2,037,374	14,166	1,892,511
Total fire	2,415,730	2,449,000	2,430,810	18,190	2,238,250
Total public safety	10,173,270	10,263,540	9,914,032	349,508	9,218,921

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, 2015
With Comparative Totals for the Year Ended September 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2014 Actual
	Original Budget	Budget as Amended	Actual		
Public works					
Administrative	\$ 805,900	\$ 827,250	\$ 821,058	\$ 6,192	\$ 753,639
Maintenance	1,714,550	1,637,200	1,454,851	182,349	1,200,691
Parks	1,269,990	1,269,990	1,175,371	94,619	787,475
Total public works	<u>3,790,440</u>	<u>3,734,440</u>	<u>3,451,280</u>	<u>283,160</u>	<u>2,741,805</u>
Community development					
Community development					
Administrative	681,470	681,470	677,141	4,329	619,274
Building	672,000	672,000	653,579	18,421	612,970
Recreational	356,080	356,080	342,927	13,153	330,609
Total community development	<u>1,709,550</u>	<u>1,709,550</u>	<u>1,673,647</u>	<u>35,903</u>	<u>1,562,853</u>
Total Expenditures	<u>19,200,380</u>	<u>19,324,240</u>	<u>18,528,229</u>	<u>796,011</u>	<u>16,813,365</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(644,960)</u>	<u>(768,820)</u>	<u>644,271</u>	<u>1,413,091</u>	<u>1,593,565</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	306,150	306,150	301,650	(4,500)	306,900
Transfers out	(247,790)	(303,790)	(296,371)	7,419	(844,668)
Sale of capital assets	1,000	1,000	7,026	6,026	15,054
Total Other Financing Sources (Uses)	<u>59,360</u>	<u>3,360</u>	<u>12,305</u>	<u>8,945</u>	<u>(522,714)</u>
Net Change in Fund Balance	<u>\$ (585,600)</u>	<u>\$ (765,460)</u>	<u>656,576</u>	<u>\$ 1,422,036</u>	<u>\$ 1,070,851</u>
Beginning Fund Balance			<u>12,477,855</u>		
Ending Fund Balance			<u>\$ 13,134,431</u>		

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Finance department expenditures did not exceed appropriations at the legal level of control as transfers out accounts are budgeted by division but are presented separately for reporting purposes.

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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, 2015
With Comparative Totals for the Year Ended September 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2014 Actual
	Original Budget	Budget as Amended	Actual		
REVENUES					
Hotel occupancy taxes	\$ 1,195,370	\$ 1,195,370	\$ 1,287,763	\$ 92,393	\$ 1,200,679
Other revenue	230	230	1,005	775	944
Investment earnings	2,350	2,350	3,232	882	2,429
Total Revenues	<u>1,197,950</u>	<u>1,197,950</u>	<u>1,292,000</u>	<u>94,050</u>	<u>1,204,052</u>
EXPENDITURES					
Community development	1,159,800	1,159,800	296,657	863,143	330,799
Total Expenditures	<u>1,159,800</u>	<u>1,159,800</u>	<u>296,657</u>	<u>863,143</u>	<u>330,799</u>
Excess of Revenues Over Expenditures	<u>38,150</u>	<u>38,150</u>	<u>995,343</u>	<u>957,193</u>	<u>873,253</u>
OTHER FINANCING (USES)					
Transfers out	(38,150)	(38,150)	(38,150)	-	(36,900)
Total Other Financing (Uses)	<u>(38,150)</u>	<u>(38,150)</u>	<u>(38,150)</u>	<u>-</u>	<u>(36,900)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>957,193</u>	<u>\$ 957,193</u>	<u>\$ 836,353</u>
Beginning Fund Balance			<u>3,028,202</u>		
Ending Fund Balance			<u>\$ 3,985,395</u>		

Note to Required Supplementary Information:

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

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CITY OF WEBSTER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2015

	<u>Measurement Year</u> <u>2014*</u>
Total Pension Liability	
Service cost	\$ 1,666,178
Interest (on the total pension liability)	3,249,390
Changes of benefit terms	-
Difference between expected and actual experience	(458,710)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(1,259,423)
Net Change in Total Pension Liability	<u>3,197,435</u>
Beginning Total Pension Liability	<u>46,216,483</u>
Ending Total Pension Liability	<u><u>\$ 49,413,918</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 1,594,872
Contributions - employee	659,927
Net investment income	2,233,106
Benefit payments, including refunds of employee contributions	(1,259,423)
Administrative expense	(23,312)
Other	(1,917)
Net Change in Plan Fiduciary Net Position	<u>3,203,253</u>
Beginning Plan Fiduciary Net Position	<u>39,032,165</u>
Ending Plan Fiduciary Net Position	<u><u>\$ 42,235,418</u></u>
Net Pension Liability	<u><u>\$ 7,178,500</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.47%
Covered Employee Payroll	\$ 9,406,356
Net Pension Liability as a Percentage of Covered Employee Payroll	76.32%

*Only one year of information is currently available. The City will build this schedule over the next nine-year period.

CITY OF WEBSTER, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2015

	Fiscal Year *	
	2014	2015
Actuarially determined contribution	\$ 1,571,641	\$ 1,659,156
Contributions in relation to the actuarially determined contribution	1,571,641	1,659,156
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 9,318,357	\$ 9,732,368
Contributions as a percentage of covered employee payroll	16.87%	17.05%

*Only two years of information is currently available. The City will build this schedule over the next eight-year period.

Notes to Required Supplementary Information:

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	3.0%
Salary increases	3.50% to 12.0% including inflation
Investment rate of return	7.0%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.

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

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%	\$ 9,022,680	4.3%
12/31/12	\$ -	\$ 182,766	\$ 182,766	0.0%	\$ 9,406,356	1.9%

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COMBINING STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

CITY OF WEBSTER, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2015

	Special Revenue Funds			
	Public Safety	Municipal Court Programs	Grant	TIRZ No. 1
ASSETS				
Cash and cash equivalents	\$ 113,345	\$ 168,952	\$ -	\$ 1,267,116
Investments	-	-	-	-
Receivables	-	-	25,099	-
Prepaid items	-	-	1,610	-
Total Assets	<u>\$ 113,345</u>	<u>\$ 168,952</u>	<u>\$ 26,709</u>	<u>\$ 1,267,116</u>
LIABILITIES				
Accounts payable	\$ 2,228	\$ 1,808	\$ 904	\$ -
Due to other funds	-	-	25,805	-
Unearned revenue	-	-	22,165	-
Total Liabilities	<u>2,228</u>	<u>1,808</u>	<u>48,874</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	-	-	1,610	-
Restricted for:				
Enabling legislation	-	167,144	-	1,267,116
Assigned to:				
Special revenue	111,117	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	(23,775)	-
Total Fund Balances	<u>111,117</u>	<u>167,144</u>	<u>(22,165)</u>	<u>1,267,116</u>
Total Liabilities and Fund Balances	<u>\$ 113,345</u>	<u>\$ 168,952</u>	<u>\$ 26,709</u>	<u>\$ 1,267,116</u>

Special Revenue Funds	Capital Project Funds			Total Nonmajor Governmental Funds
PEG Channel	Street Construction	Other Capital Projects	General Projects	
\$ 142,882	\$ 529,007	\$ 2,324,084	\$ 1,937	\$ 4,547,323
-	490,120	-	-	490,120
6,508	2,054	-	-	33,661
-	-	-	-	1,610
<u>\$ 149,390</u>	<u>\$ 1,021,181</u>	<u>\$ 2,324,084</u>	<u>\$ 1,937</u>	<u>\$ 5,072,714</u>
\$ -	\$ 40,247	\$ -	\$ -	\$ 45,187
-	-	-	-	25,805
-	-	-	-	22,165
<u>-</u>	<u>40,247</u>	<u>-</u>	<u>-</u>	<u>93,157</u>
-	-	-	-	1,610
149,390	-	-	-	1,583,650
-	-	-	-	111,117
-	980,934	2,324,084	1,937	3,306,955
-	-	-	-	(23,775)
<u>149,390</u>	<u>980,934</u>	<u>2,324,084</u>	<u>1,937</u>	<u>4,979,557</u>
<u>\$ 149,390</u>	<u>\$ 1,021,181</u>	<u>\$ 2,324,084</u>	<u>\$ 1,937</u>	<u>\$ 5,072,714</u>

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	Special Revenue Funds			
	Public Safety	Municipal Court Programs	Grant	TIRZ No. 1
REVENUES				
Fines and forfeitures	\$ 25,628	\$ 55,599	\$ -	\$ -
Franchise fees	-	-	-	-
Investment earnings	122	82	-	1,091
Intergovernmental	4,537	-	246,864	98,612
Other revenue	2,700	-	-	-
Total Revenues	<u>32,987</u>	<u>55,681</u>	<u>246,864</u>	<u>99,703</u>
EXPENDITURES				
General government	-	47,751	-	-
Public safety	47,658	-	286,728	-
Capital outlay	-	-	-	-
Total Expenditures	<u>47,658</u>	<u>47,751</u>	<u>286,728</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,671)</u>	<u>7,930</u>	<u>(39,864)</u>	<u>99,703</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	17,699	118,772
Transfers out	-	(13,500)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(13,500)</u>	<u>17,699</u>	<u>118,772</u>
Net Change in Fund Balances	<u>(14,671)</u>	<u>(5,570)</u>	<u>(22,165)</u>	<u>218,475</u>
Beginning Fund Balances	<u>125,788</u>	<u>172,714</u>	<u>-</u>	<u>1,048,641</u>
Ending Fund Balances	<u>\$ 111,117</u>	<u>\$ 167,144</u>	<u>\$ (22,165)</u>	<u>\$ 1,267,116</u>

Special Revenue Funds	Capital Project Funds			Total Nonmajor Governmental Funds
PEG Channel	Street Construction	Other Capital Projects	General Projects	
\$ -	\$ -	\$ -	\$ -	\$ 81,227
33,398	-	-	-	33,398
-	2,511	1,637	-	5,443
-	-	-	-	350,013
-	-	-	-	2,700
33,398	2,511	1,637	-	472,781
-	-	-	-	47,751
-	-	-	-	334,386
-	1,074,276	55,308	-	1,129,584
-	1,074,276	55,308	-	1,511,721
33,398	(1,071,765)	(53,671)	-	(1,038,940)
-	-	56,000	119	192,590
-	-	(119)	-	(13,619)
-	-	55,881	119	178,971
33,398	(1,071,765)	2,210	119	(859,969)
115,992	2,052,699	2,321,874	1,818	5,839,526
\$ 149,390	\$ 980,934	\$ 2,324,084	\$ 1,937	\$ 4,979,557

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, 2015
With Comparative Totals for the Year Ended September 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	2014 Actual
	Original Budget	Budget as Amended	Actual		
REVENUES					
Ad valorem taxes	\$ 1,507,300	\$ 1,507,300	\$ 1,506,071	\$ (1,229)	\$ 1,685,128
Contributions	330,030	330,030	330,030	-	330,030
Investment earnings	990	990	880	(110)	930
Total Revenues	<u>1,838,320</u>	<u>1,838,320</u>	<u>1,836,981</u>	<u>(1,339)</u>	<u>2,016,088</u>
EXPENDITURES					
Principal	1,620,000	1,620,000	1,620,000	-	1,460,000
Interest and fiscal charges	<u>422,220</u>	<u>422,220</u>	<u>421,213</u>	<u>1,007</u>	<u>451,425</u>
Total Expenditures	<u>2,042,220</u>	<u>2,042,220</u>	<u>2,041,213</u>	<u>1,007</u>	<u>1,911,425</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(203,900)</u>	<u>(203,900)</u>	<u>(204,232)</u>	<u>(332)</u>	<u>104,663</u>
OTHER FINANCING SOURCES					
Transfers in	<u>103,900</u>	<u>103,900</u>	<u>103,900</u>	<u>-</u>	<u>16,767</u>
Total Other Financing Sources	<u>103,900</u>	<u>103,900</u>	<u>103,900</u>	<u>-</u>	<u>16,767</u>
Net Change in Fund Balance	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>(100,332)</u>	<u>\$ (332)</u>	<u>\$ 121,430</u>
Beginning Fund Balance			<u>969,351</u>		
Ending Fund Balance			<u>\$ 869,019</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, 2015
With Comparative Totals for the Year Ended September 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2014 Actual
REVENUES					
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 25,628	\$ 5,628	\$ 68,005
Investment earnings	190	190	122	(68)	193
Intergovernmental	4,710	4,710	4,537	(173)	4,710
Other revenue	600	600	2,700	2,100	9,060
Total Revenues	<u>25,500</u>	<u>25,500</u>	<u>32,987</u>	<u>7,487</u>	<u>81,968</u>
EXPENDITURES					
Public safety	<u>131,600</u>	<u>131,600</u>	<u>47,658</u>	<u>83,942</u>	<u>86,120</u>
Net Change in Fund Balance	<u>\$ (106,100)</u>	<u>\$ (106,100)</u>	<u>(14,671)</u>	<u>\$ 91,429</u>	<u>\$ (4,152)</u>
Beginning Fund Balance			<u>125,788</u>		
Ending Fund Balance			<u>\$ 111,117</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, 2015
With Comparative Totals for the Year Ended September 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2014 Actual
REVENUES					
Fines and forfeitures	\$ 75,070	\$ 75,070	\$ 55,599	\$ (19,471)	\$ 75,499
Investment earnings	90	90	82	(8)	68
Total Revenues	<u>75,160</u>	<u>75,160</u>	<u>55,681</u>	<u>(19,479)</u>	<u>75,567</u>
EXPENDITURES					
General government	61,160	61,160	47,751	13,409	52,242
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,000</u>	<u>14,000</u>	<u>7,930</u>	<u>(6,070)</u>	<u>23,325</u>
OTHER FINANCING (USES)					
Transfers out	(18,000)	(18,000)	(13,500)	4,500	(20,000)
Total Other Financing (Uses)	<u>(18,000)</u>	<u>(18,000)</u>	<u>(13,500)</u>	<u>4,500</u>	<u>(20,000)</u>
Net Change in Fund Balance	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>	<u>(5,570)</u>	<u>\$ (1,570)</u>	<u>\$ 3,325</u>
Beginning Fund Balance			<u>172,714</u>		
Ending Fund Balance			<u>\$ 167,144</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, 2015
With Comparative Totals for the Year Ended September 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2014 Actual
REVENUES					
Intergovernmental	\$ 471,000	\$ 471,000	\$ 246,864	\$ (224,136)	\$ 437,302
Total Revenues	<u>471,000</u>	<u>471,000</u>	<u>246,864</u>	<u>(224,136)</u>	<u>437,302</u>
EXPENDITURES					
Public safety	484,890	484,890	286,728	198,162	474,040
(Deficiency) of Revenues					
(Under) Expenditures	<u>(13,890)</u>	<u>(13,890)</u>	<u>(39,864)</u>	<u>(25,974)</u>	<u>(36,738)</u>
OTHER FINANCING SOURCES					
Transfers in	13,890	13,890	17,699	3,809	36,738
Total Other Financing Sources	<u>13,890</u>	<u>13,890</u>	<u>17,699</u>	<u>3,809</u>	<u>36,738</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(22,165)</u>	<u>\$ (22,165)</u>	<u>\$ -</u>
Beginning Fund Balance			<u>-</u>		
Ending Fund Balance			<u>\$ (22,165)</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, 2015
With Comparative Totals for the Year Ended September 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2014 Actual
REVENUES					
Intergovernmental	\$ 76,280	\$ 76,280	\$ 98,612	\$ 22,332	\$ 76,284
Investment earnings	1,080	1,080	1,091	11	1,114
Total Revenues	<u>77,360</u>	<u>77,360</u>	<u>99,703</u>	<u>22,343</u>	<u>77,398</u>
EXPENDITURES					
Economic development	207,360	207,360	-	207,360	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(130,000)</u>	<u>(130,000)</u>	<u>99,703</u>	<u>229,703</u>	<u>77,398</u>
OTHER FINANCING SOURCES					
Transfers in	130,000	130,000	118,772	(11,228)	117,930
Total Other Financing Sources	<u>130,000</u>	<u>130,000</u>	<u>118,772</u>	<u>(11,228)</u>	<u>117,930</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>218,475</u>	<u>\$ 218,475</u>	<u>\$ 195,328</u>
Beginning Fund Balance			<u>1,048,641</u>		
Ending Fund Balance			<u>\$ 1,267,116</u>		

CITY OF WEBSTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC, EDUCATIONAL, AND GOVERNMENTAL CHANNEL FUND

For the Year Ended September 30, 2015
With Comparative Totals for the Year Ended September 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	2014 Actual
REVENUES					
Franchise fees	\$ 30,260	\$ 30,260	\$ 33,398	\$ 3,138	\$ 27,339
Total Revenues	<u>30,260</u>	<u>30,260</u>	<u>33,398</u>	<u>3,138</u>	<u>27,339</u>
EXPENDITURES					
Community development	<u>30,260</u>	<u>30,260</u>	<u>-</u>	<u>30,260</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>33,398</u>	<u>\$ 33,398</u>	<u>\$ 27,339</u>
Beginning Fund Balance			<u>115,992</u>		
Ending Fund Balance			<u>\$ 149,390</u>		

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INTERNAL SERVICE FUNDS

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

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

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

Employee Benefit Fund - This fund is used to account for the costs of providing insurance to the City's employees.

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

September 30, 2015

	Equipment Replacement	Information Technology	Employee Benefit	Total Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,396,860	\$ 502,111	\$ 26	\$ 1,898,997
Investments	1,490,642	-	-	1,490,642
Receivables, net	52,250	-	-	52,250
Prepaid expenses	-	80	211,817	211,897
Total Current Assets	<u>2,939,752</u>	<u>502,191</u>	<u>211,843</u>	<u>3,653,786</u>
Noncurrent assets				
Capital assets:				
Machinery and equipment	4,449,194	474,392	-	4,923,586
Less: accumulated depreciation	(2,571,857)	(217,707)	-	(2,789,564)
Total Capital Assets (Net)	<u>1,877,337</u>	<u>256,685</u>	<u>-</u>	<u>2,134,022</u>
Total Noncurrent Assets	<u>1,877,337</u>	<u>256,685</u>	<u>-</u>	<u>2,134,022</u>
Total Assets	<u>4,817,089</u>	<u>758,876</u>	<u>211,843</u>	<u>5,787,808</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	-	37,701	-	37,701
Total Deferred Outflows of Resources	<u>-</u>	<u>37,701</u>	<u>-</u>	<u>37,701</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	311,751	103,334	-	415,085
Due to other funds	-	-	211,817	211,817
Current portion of compensated absences	-	12,466	-	12,466
Total Current Liabilities	<u>311,751</u>	<u>115,800</u>	<u>211,817</u>	<u>639,368</u>
Noncurrent liabilities				
Compensated absences	-	3,018	-	3,018
Net pension liability	-	169,706	-	169,706
Net other post employment benefit obligation	-	5,850	-	5,850
Total Noncurrent Liabilities	<u>-</u>	<u>178,574</u>	<u>-</u>	<u>178,574</u>
Total Liabilities	<u>311,751</u>	<u>294,374</u>	<u>211,817</u>	<u>817,942</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	-	9,009	-	9,009
Total Deferred Inflows of Resources	<u>-</u>	<u>9,009</u>	<u>-</u>	<u>9,009</u>
NET POSITION				
Net investment in capital assets	1,877,337	256,685	-	2,134,022
Unrestricted	2,628,001	236,509	26	2,864,536
Total Net Position	<u>\$ 4,505,338</u>	<u>\$ 493,194</u>	<u>\$ 26</u>	<u>\$ 4,998,558</u>

See Notes to Financial Statements.

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2015

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Employee Benefit</u>	<u>Total Funds</u>
OPERATING REVENUES				
Charges for services	\$ 812,830	\$ 807,010	\$ 2,162,185	\$ 3,782,025
Total Operating Revenues	<u>812,830</u>	<u>807,010</u>	<u>2,162,185</u>	<u>3,782,025</u>
OPERATING EXPENSES				
Personnel	-	344,489	2,162,185	2,506,674
Supplies	-	54,921	-	54,921
Maintenance	-	57,791	-	57,791
Services	-	217,543	-	217,543
Depreciation	468,006	65,706	-	533,712
Total Operating Expenses	<u>468,006</u>	<u>740,450</u>	<u>2,162,185</u>	<u>3,370,641</u>
Operating Income	<u>344,824</u>	<u>66,560</u>	<u>-</u>	<u>411,384</u>
NONOPERATING REVENUES				
Investment earnings	8,007	531	7	8,545
Gain on sale of capital assets	95,687	-	-	95,687
Total Nonoperating Revenues	<u>103,694</u>	<u>531</u>	<u>7</u>	<u>104,232</u>
Change in Net Position	448,518	67,091	7	515,616
Beginning Net Position	<u>4,056,820</u>	<u>426,103</u>	<u>19</u>	<u>4,482,942</u>
Ending Net Position	<u>\$ 4,505,338</u>	<u>\$ 493,194</u>	<u>\$ 26</u>	<u>\$ 4,998,558</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, 2015

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Employee Benefit</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund charges for equipment replacement	\$ 762,717	\$ -	\$ -	\$ 762,717
Receipts from interfund charges for information technology	-	807,010	-	807,010
Receipts from interfund charges for employee benefit	-	-	2,162,185	2,162,185
Payments to suppliers	303,112	(245,540)	(2,162,185)	(2,104,613)
Payments to employees	-	(343,519)	-	(343,519)
Net Cash Provided by Operating Activities	<u>1,065,829</u>	<u>217,951</u>	<u>-</u>	<u>1,283,780</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(971,361)	(125,340)	-	(1,096,701)
Proceeds from sale of capital assets	98,963	-	-	98,963
Net Cash (Used) by Capital and Related Financing Activities	<u>(872,398)</u>	<u>(125,340)</u>	<u>-</u>	<u>(997,738)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	995,740	-	-	995,740
Purchase of investments	(997,500)	-	-	(997,500)
Interest on investments	8,007	531	7	8,545
Net Cash Provided by Investing Activities	<u>6,247</u>	<u>531</u>	<u>7</u>	<u>6,785</u>
Net Increase in Cash and Cash Equivalents	199,678	93,142	7	292,827
Beginning Cash and Cash Equivalents	<u>1,197,182</u>	<u>408,969</u>	<u>19</u>	<u>1,606,170</u>
Ending Cash and Cash Equivalents	<u>\$ 1,396,860</u>	<u>\$ 502,111</u>	<u>\$ 26</u>	<u>\$ 1,898,997</u>

CITY OF WEBSTER, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Page 2 of 2)
For the Year Ended September 30, 2015

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Employee Benefit</u>	<u>Total Funds</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 344,824	\$ 66,560	\$ -	\$ 411,384
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	468,006	65,706	-	533,712
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Current Assets:				
Accounts receivable	(50,113)	-	-	(50,113)
Prepaid expenses	-	(80)	-	(80)
Deferred outflows	-	(10,994)	-	(10,994)
Increase (Decrease) in Current Liabilities:				
Accounts payable and accrued liabilities	303,112	84,795	-	387,907
Compensated absences	-	2,452	-	2,452
Net pension liability	-	(138)	-	(138)
Net other post employment benefit obligation	-	641	-	641
Deferred inflows	-	9,009	-	9,009
Net Cash Provided by Operating Activities	<u>\$ 1,065,829</u>	<u>\$ 217,951</u>	<u>\$ -</u>	<u>\$ 1,283,780</u>

See Notes to Financial Statements.

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STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends	100
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	112
These schedules contain information to help the reader assess the City's most significant local revenue sources.	
Debt Capacity	122
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	130
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	133
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 POSITION BY COMPONENT

Last Ten Years
(accrual basis of accounting)

	Year			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 33,987,295	\$ 34,682,185	\$ 36,295,260	\$ 38,656,099
Restricted	2,864,520	5,080,935	4,878,125	6,335,017
Unrestricted	10,256,328	10,649,642	11,320,614	11,584,484
Total Governmental Activities Net Position	<u>\$ 47,108,143</u>	<u>\$ 50,412,762</u>	<u>\$ 52,493,999</u>	<u>\$ 56,575,600</u>
Business-type activities				
Net investment in capital assets	\$ 12,990,258	\$ 13,239,394	\$ 13,676,387	\$ 16,697,191
Restricted	1,782,536	2,743,668	3,314,199	2,853,477
Unrestricted	2,673,199	2,292,205	1,247,194	2,210,839
Total Business-Type Activities Net Position	<u>\$ 17,445,993</u>	<u>\$ 18,275,267</u>	<u>\$ 18,237,780</u>	<u>\$ 21,761,507</u>
Primary government				
Net investment in capital assets	\$ 46,977,553	\$ 47,921,579	\$ 49,971,647	\$ 55,353,290
Restricted	4,647,056	7,824,603	8,192,324	9,188,494
Unrestricted	12,929,527	12,941,847	12,567,808	13,795,323
Total Primary Government Net Position	<u>\$ 64,554,136</u>	<u>\$ 68,688,029</u>	<u>\$ 70,731,779</u>	<u>\$ 78,337,107</u>

Year					
2010	2011	2012	2013	2014	2015
\$ 35,859,223	\$ 34,788,233	\$ 31,186,591	\$ 34,959,498	\$ 35,649,793	\$ 36,328,271
5,906,096	2,756,384	7,951,235	4,242,481	5,337,239	6,440,743
11,966,071	16,302,442	16,633,460	17,322,534	13,312,086	12,747,269
<u>\$ 53,731,390</u>	<u>\$ 53,847,059</u>	<u>\$ 55,771,286</u>	<u>\$ 56,524,513</u>	<u>\$ 54,299,118</u>	<u>\$ 55,516,283</u>
\$ 18,060,249	\$ 18,839,292	\$ 18,814,693	\$ 17,869,153	\$ 17,433,119	\$ 16,453,147
2,684,805	2,336,262	2,549,394	3,337,873	3,726,464	4,287,928
2,879,242	3,137,696	4,013,227	4,549,668	4,182,768	3,944,358
<u>\$ 23,624,296</u>	<u>\$ 24,313,250</u>	<u>\$ 25,377,314</u>	<u>\$ 25,756,694</u>	<u>\$ 25,342,351</u>	<u>\$ 24,685,433</u>
\$ 53,919,472	\$ 53,627,525	\$ 50,001,284	\$ 52,828,651	\$ 53,082,912	\$ 52,781,418
8,590,901	5,092,646	10,500,629	7,580,354	9,063,703	10,728,671
14,845,313	19,440,138	20,646,687	21,872,202	17,494,854	16,691,627
<u>\$ 77,355,686</u>	<u>\$ 78,160,309</u>	<u>\$ 81,148,600</u>	<u>\$ 82,281,207</u>	<u>\$ 79,641,469</u>	<u>\$ 80,201,716</u>

CITY OF WEBSTER, TEXAS

CHANGES IN NET POSITION

Last Ten Years
(accrual basis of accounting)

	Year			
	2006	2007	2008	2009
Expenses				
Governmental activities				
General government	\$ 3,715,779	\$ 3,127,988	\$ 4,372,934	\$ 3,518,765
Public safety	6,485,161	7,186,702	7,438,134	8,275,633
Public works ⁽¹⁾	-	-	-	-
Community development ⁽¹⁾	4,187,250	5,562,641	5,666,080	7,245,743
Interest and fiscal agent fees on long-term debt	1,242,184	1,317,336	1,352,133	938,611
Total Governmental Activities Expenses	<u>15,630,374</u>	<u>17,194,667</u>	<u>18,829,281</u>	<u>19,978,752</u>
Business-type activities				
Water	1,314,426	1,347,623	1,676,357	1,722,540
Wastewater	1,172,291	1,468,095	1,531,042	1,637,288
Drainage	-	-	-	-
Total Business-Type Activities Expenses	<u>2,486,717</u>	<u>2,815,718</u>	<u>3,207,399</u>	<u>3,359,828</u>
Total Primary Government Expenses	<u>\$ 18,117,091</u>	<u>\$ 20,010,385</u>	<u>\$ 22,036,680</u>	<u>\$ 23,338,580</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 123,184	\$ 150,143	\$ 184,886	\$ 211,429
Public safety	1,094,780	1,331,735	1,592,374	1,310,891
Community development	443,971	516,178	528,630	376,597
Operating grants and contributions	1,043,288	1,082,168	1,584,928	2,236,981
Capital grants and contributions	4,143,859	1,147,059	220,542	3,001,168
Total Governmental Activities Program Revenues	<u>6,849,082</u>	<u>4,227,283</u>	<u>4,111,360</u>	<u>7,137,066</u>
Business-type activities				
Charges for services				
Water	1,436,718	1,502,776	1,571,025	1,771,314
Wastewater	1,280,748	1,398,083	1,434,841	1,683,648
Drainage	-	-	-	-
Capital grants and contributions	377,000	-	-	3,412,361
Total Business-Type Activities Program Revenues	<u>3,094,466</u>	<u>2,900,859</u>	<u>3,005,866</u>	<u>6,867,323</u>
Total Primary Government Program Revenues	<u>\$ 9,943,548</u>	<u>\$ 7,128,142</u>	<u>\$ 7,117,226</u>	<u>\$ 14,004,389</u>
Net (Expense)/Revenue				
Governmental activities	\$ (8,781,292)	\$ (12,967,384)	\$ (14,717,921)	\$ (12,841,686)
Business-type activities	607,749	85,141	(201,533)	3,507,495
Total Primary Government Net Expense	<u>\$ (8,173,543)</u>	<u>\$ (12,882,243)</u>	<u>\$ (14,919,454)</u>	<u>\$ (9,334,191)</u>

⁽¹⁾ Beginning in 2010, the public works function has been separated from the community development function. This change has been implemented prospectively.

Year					
2010	2011	2012	2013	2014	2015
\$ 3,231,366	\$ 3,810,971	\$ 3,494,720	\$ 3,080,566	\$ 3,433,495	\$ 3,719,190
8,945,639	8,705,059	9,289,641	10,243,794	9,919,950	10,439,069
3,813,092	3,273,335	3,465,582	4,440,657	3,661,162	4,763,763
3,359,280	2,724,785	2,930,471	1,744,564	2,463,304	2,525,988
802,010	648,743	509,182	649,178	465,686	435,134
20,151,387	19,162,893	19,689,596	20,158,759	19,943,597	21,883,144
1,854,204	1,939,942	1,991,274	1,952,327	2,089,815	2,641,539
1,891,447	2,034,661	2,122,566	2,128,511	2,254,186	2,788,256
328,732	326,725	288,343	256,681	205,646	240,780
4,074,383	4,301,328	4,402,183	4,337,519	4,549,647	5,670,575
\$ 24,225,770	\$ 23,464,221	\$ 24,091,779	\$ 24,496,278	\$ 24,493,244	\$ 27,553,719
\$ 155,730	\$ 150,660	\$ 178,404	\$ 108,135	\$ 320,302	\$ 334,944
1,418,862	1,201,472	1,244,467	1,302,894	1,288,379	967,522
357,679	339,664	658,256	476,985	485,157	518,334
1,252,410	1,192,871	1,113,356	1,136,571	1,158,002	1,172,763
29,579	4,526	1,203,465	385,355	390,324	207,280
3,214,260	2,889,193	4,397,948	3,409,940	3,642,164	3,200,843
1,756,318	1,869,325	1,953,541	2,081,707	2,125,888	2,289,664
1,791,595	1,960,596	2,082,345	2,147,674	2,293,096	2,416,837
311,377	314,831	282,879	258,992	209,196	208,706
238,564	894,767	423,900	-	-	-
4,097,854	5,039,519	4,742,665	4,488,373	4,628,180	4,915,207
\$ 7,312,114	\$ 7,928,712	\$ 9,140,613	\$ 7,898,313	\$ 8,270,344	\$ 8,116,050
\$ (16,937,127)	\$ (16,273,700)	\$ (15,291,648)	\$ (16,748,819)	\$ (16,301,433)	\$ (18,682,301)
23,471	738,191	340,482	150,854	78,533	(755,368)
\$ (16,913,656)	\$ (15,535,509)	\$ (14,951,166)	\$ (16,597,965)	\$ (16,222,900)	\$ (19,437,669)

CITY OF WEBSTER, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years
(accrual basis of accounting)

	Year			
	2006	2007	2008	2009
General Revenues and Other Changes in Net Position				
Governmental activities				
Ad valorem taxes	\$ 2,228,993	\$ 2,407,997	\$ 2,614,259	\$ 2,801,925
Sales taxes	9,563,065	10,773,089	11,000,547	10,922,780
Franchise and local taxes	822,881	982,871	1,016,549	1,014,492
Other taxes	869,890	999,567	1,012,157	1,126,527
Investment earnings	544,246	710,004	533,397	236,386
Other revenues	201,238	381,250	190,782	508,982
Gain (loss) on sale of capital assets	-	(372,365)	70,055	66,215
Transfers	(563,510)	389,590	455,633	245,980
Total Governmental Activities	<u>13,666,803</u>	<u>16,272,003</u>	<u>16,893,379</u>	<u>16,923,287</u>
Business-type activities				
Investment earnings	197,176	531,946	347,054	65,851
Other revenues	249,954	601,777	256,674	196,361
Gain (loss) on sale of capital assets	-	-	15,951	-
Transfers	563,510	(389,590)	(455,633)	(245,980)
Total Business-Type Activities	<u>1,010,640</u>	<u>744,133</u>	<u>164,046</u>	<u>16,232</u>
Total Primary Government	<u>\$ 14,677,443</u>	<u>\$ 17,016,136</u>	<u>\$ 17,057,425</u>	<u>\$ 16,939,519</u>
Change in Net Position				
Governmental activities	\$ 4,885,511	\$ 3,304,619	\$ 2,175,458	\$ 4,081,601
Business-type activities	1,618,389	829,274	(37,487)	3,523,727
Total Primary Government	<u>\$ 6,503,900</u>	<u>\$ 4,133,893</u>	<u>\$ 2,137,971</u>	<u>\$ 7,605,328</u>

Year					
2010	2011	2012	2013	2014	2015
\$ 3,144,351	\$ 3,349,978	\$ 3,732,383	\$ 4,003,896	\$ 4,245,156	\$ 4,041,031
9,883,594	10,270,148	10,495,149	10,716,276	11,409,472	12,268,588
1,076,618	1,093,727	1,100,207	1,119,510	1,103,397	1,124,931
1,188,572	1,241,624	1,302,318	1,447,797	1,775,967	1,909,860
56,944	44,039	65,379	55,583	24,038	88,227
273,551	135,353	169,686	175,570	111,488	114,116
44,725	4,500	100,753	84,719	67,238	102,713
(1,575,438)	250,000	250,000	250,000	250,000	250,000
14,092,917	16,389,369	17,215,875	17,853,351	18,986,756	19,899,466
12,940	14,923	13,536	13,054	19,521	26,243
250,940	185,840	960,046	738,931	223,033	322,207
-	-	-	-	(21,723)	-
1,575,438	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
1,839,318	(49,237)	723,582	501,985	(29,169)	98,450
\$ 15,932,235	\$ 16,340,132	\$ 17,939,457	\$ 18,355,336	\$ 18,957,587	\$ 19,997,916
\$ (2,844,210)	\$ 115,669	\$ 1,924,227	\$ 1,104,532	\$ 2,685,323	\$ 1,217,165
1,862,789	688,954	1,064,064	652,839	49,364	(656,918)
\$ (981,421)	\$ 804,623	\$ 2,988,291	\$ 1,757,371	\$ 2,734,687	\$ 560,247

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

Last Ten Years
(accrual basis of accounting)

Source	Year			
	2006	2007	2008	2009
Ad valorem	\$ 2,228,993	\$ 2,407,997	\$ 2,614,259	\$ 2,801,925
Sales	9,563,065	10,773,089	11,000,547	10,922,780
Franchise fees	822,881	982,871	1,016,549	1,014,492
Other taxes	869,890	999,567	1,012,157	1,126,527
Total	<u>\$ 13,484,829</u>	<u>\$ 15,163,524</u>	<u>\$ 15,643,512</u>	<u>\$ 15,865,724</u>

Year						Change
2010	2011	2012	2013	2014	2015	2014-2015
\$ 3,144,351	\$ 3,349,978	\$ 3,732,383	\$ 4,003,896	\$ 4,245,156	\$ 4,041,031	-4.8%
9,883,594	10,270,148	10,495,149	10,716,276	11,409,472	12,268,588	7.5%
1,076,618	1,093,727	1,100,207	1,119,510	1,103,397	1,124,931	2.0%
1,188,572	1,241,624	1,302,318	1,447,797	1,775,967	1,909,860	7.5%
<u>\$ 15,293,135</u>	<u>\$ 15,955,477</u>	<u>\$ 16,630,057</u>	<u>\$ 17,287,479</u>	<u>\$ 18,533,992</u>	<u>\$ 19,344,410</u>	4.4%

CITY OF WEBSTER, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years
(modified accrual basis of accounting)

	Year			
	2006	2007	2008	2009
General Fund				
Nonspendable	\$ 12,195	\$ 71,297	\$ 107,542	\$ 75,033
Assigned	401,165	345,252	288,156	898,871
Unassigned	7,365,162	7,425,532	8,687,164	8,630,449
Total General Fund	<u>\$ 7,778,522</u>	<u>\$ 7,842,081</u>	<u>\$ 9,082,862</u>	<u>\$ 9,604,353</u>
 All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ 810	\$ -
Restricted	933,696	1,205,440	1,305,817	1,400,456
Assigned, reported in:				
Capital project funds	2,135,028	3,573,955	2,167,484	4,234,221
Special revenue funds	3,135,703	4,048,554	4,389,743	1,175,414
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 6,204,427</u>	<u>\$ 8,827,949</u>	<u>\$ 7,863,854</u>	<u>\$ 6,810,091</u>

Year					
2010	2011	2012	2013	2014	2015
\$ 40,273	\$ 889,606	\$ 51,394	\$ 36,872	\$ 47,809	\$ 37,507
950,221	164,811	220,639	179,658	199,758	220,943
8,296,652	8,974,754	10,236,151	11,190,474	12,230,288	12,875,981
<u>\$ 9,287,146</u>	<u>\$ 10,029,171</u>	<u>\$ 10,508,184</u>	<u>\$ 11,407,004</u>	<u>\$ 12,477,855</u>	<u>\$ 13,134,431</u>
\$ -	\$ 325	\$ 1,014	\$ 7,600	\$ 12,500	\$ 1,610
524,365	2,753,771	7,948,938	4,236,152	5,334,900	6,438,064
4,478,279	4,381,647	4,376,477	4,434,282	4,376,391	3,306,955
1,864,164	115,591	91,485	122,340	113,288	111,117
-	-	-	-	-	(23,775)
<u>\$ 6,866,808</u>	<u>\$ 7,251,334</u>	<u>\$ 12,417,914</u>	<u>\$ 8,800,374</u>	<u>\$ 9,837,079</u>	<u>\$ 9,833,971</u>

CITY OF WEBSTER, TEXAS

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years
(modified accrual basis of accounting)

	Year			
	2006	2007	2008	2009
Revenues				
Taxes	\$ 13,693,412	\$ 15,080,159	\$ 15,558,086	\$ 15,771,588
Licenses and permits	443,971	516,178	470,577	354,447
Fines and forfeitures	1,094,780	1,331,735	1,592,374	1,310,891
Charges for services	123,184	150,143	242,939	233,579
Intergovernmental	13,258	52,138	554,898	1,206,951
Investment earnings	544,246	710,004	533,397	204,198
Contributions	1,030,030	1,030,030	1,030,030	1,030,030
Other revenues	164,710	381,250	190,782	508,982
Total Revenues	17,107,591	19,251,637	20,173,083	20,620,666
Expenditures				
General government	2,887,475	2,952,100	4,193,306	3,319,192
Public safety	6,230,882	6,795,850	8,335,646	7,879,104
Public works	-	-	-	-
Community development	3,704,006	4,569,811	4,503,793	4,788,497
Capital outlay	1,990,889	572,345	1,077,980	1,350,549
Debt service				
Principal	940,182	1,010,266	860,998	1,210,000
Interest	1,151,919	1,110,595	1,450,363	850,305
Payment to refunded bond escrow agent	-	-	-	-
Other debt service - refunding escrow	-	-	-	-
Total expenditures	16,905,353	17,010,967	20,422,086	19,397,647
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	202,238	2,240,670	(249,003)	1,223,019
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Premium on debt	-	-	-	-
Discount on debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	1,621,661	2,699,003	2,580,586	2,840,687
Transfers out	(2,185,171)	(2,309,413)	(2,124,953)	(2,594,707)
Proceeds from capital lease	-	26,453	-	-
Sale of capital assets	36,528	30,368	70,055	27,301
Total Other Financing Sources (Uses)	(526,982)	446,411	525,688	273,281
Net Change in Fund Balances	\$ (324,744)	\$ 2,687,081	\$ 276,685	\$ 1,496,300
Debt service as a percentage				
of noncapital expenditures	14.37%	13.30%	13.14%	11.42%

Year					
2010	2011	2012	2013	2014	2015
\$ 15,213,296	\$ 15,965,845	\$ 16,639,457	\$ 17,241,733	\$ 18,561,698	\$ 19,379,621
328,389	301,990	616,215	434,055	444,015	475,836
1,418,862	1,201,472	1,244,467	1,302,894	1,288,379	967,522
185,020	188,334	220,445	151,065	361,444	377,442
209,380	149,841	1,286,791	491,896	518,296	350,013
50,164	36,949	56,319	48,967	15,477	79,682
1,030,030	1,030,030	1,030,030	1,030,030	1,030,030	1,030,030
273,551	135,353	169,686	175,570	111,488	114,116
18,708,692	19,009,814	21,263,410	20,876,210	22,330,827	22,774,262
3,450,702	3,460,682	3,215,916	3,309,596	3,342,028	3,537,021
8,314,199	8,328,825	10,299,323	8,929,345	9,779,081	10,248,418
2,505,572	2,479,238	2,463,501	2,593,228	2,741,805	3,451,280
1,929,381	1,933,770	1,966,092	1,779,065	1,893,652	1,970,304
196,605	189,560	2,590,787	4,701,583	820,334	1,129,584
1,135,000	1,150,000	1,185,000	1,915,000	1,460,000	1,620,000
839,487	591,188	549,747	652,250	451,425	421,213
-	-	-	8,734,966	-	-
-	-	-	115,000	-	-
18,370,946	18,133,263	22,270,366	32,730,033	20,488,325	22,377,820
337,746	876,551	(1,006,956)	(11,853,823)	1,842,502	396,442
6,075,000	-	6,250,000	8,555,000	-	-
306,893	-	61,281	326,338	-	-
-	-	-	-	-	-
(7,233,220)	-	-	-	-	-
906,302	675,673	1,293,230	1,964,774	1,168,335	598,140
(656,302)	(425,673)	(978,460)	(1,714,774)	(918,335)	(348,140)
-	-	-	-	-	-
3,091	-	26,498	3,765	15,054	7,026
(598,236)	250,000	6,652,549	9,135,103	265,054	257,026
\$ (260,490)	\$ 1,126,551	\$ 5,645,593	\$ (2,718,720)	\$ 2,107,556	\$ 653,468
10.86%	10.13%	9.84%	9.16%	10.04%	9.58%

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

Source	Year			
	2006	2007	2008	2009
Ad valorem	\$ 2,232,964	\$ 2,438,400	\$ 2,623,072	\$ 2,802,028
Sales	9,767,677	10,659,321	10,906,308	10,828,541
Franchise fees	822,881	982,871	1,016,549	1,014,492
Other taxes	869,890	999,567	1,012,157	1,126,527
Total	<u>\$ 13,693,412</u>	<u>\$ 15,080,159</u>	<u>\$ 15,558,086</u>	<u>\$ 15,771,588</u>

Year						Change
2010	2011	2012	2013	2014	2015	2014-2015
\$ 3,158,751	\$ 3,383,915	\$ 3,741,783	\$ 3,958,150	\$ 4,272,862	\$ 4,076,242	-4.6%
9,789,355	10,246,579	10,495,149	10,716,276	11,409,472	12,268,588	7.5%
1,076,618	1,093,727	1,100,207	1,119,510	1,103,397	1,124,931	2.0%
1,188,572	1,241,624	1,302,318	1,447,797	1,775,967	1,909,860	7.5%
<u>\$ 15,213,296</u>	<u>\$ 15,965,845</u>	<u>\$ 16,639,457</u>	<u>\$ 17,241,733</u>	<u>\$ 18,561,698</u>	<u>\$ 19,379,621</u>	4.4%

CITY OF WEBSTER, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL TAXABLE VALUE OF TAXABLE PROPERTY

Last Ten Years

	Year			
	2006	2007	2008	2009
Residential Property	\$ 203,476,378	\$ 220,285,562	\$ 251,466,620	\$ 289,230,681
Commercial Property	706,003,613	754,816,651	851,347,408	1,099,406,491
Industrial Property	57,356,684	57,154,669	46,263,195	45,620,283
Total Assessed Value ⁽¹⁾	966,836,675	1,032,256,882	1,149,077,223	1,434,257,455
Less: Tax Exempt Property	100,696,203	99,229,886	103,130,587	116,588,760
Total Taxable Value	<u>\$ 866,140,472</u>	<u>\$ 933,026,996</u>	<u>\$ 1,045,946,636</u>	<u>\$ 1,317,668,695</u>
Taxable Value as a Percentage of Assessed Value	89.6%	90.4%	91.0%	91.9%
Total Direct Tax Rate ⁽²⁾	\$ 0.25750	\$ 0.25750	\$ 0.24887	\$ 0.20600

Source: Harris County Appraisal District

Notes:

⁽¹⁾ Chapter 23, Section 23.01 (a) of the Texas Tax Code states that all taxable property is assessed at 100% of its market value.

⁽²⁾ Per \$100 of taxable value.

Assessed and taxable values reflect the certified and uncertified values of each fiscal year as of September 30, 2015.

Year					
2010	2011	2012	2013	2014	2015
\$ 314,011,758	\$ 293,907,235	\$ 294,533,220	\$ 306,197,554	\$ 329,925,365	\$ 357,133,884
1,137,674,550	1,082,629,051	1,081,399,308	1,137,609,780	1,260,684,054	1,371,271,147
30,822,429	38,805,041	47,334,112	47,223,760	79,361,600	47,735,902
1,482,508,737	1,415,341,327	1,423,266,640	1,491,031,094	1,669,971,019	1,776,140,933
122,073,281	116,810,263	108,300,053	108,385,271	130,408,743	128,806,825
<u>\$ 1,360,435,456</u>	<u>\$ 1,298,531,064</u>	<u>\$ 1,314,966,587</u>	<u>\$ 1,382,645,823</u>	<u>\$ 1,539,562,276</u>	<u>\$ 1,647,334,108</u>
91.8%	91.7%	92.4%	92.7%	92.2%	92.7%
\$ 0.23252	\$ 0.25750	\$ 0.28528	\$ 0.28528	\$ 0.26960	\$ 0.24874

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

	Year			
	2006	2007	2008	2009
City of Webster by fund:				
General	\$ 0.05000	\$ 0.04904	\$ 0.05672	\$ 0.07335
Debt service	0.20750	0.20846	0.19215	0.13265
Total Direct Rates	<u>\$ 0.25750</u>	<u>\$ 0.25750</u>	<u>\$ 0.24887</u>	<u>\$ 0.20600</u>
Clear Creek School District	\$ 1.77500	\$ 1.63000	\$ 1.32000	\$ 1.36000
Harris County	0.39986	0.40239	0.39239	0.38923
Harris County Flood Control District	0.03322	0.03241	0.03106	0.03086
Port of Houston Authority	0.01474	0.01302	0.01437	0.01773
Harris County Hospital District	0.19216	0.19216	0.19216	0.19216
Harris County Department of Education	0.00629	0.00629	0.00585	0.00584
Total Direct and Overlapping Rates ⁽¹⁾	<u>\$ 2.67877</u>	<u>\$ 2.53377</u>	<u>\$ 2.20470</u>	<u>\$ 2.20182</u>

Sources: 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 taxable value.

Year					
2010	2011	2012	2013	2014	2015
\$ 0.11333	\$ 0.14669	\$ 0.17470	\$ 0.15615	\$ 0.16455	\$ 0.15679
0.11919	0.11081	0.11058	0.12913	0.10505	0.09195
<u>\$ 0.23252</u>	<u>\$ 0.25750</u>	<u>\$ 0.28528</u>	<u>\$ 0.28528</u>	<u>\$ 0.26960</u>	<u>\$ 0.24874</u>
\$ 1.36000	\$ 1.36000	\$ 1.36000	\$ 1.36000	\$ 1.39999	\$ 1.40000
0.39224	0.38805	0.39117	0.40021	0.41455	0.41731
0.02922	0.02923	0.02809	0.02809	0.02827	0.02736
0.01636	0.02054	0.01856	0.01952	0.01716	0.01531
0.19216	0.19216	0.19216	0.18216	0.17000	0.17000
0.00605	0.00658	0.00658	0.00662	0.00636	0.00600
<u>\$ 2.22855</u>	<u>\$ 2.25406</u>	<u>\$ 2.28184</u>	<u>\$ 2.28188</u>	<u>\$ 2.30593</u>	<u>\$ 2.28472</u>

CITY OF WEBSTER, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2015			2006		
	Assessed Value	Rank	% of Assessed Value	Assessed Value	Rank	% of Assessed Value
Clear Lake Regional Medical Center	\$ 140,212,997	1	7.89%	\$ 35,655,870	1	3.69%
Villas at Edgewater Holdings LLC ⁽¹⁾	40,578,154	2	2.28%	-	-	-
GCCFC 2007-GG9 Webster Retail LLC	37,092,299	3	2.09%	14,993,820	7	1.55%
Marquis Clear Lake Apartments ⁽¹⁾	32,815,665	4	1.85%	-	-	-
GS Seven Palms LP	27,553,981	5	1.55%	18,999,950	4	1.97%
Bay Area Hospital Property Company LLC ⁽¹⁾	27,375,970	6	1.54%	-	-	-
ROC II TX Preserve LLC	26,925,298	7	1.52%	20,586,180	2	2.13%
G&E Healthcare REIT Mountain Plains ⁽¹⁾	26,500,000	8	1.49%	-	-	-
Clear Lake Center LP	23,709,486	9	1.33%	14,899,980	8	1.54%
Price Baybrook Ltd	22,340,256	10	1.26%	17,923,600	5	1.85%
Rockwell International ⁽²⁾	-	-	-	20,070,750	3	2.08%
WDOP Sub I LP ⁽²⁾	-	-	-	16,749,980	6	1.73%
G & I VI Skylar Pointe LP ⁽²⁾	-	-	-	13,399,940	9	1.39%
Kobayashi Maru LP ⁽²⁾	-	-	-	10,755,740	10	1.11%
Subtotal	405,104,106		22.81%	184,035,810		19.03%
Other Taxpayers	1,371,036,827		77.19%	782,800,865		80.97%
Total	\$ 1,776,140,933		100.00%	\$ 966,836,675		100.00%

Source: Harris County Appraisal District

Notes:

⁽¹⁾ This taxpayer was not a top ten taxpayer in 2006. It is included in the Other Taxpayers subtotal.

⁽²⁾ This taxpayer is not a top ten taxpayer in 2015. 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	2015 Rank	2006 Rank
Academy Sports & Outdoors ⁽¹⁾	1	-
Fry's Electronics	2	1
Star Furniture	3	3
Conn's Appliances	4	4
Bed Bath & Beyond	5	8
Pappa's Seafood House / Pappasito's Cantina	6	10
Cinemark USA	7	9
Ashley Furniture ⁽¹⁾	8	-
Burlington Coat Factory	9	6
Hobby Lobby Creative Center ⁽³⁾	10	-
At Home Stores	11	5
Jared - The Galleria of Jewelry ⁽³⁾	12	-
The Terminix International Company ⁽¹⁾	13	-
Pennsylvania Tool Sales and Service ⁽¹⁾	14	-
Clear Lake Regional Medical Center ⁽³⁾	15	-
Barnes & Noble ⁽⁴⁾	-	11
Office Depot ⁽⁴⁾	-	7
Home Depot ⁽²⁾	-	2
Old Navy ⁽²⁾	-	12
Brand-IQ ⁽²⁾	-	13
CompUSA Stores ⁽²⁾	-	14

Source: State Comptroller's Office

Notes:

- ⁽¹⁾ This sales tax remitter was not located in the City in 2006.
- ⁽²⁾ This sales tax remitter is not located in the City in 2015.
- ⁽³⁾ This sales tax remitter was not a top fifteen sales tax remitter in 2006.
- ⁽⁴⁾ This sales tax remitter is not a top fifteen sales tax remitter in 2015.

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

	Year			
	2006	2007	2008	2009
Taxes levied:				
Current year levy	\$ 2,205,586	\$ 2,398,676	\$ 2,601,370	\$ 2,777,777
Adjustments in subsequent years	18,840	10,542	5,483	(61,578)
Total of taxes levied ⁽¹⁾	<u>\$ 2,224,426</u>	<u>\$ 2,409,218</u>	<u>\$ 2,606,853</u>	<u>\$ 2,716,199</u>
Taxes collected:				
Collections in current year	\$ 2,186,611	\$ 2,379,571	\$ 2,575,739	\$ 2,745,125
Collections in subsequent years ⁽²⁾	33,913	25,632	26,585	(32,509)
Total of taxes collected	<u>\$ 2,220,524</u>	<u>\$ 2,405,203</u>	<u>\$ 2,602,324</u>	<u>\$ 2,712,616</u>
Collection rates:				
Percentage collected in current year	99.14%	99.20%	99.01%	98.82%
Percentage collected of total levy	99.82%	99.83%	99.83%	99.87%
Delinquent taxes:				
Total outstanding balance	\$ 3,903	\$ 4,015	\$ 4,528	\$ 3,582
Percentage of total levy outstanding	0.18%	0.17%	0.17%	0.13%

Notes:

⁽¹⁾ The tax levy reflects the certified and uncertified property values of each fiscal year as of September 30, 2015.

⁽²⁾ Negative tax collections in subsequent years reflect refunds due to property tax hearing losses.

Year					
2010	2011	2012	2013	2014	2015
\$ 3,177,329	\$ 3,396,948	\$ 3,750,982	\$ 3,937,528	\$ 4,234,778	\$ 4,109,641
(21,637)	(55,054)	(2,930)	3,036	(87,627)	-
<u>\$ 3,155,692</u>	<u>\$ 3,341,894</u>	<u>\$ 3,748,052</u>	<u>\$ 3,940,564</u>	<u>\$ 4,147,151</u>	<u>\$ 4,109,641</u>
\$ 3,155,944	\$ 3,361,585	\$ 3,730,576	\$ 3,921,147	\$ 4,187,311	\$ 4,095,095
(4,515)	(25,727)	12,958	14,400	(47,376)	-
<u>\$ 3,151,429</u>	<u>\$ 3,335,858</u>	<u>\$ 3,743,534</u>	<u>\$ 3,935,547</u>	<u>\$ 4,139,935</u>	<u>\$ 4,095,095</u>
99.33%	98.96%	99.46%	99.58%	98.88%	99.65%
99.86%	99.82%	99.88%	99.87%	99.83%	99.65%
\$ 4,263	\$ 6,036	\$ 4,517	\$ 5,017	\$ 7,216	\$ 14,546
0.14%	0.18%	0.12%	0.13%	0.17%	0.35%

CITY OF WEBSTER, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Year			
	2006	2007	2008	2009
Primary Government				
Governmental Activities:				
General obligation bonds	\$ 17,756,264	\$ 16,900,998	\$ 16,205,000	\$ 15,165,000
Certificates of obligation	4,210,000	4,055,000	3,890,000	3,720,000
Capital leases	-	24,247	20,221	15,865
Subtotal	<u>21,966,264</u>	<u>20,980,245</u>	<u>20,115,221</u>	<u>18,900,865</u>
Business-Type Activities:				
Revenue bonds	-	5,997,216	8,032,261	7,814,337
General obligation bonds ⁽¹⁾	-	-	-	-
Total Primary Government	<u>\$ 21,966,264</u>	<u>\$ 26,977,461</u>	<u>\$ 28,147,482</u>	<u>\$ 26,715,202</u>
Component Unit Activities ⁽²⁾:				
Sales Tax Revenue Bonds	\$ 16,044,307	\$ 15,435,071	\$ 14,790,834	\$ 14,116,598
Personal Income ^{(3) (4)}	\$ 280,866,250	\$ 223,392,930	\$ 223,982,980	\$ 232,951,740
Primary Government Debt as a Percentage of Personal Income	7.82%	12.08%	12.57%	11.47%
Population ⁽⁵⁾	8,750	9,465	9,490	9,870
Primary Government Debt per Capita	\$ 2,510	\$ 2,850	\$ 2,966	\$ 2,707

Notes:

- ⁽¹⁾ General obligation bonds refunded previously issued revenue bonds and are self-supporting from pledged utility revenues.
- ⁽²⁾ Component unit activities are not included in the calculation of debt as a percentage of personal income or debt per capita.
- ⁽³⁾ Source - Sperling's Best Places
- ⁽⁴⁾ Personal income information is a total for the year.
- ⁽⁵⁾ Population was estimated using data received from the Harris County Appraisal District.

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

Year					
2010	2011	2012	2013	2014	2015
\$ 15,920,000	\$ 14,830,000	\$ 13,917,821	\$ 12,889,868	\$ 11,586,796	\$ 10,133,724
715,000	655,000	6,904,994	6,186,904	5,958,814	5,720,724
-	-	-	-	-	-
16,635,000	15,485,000	20,822,815	19,076,772	17,545,610	15,854,448
7,586,412	7,353,487	7,110,562	6,857,638	1,782,936	1,708,646
-	-	-	-	4,973,414	4,759,887
\$ 24,221,412	\$ 22,838,487	\$ 27,933,377	\$ 25,934,410	\$ 24,301,960	\$ 22,322,981
\$ 13,407,362	\$ 12,383,126	\$ 11,358,890	\$ 10,284,655	\$ 9,135,419	\$ 3,666,892
\$ 239,324,700	\$ 254,086,888	\$ 329,329,968	\$ 319,567,907	\$ 297,898,128	\$ 298,499,256
10.12%	8.99%	8.48%	8.12%	8.16%	7.48%
10,338	10,684	10,704	11,279	11,398	11,421
\$ 2,343	\$ 2,138	\$ 2,610	\$ 2,299	\$ 2,132	\$ 1,955

CITY OF WEBSTER, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Years

	Year			
	2006	2007	2008	2009
Taxable Value of Property ⁽¹⁾				
All property	\$ 866,140,472	\$ 933,026,996	\$ 1,045,946,636	\$ 1,317,668,695
Net Bonded Debt ⁽²⁾				
Gross bonded debt	\$ 21,966,264	\$ 20,980,245	\$ 20,095,000	\$ 18,885,000
Less debt service funds	926,189	1,205,439	1,305,818	1,400,456
Net Bonded Debt	<u><u>\$ 21,040,075</u></u>	<u><u>\$ 19,774,806</u></u>	<u><u>\$ 18,789,182</u></u>	<u><u>\$ 17,484,544</u></u>
Ratio of Net Bonded Debt to Taxable Value	2.43%	2.12%	1.80%	1.33%
Population ⁽³⁾	8,750	9,465	9,490	9,870
Net Bonded Debt per Capita	\$ 2,405	\$ 2,089	\$ 1,980	\$ 1,771

Notes:

⁽¹⁾ Taxable values reflect the certified and uncertified values of each fiscal year as of September 30, 2015.

⁽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.

Year					
2010	2011	2012	2013	2014	2015
\$ 1,360,435,456	\$ 1,298,531,064	\$ 1,314,966,587	\$ 1,382,645,823	\$ 1,539,562,276	\$ 1,647,334,108
\$ 16,635,000	\$ 15,485,000	\$ 20,822,815	\$ 19,076,772	\$ 17,545,610	\$ 15,854,448
524,365	577,456	1,230,863	847,921	969,351	869,019
<u>\$ 16,110,635</u>	<u>\$ 14,907,544</u>	<u>\$ 19,591,952</u>	<u>\$ 18,228,851</u>	<u>\$ 16,576,259</u>	<u>\$ 14,985,429</u>
1.18%	1.15%	1.49%	1.32%	1.08%	0.91%
10,338	10,684	10,704	11,279	11,398	11,421
\$ 1,558	\$ 1,395	\$ 1,830	\$ 1,616	\$ 1,454	\$ 1,312

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CITY OF WEBSTER, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2015

	Debt		Estimated Percentage	Amount Applicable to Primary
Governmental Unit	Outstanding	As Of	Applicable ⁽¹⁾	Government
Clear Creek ISD	\$ 887,800,000	9/30/2015	9.75%	\$ 86,560,500
Clear Lake City Water Authority	\$ 79,040,000	9/30/2015	4.43%	3,501,472
Harris County	\$ 2,678,076,350	9/30/2015	0.48%	12,854,766
Harris Co. Dept of Education	\$ 7,210,000	9/30/2015	0.48%	34,608
Harris Co. Flood Control District	\$ 87,400,000	9/30/2015	0.48%	419,520
Port of Houston Authority	\$ 690,219,397	9/30/2015	0.48%	<u>3,313,053</u>
Subtotal, overlapping debt				106,683,920
City Direct Debt ^{(2) (3)}	\$ 15,854,448	9/30/2015	100.00%	<u>15,854,448</u>
Total Direct and Overlapping Debt				<u><u>\$ 122,538,368</u></u>

Source: Municipal Advisory Council of Texas

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.

⁽³⁾ Excludes general obligation bonds pledged by utility revenues.

CITY OF WEBSTER, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	Year			
	2006	2007	2008	2009
Debt limit ⁽¹⁾	\$ 96,683,668	\$ 103,225,688	\$ 114,907,722	\$ 143,425,746
Total net debt applicable to limit	21,040,075	19,750,559	18,789,182	17,484,544
Legal debt margin	<u>\$ 75,643,593</u>	<u>\$ 83,475,129</u>	<u>\$ 96,118,540</u>	<u>\$ 125,941,202</u>
Total net debt applicable to the limit as a percentage of debt limit	21.76%	19.13%	16.35%	12.19%
Legal Debt Margin Calculation				
Assessed value	\$ 966,836,675	\$ 1,032,256,882	\$ 1,149,077,223	\$ 1,434,257,455
Debt limit (10% of assessed value)	96,683,668	103,225,688	114,907,722	143,425,746
Debt applicable to limit:				
General obligation bonds	21,966,264	20,955,998	20,095,000	18,885,000
Less: general obligation bonds pledged by utility revenues	-	-	-	-
Less: amount set aside for repayment of general obligation debt	(926,189)	(1,205,439)	(1,305,818)	(1,400,456)
Total net debt applicable to limit	<u>21,040,075</u>	<u>19,750,559</u>	<u>18,789,182</u>	<u>17,484,544</u>
Legal debt margin	<u>\$ 75,643,593</u>	<u>\$ 83,475,129</u>	<u>\$ 96,118,540</u>	<u>\$ 125,941,202</u>

Notes:

⁽¹⁾ All taxable property in the City of Webster is subject to the assessment, levy, and collection by the City of an annual ad valorem tax levied, within the limits prescribed by law, sufficient to provide for the payment of principal and interest on debt issued by the government. Article XI, Section 5 of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of assessed valuation for all City purposes. The City operates under a Home-Rule Charter, which adopts the constitutional provisions. Administratively, the Attorney General of the State of Texas will only permit the allocation of \$1.50 of the \$2.50 maximum for all general obligation debt service, as calculated at the time of issuance. The City's total tax rate of \$0.24874 and debt rate of \$0.09195 are well below the maximum rates allowed by law.

Chapter 1331 of the Texas Government Code places additional limits on municipalities with populations greater than 750,000. These entities may incur total bonded debt in an amount not to exceed ten percent of the total appraised value of property listed on the most recent appraisal roll. While this limit does not legally apply to the City of Webster, it does serve as a guideline. The total general long-term debt of the City is less than one percent of its total appraised value.

Year					
2010	2011	2012	2013	2014	2015
\$ 148,250,874	\$ 141,534,133	\$ 142,347,967	\$ 149,134,822	\$ 169,620,020	\$ 177,614,093
16,110,635	14,907,544	19,591,952	18,228,851	16,576,259	14,985,429
<u>\$ 132,140,239</u>	<u>\$ 126,626,589</u>	<u>\$ 122,756,015</u>	<u>\$ 130,905,971</u>	<u>\$ 153,043,761</u>	<u>\$ 162,628,664</u>
10.87%	10.53%	13.76%	12.22%	9.77%	8.44%
\$ 1,482,508,737	\$ 1,415,341,327	\$ 1,423,266,640	\$ 1,491,031,094	\$ 1,669,971,019	\$ 1,776,140,933
148,250,874	141,534,133	142,347,967	149,134,822	169,620,020	177,614,093
16,635,000	15,485,000	20,822,815	19,076,772	22,519,024	20,614,335
-	-	-	-	(4,973,414)	(4,759,887)
(524,365)	(577,456)	(1,230,863)	(847,921)	(969,351)	(869,019)
16,110,635	14,907,544	19,591,952	18,228,851	16,576,259	14,985,429
<u>\$ 132,140,239</u>	<u>\$ 126,626,589</u>	<u>\$ 122,756,015</u>	<u>\$ 130,905,971</u>	<u>\$ 153,043,761</u>	<u>\$ 162,628,664</u>

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

Fiscal Year Ended Sept. 30	Population ⁽¹⁾	Personal Income ^{(2) (3)}	Per Capita Personal Income ⁽²⁾	Median Age ⁽²⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
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	8.1%
2010	10,338	\$ 239,324,700	\$ 23,150	32.2	1,061	8.3%
2011	10,684	\$ 254,086,888	\$ 23,782	32.8	2,294	8.6%
2012	10,704	\$ 329,329,968	\$ 30,767	29.8	2,912	6.3%
2013	11,279	\$ 319,567,907	\$ 28,333	30.2	3,305	6.1%
2014	11,398	\$ 297,898,128	\$ 26,136	29.1	3,345	4.9%
2015	11,421	\$ 298,499,256	\$ 26,136	29.1	3,396	4.6%

Sources:

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

⁽²⁾ Sperling's BestPlaces

⁽³⁾ Personal income information is a total for the year.

⁽⁴⁾ Clear Creek Independent School District

⁽⁵⁾ Bureau of Labor Statistics

CITY OF WEBSTER, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago ⁽¹⁾

Employer	Number of Employees	
	2015	2006
Academy Sports and Outdoors	100-199	Data not available
Bay Area Regional Medical Center	500+	Data not available
Bay Area Rehabilitation Hospital	200-299	Data not available
City of Webster	100-199	Data not available
Clear Creek Independent School District	200-299	Data not available
Clear Lake Regional Medical Center	2000+	Data not available
Houston Physicians Hospital	200-299	Data not available
Kindred Hospital Clear Lake	200-299	Data not available
Texas Gulf Coast Medical Group	200-299	Data not available
Top Golf Webster	400-499	Data not available

Source: City of Webster

Notes:

⁽¹⁾ The requirement for statistical data is current year and nine years ago.
Only the current year is available at this time.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>General Fund:</u>										
City Secretary	4	4	4	4	4	4	4	4	4	4
City Manager	1	1	1	1	2	2	2	2	2	2
Finance	7	7	6	6	6	6	6	6	6	6
Municipal Court	6	6	7	7	7	7	7	7	7	7
Information Technology	2	2	2	-	-	-	-	-	-	-
Human Resources	3	3	3	3	3	3	3	3	3	3
Community Development										
Administration	6	6	6	6	6	6	6	6	6	6
Building	6	7	7	7	7	7	7	7	7	7
Engineering	2	2	-	-	-	-	-	-	-	-
Recreation Programs	1	1	1	1	1	1	1	1	1	1
Public Works										
Administration	2	3	4	4	3	3	3	3	3	3
Maintenance	10	11	11	11	10	10	10	10	10	10
Parks Maintenance	5	6	6	6	7	7	7	7	7	7
Engineering	-	-	2	2	2	2	2	2	2	2
Police										
Administration	6	6	6	4	4	4	4	4	4	4
Criminal Investigation	7	7	6	7	7	7	7	7	7	7
Patrol	34	35	35	36	37	37	37	38	38	37
Communications	14	15	16	16	16	16	16	15	15	16
Technical Support	1	1	2	-	-	-	-	-	-	-
Fire										
Prevention	2	3	3	3	3	3	3	3	3	3
Operations	27	27	27	27	27	27	27	27	27	27
Economic Development										
Economic Development	2	2	2	3	3	3	3	3	3	3
Public Relations	1	1	1	-	-	-	-	-	-	-
General Fund Total	149	156	157	153	155	155	155	155	155	155
<u>Utility Fund:</u>										
Water	7	8	8	8	9	9	9	9	9	9
Sewer	6	7	7	7	7	7	7	7	7	7
Drainage	-	-	-	-	2	2	2	2	2	2
Utility Fund Total	13	15	16	16	17	17	17	17	17	17
<u>Information Technology Fund:</u>										
Information Technology	-	-	-	4	4	4	4	4	4	4
IT Fund Total	-	-	-	4	4	4	4	4	4	4
Total City Positions	162	171	173	173	176	176	176	176	176	176

Notes:

Around 10-16 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

Last Ten Years

Function / Program	Year			
	2006	2007	2008	2009
Police				
Arrests	1,927	2,801	3,119	3,133
Accident reports	1,087	1,167	1,024	947
Citations	9,228	8,456	8,554	6,516
Offense reports	2,431	2,801	2,470	2,268
Calls for service	20,002	38,818	39,786	35,840
Fire				
Emergency responses	947	985	935	1036
Fire incidents	91	73	77	90
Average response time	5 min, 30 sec	5 min, 43 sec	4 min, 53 sec	5 min, 0 sec
Water				
New accounts	190	168	143	131
Average daily consumption (millions of gallons)	1.637	1.650	1.793	1.897
Total consumption (millions of gallons)	597.816	610.670	656.656	692.483
Peak daily consumption (millions of gallons)	2.879	2.638	2.695	2.438
Sewer				
Average daily sewage treatment (millions of gallons)	1.271	1.489	1.433	1.354
Total consumption (millions of gallons)	464.230	541.127	523.101	494.050
Peak daily consumption (millions of gallons)	2.831	3.033	2.734	1.853

Source: Various City departments

Year					
2010	2011	2012	2013	2014	2015
3,451	3,030	3,055	2,775	2,067	1,883
855	952	971	1,055	1,100	1,218
7,699	6,725	7,663	7,764	7,000	4,880
2,392	2,316	2,366	2,197	1,856	2,107
32,974	32,553	31,782	26,686	22,766	21,187
878	794	857	892	907	1199
70	74	57	73	60	74
4 min, 5 sec	4 min, 12 sec	4 min, 23 sec	4 min, 35 sec	4 min, 49 sec	4 min, 44 sec
121	129	238	221	189	186
1.709	1.930	1.763	1.797	1.724	1.687
623.954	704.562	643.460	655.945	629.159	615.620
2.940	2.726	2.534	2.623	2.783	2.801
1.409	1.247	1.444	1.426	1.455	1.28
514.276	455.230	527.061	520.640	531.100	468.360
3.192	2.696	2.819	2.510	3.099	2.845

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

Function / Program	Year			
	2006	2007	2008	2009
Police				
Stations	1	1	1	1
Patrol units	43	48	45	46
Fire stations	2	2	2	2
Other public works				
Streets (miles - centerlines)	28.0	18.8	20.7	20.7
Streetlights	708	717	692	910
Parks and recreation				
Parks	4	5	5	5
Parks acreage	23.2	26.0	26.0	26.0
Baseball / softball diamonds	2	2	2	2
Swimming pools	1	1	-	-
Community centers	1	1	1	1
Water				
Water mains (miles)	43.2	44.5	46.8	48.7
Fire hydrants	568	578	601	629
Storage capacity (millions of gallons)	2.95	2.95	2.95	2.95
Sewer				
Sanitary sewers (miles)	27.8	28.8	29.8	30.7
Storm sewers (miles)	17.0	18.9	19.7	20.8
Open ditch / creek / canal drainage (miles)	5.4	4.0	5.6	6.1
Treatment capacity (millions of gallons)	1.65	1.65	1.65	3.30

Source: Various City departments

Year						
2010	2011	2012	2013	2014	2015	
1	1	1	1	1	1	
47	47	47	47	47	48	
2	2	2	2	2	2	
23.2	25.1	25.1	24.9	24.9	25.9	
929	978	977	1,007	1,008	1,008	
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	1	1	1	1	1	
49.1	50.3	50.7	50.7	50.5	52.0	
631	642	644	643	644	665	
2.95	2.95	2.95	2.95	2.95	2.95	
31.0	32.0	32.6	32.9	33.4	34.2	
20.5	22.4	25.0	25.5	23.8	24.6	
7.1	7.3	7.4	6.7	6.7	6.2	
3.30	3.30	3.30	3.30	3.30	3.30	

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