

***COMPREHENSIVE  
ANNUAL FINANCIAL REPORT***

of the

**CITY OF WEST UNIVERSITY  
PLACE, TEXAS**

Year Ended  
December 31, 2005

**Officials Issuing Report:**

**Michael Ross  
City Manager**

**Walter Thomas  
Finance Director**

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# CITY OF WEST UNIVERSITY PLACE, TEXAS

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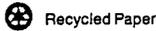
***INTRODUCTORY SECTION***

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# City of West University Place

*A Neighborhood City*



May 15, 2006

To the Citizens of the City of West  
University Place:

The Comprehensive Annual Financial Report of the City of West University Place (the "City") for the fiscal year ended December 31, 2005 is hereby submitted. Responsibility for both the accuracy of the data, and completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position, results of operations and cash flows 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.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's current system of internal controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

As required by the City's charter, the financial statements have been audited by Sandersen, Knox and Belt, L.L.P., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurances that the financial statements of the City of West University Place for the fiscal year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of West University Place's financial statements for fiscal year ended December 31, 2005, are presented in conformity with generally accepted accounting principles (GAAP).

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter and the City's organizational chart. The financial section includes auditor's report on the financial statements, a narrative introduction, overview and analysis required by GAAP in the form of the Management's Discussion and Analysis (MD&A), the basic financial statements, fund financial statements, and combining and individual financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors. The statistical section includes selected unaudited financial and demographic information generally presented on a multi-year basis.

## PROFILE OF THE GOVERNMENT

The City was incorporated in 1924 and became a Texas Home-Rule City in 1940. West University Place operates under the Council-Manager form of municipal government. The mayor and council are responsible for passing ordinances, adopting the budget, appointing board and committee members, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the mayor and council, overseeing the day-to-day operations of the City, and appointing department heads. The mayor and council are elected on an at large, non-partisan basis. The mayor and council members are elected for two-year terms.

The City provides a full range of municipal services. These services include police and fire protection, municipal court, streets, drainage, leisure services, water and sewer, solid waste collection and disposal, community development, and general administrative services. Based upon the criterion set forth in generally accepted accounting principles, the following organizations are includable within the City's reporting entity:

<u>Entity</u>	<u>Method of Inclusion</u>
Friends of West University Place Parks	Blended

## ECONOMIC CONDITION AND OUTLOOK

The City of West University Place, Texas encompasses a 1.9 square mile area located a few blocks south of U.S. Highway 59 (the "Southwest Freeway") and approximately five miles from downtown Houston, Texas. The City is an integral part of the Houston metropolitan area and is completely surrounded by the Cities of Houston, Bellaire and Southside Place. The City is primarily a residential area whose approximately 14,211 inhabitants are employed throughout the Houston urban area. Rice University and the Texas Medical Center complex are located about one mile east of the city limits in the City of Houston.

There is almost no vacant and/or undeveloped land in West University Place, so construction generally involves rebuilding and remodeling. In the mid-1980s, building activity took off at a blistering pace. Property values soared as a result. Assessed value of property in the City rose from \$768 million in 1988 to over \$2.9 billion in 2005. In 2005, the City gained over \$51.3 million in increased property values from new construction.

The economic condition of the entire Houston area has been steadily improving since the recession that halted growth in the late 1980s. The economy is much more diverse so it will be less likely to suffer wild swings that were the hallmark of the past. The collapse of Enron, the merger of Compaq with Hewlett Packard and Continental Airlines' continued woes all have challenged the resiliency of the Houston area economy. These events slowed growth, but the economy has proved stable. The City of West University Place's stability and growth is the result of a trend for suburban families to move closer to work. The City's low crime rate and hometown appeal has attracted many of these families. These factors have contributed and continue to contribute to the growth in property values in West University Place.

**For the Future** In August 1995, City staff began meeting with a committee of citizens with the purpose of determining a means to finance replacement of the City's aging infrastructure. Based on the recommendations of this committee, the City asked the voters to approve a \$63 million bond issue. The issue won overwhelming approval in an election held in November 1995. The first installment of

The issue won overwhelming approval in an election held in November 1995. The first installment of the new bonds was sold in September 1997. Construction funded by the new bonds got underway in the early spring of 1997 and will continue until 2007. When complete, the City will have replaced or substantially upgraded its entire inventory of streets, drainage, and water and sewer infrastructure. In 2005, construction activity continued on schedule and another \$17.5 million was spent on new streets, drainage, and water and sewer assets. In 2006, much of the \$17.2 million currently in progress will be completed. All projects associated with this program are expected to be completed by December 31, 2007.

**Long Term Financial Planning** As a part of the fiscal year 2006 budget process, the Mayor and Council and City Staff updated a multi-year capital improvements program. Several projects in this plan are moving from planning:

- A new fire engine will be purchased.
- Drainage improvements made in connection with the Harris County Flood Control District may require the City to issue about \$4 million in new debt.
- A water tower will be completely refurbished.

These projects are expected to be implemented in fiscal year 2006.

## **FINANCIAL INFORMATION**

**Budgeting Controls** The City Charter of the City of West University Place establishes the fiscal year as January 1 through December 31. The Charter requires the City Manager to submit a proposed budget and accompanying budget message to the City Council each year. The proposed budget is presented to the City Council at a series of budget work sessions. Department directors have an opportunity to make a budget presentation to the City Council and are available for questions. Copies of the proposed budget are made available to the public and the press and the public hearing schedule is confirmed. Before the public hearings are held, notices of the public hearings on the proposed budget are posted and published in the newspaper. After public hearings at two consecutive regular City Council meetings, the Council may adopt the proposed budget, with or without amendment. The budget ordinance is to be adopted no later than 60 days after receiving the Certified Tax Roll from the Harris County Appraisal District which is usually received around August 12 each year. The Council adopts the tax rate ordinance at the same meeting as the budget. The City maintains budgetary control by adopting an annual operating budget for the General Fund, Debt Service Fund, Water and Sewer Enterprise Fund, and Solid Waste Fund. Detail control is maintained at the line item level by encumbering available funds at the time a purchase order is written. Encumbrances do not lapse at fiscal year end. The City Manager is authorized to transfer budgeted amounts within departments within any fund. However, any revisions that alter the total expenditures of any fund or department must be approved by the City Council.

**Cash Management** Cash temporarily idle during the year was invested in U.S. Treasury Bills and Notes, Agency Discount Notes and Medium Term Notes and a local government investment pool (Texpool). The average yield on investments for the year was approximately 2.5%. The primary objectives of the City's investment policy, in priority order, are safety (preservation of capital), liquidity (to provide adequate and timely working funds), and return on investment (obtaining a rate of return commensurate with investment risk constraints and cash flow needs). All deposits were either insured by federal deposit insurance or collateralized and the collateral was held by a trustee bank in the City's name, which is the lowest category of risk as defined by the Governmental Accounting Standards Board. The City currently holds the Certificate of Distinction from the Government Treasurer's Organization of Texas for its investment policy.

**Risk Management** Insurance coverage for property, liability, and workers' compensation is provided by the Texas Municipal League Intergovernmental Risk Pool, a State Insurance Pool. Contributions to the Risk Pool for workers' rates are based on the City's past claims history. The Risk Pool retains a limit of loss and reinsurance companies insure the risks beyond those limits. During the fiscal year, representatives from the Risk Pool physically reviewed City facilities to identify possible risks. City employees also participated in Risk Pool sponsored safety training classes.

### **AWARDS AND ACKNOWLEDGEMENTS**

**Awards** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of West University Place for its comprehensive annual financial report for the fiscal year ended December 31, 2004. This was the fifteenth consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

**Acknowledgements** The preparation of this report could not have been accomplished on a timely basis without the dedicated endeavors of the entire staff of the Finance Department. I would like to express my sincere appreciation to all employees who contributed to the preparation. Additionally, I would also like to thank the Mayor, City Council, and City Manager for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

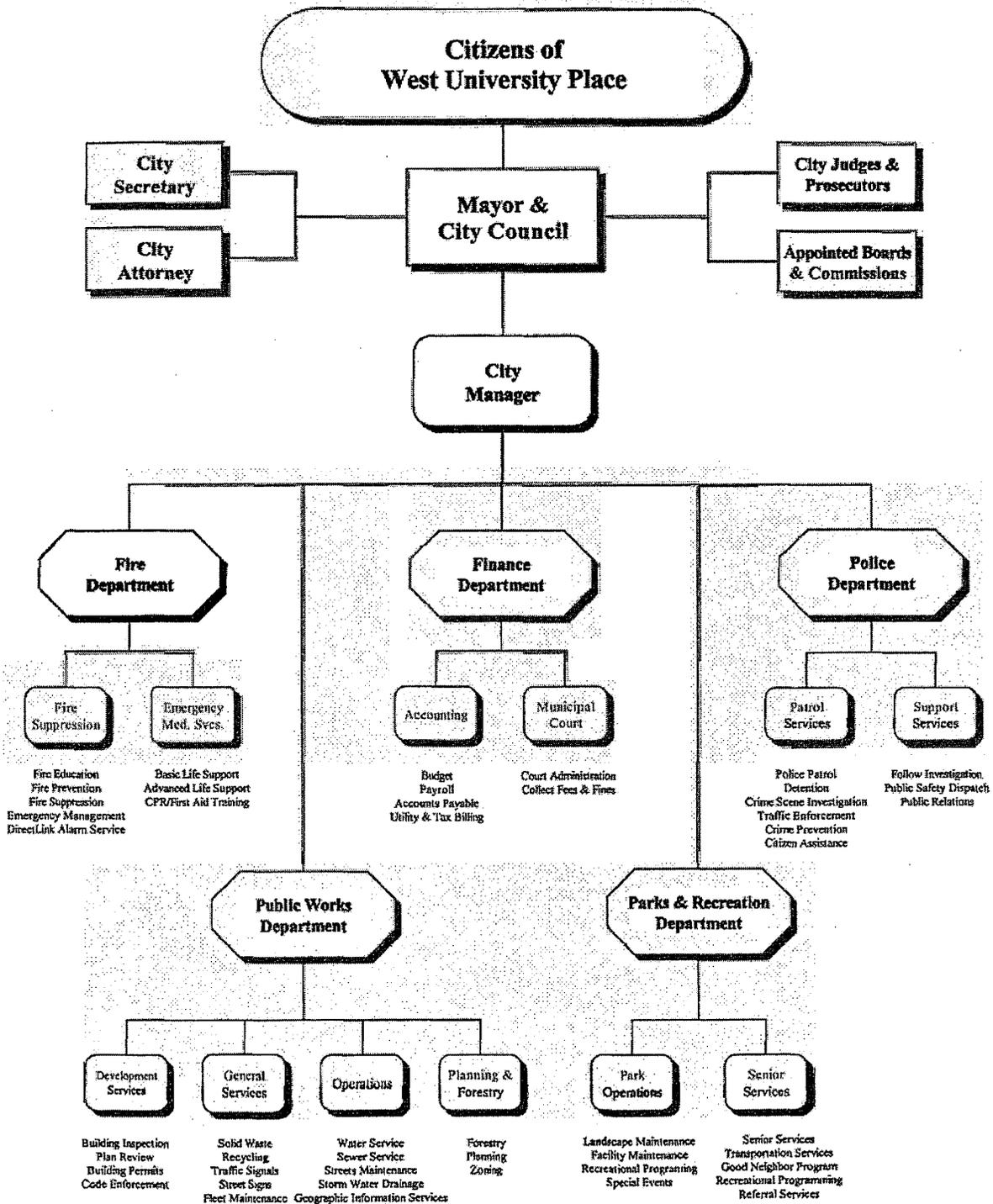


Walter Thomas  
Finance Director

# CITY OF WEST UNIVERSITY PLACE, TEXAS

## ORGANIZATIONAL CHART

December 31, 2005



# CITY OF WEST UNIVERSITY PLACE, TEXAS

## *CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING*

### Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West University Place,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

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



*Carla E. Perry*

President

*Jeffrey R. Emmer*

Executive Director

# CITY OF WEST UNIVERSITY PLACE, TEXAS

## PRINCIPAL OFFICIALS

December 31, 2005

<u>City Officials</u>	<u>Elective Position</u>	<u>Term Expires</u>
Burt Ballanfant	Mayor	05/2007
Phyllis Cohen	Council Member	05/2007
Steven Segal	Council Member	05/2007
Mike Woods	Council Member	05/2007
Richard Yehle	Council Member	05/2007

<u>Key Staff</u>	<u>Position</u>
Michael Ross	City Manager
Ron Wicker	Assistant City Manager/Public Works Director
Kaylynn Holloway	City Secretary
Alan Petrov	City Attorney
Candelario Elizondo	City Judge
Tim O'Conner	Parks and Recreation Director
Steve Ralls	Fire Chief
Wendy Standorf	Director of Human Resources
Walter Thomas	Finance Director
Ken Walker	Police Chief

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of West University Place, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West University Place, Texas (the "City"), as of December 31, 2005, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis on pages 17 through 25, budgetary comparison information on page 69, and pension information on page 71, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

May 10, 2006

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

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# CITY OF WEST UNIVERSITY PLACE, TEXAS

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

December 31, 2005

deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

The statement of net assets and the statement of activities divide the City into two classes of activities:

1. Governmental activities - Most of the City's basic services are reported here including general government, community development, fire and rescue, leisure services, maintenance, municipal court, police, and streets and drainage. 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 are reported here. These services include the City's water distribution, wastewater collection/treatment, and solid waste utility.

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 West University Place. They are usually segregated for specific activities or objectives. The City of West University Place 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*.

The City of West University Place 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, which is considered to be a major fund. The City of West University Place adopts an annual appropriated budget for its general fund and each of the special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

# **CITY OF WEST UNIVERSITY PLACE, TEXAS**

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

**December 31, 2005**

### **Proprietary Funds**

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, and solid waste operations. The proprietary fund financial statements provide separate information for the water distribution, wastewater collection/treatment, and solid waste funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses internal service funds to account for its equipment replacement services and for expenses associated with separated employees. These internal service funds 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 that GASB Statement No. 34 requires includes budgetary comparison schedules for the general fund and schedule of funding progress for Texas Municipal Retirement System. RSI can be found after the basic financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City of West University Place, assets exceed liabilities by \$37,115,758 as of December 31, 2005, in the primary government. As required by GASB Statement No. 34, a comparative analysis of government-wide data has been presented as a component of the MD&A for the year ending December 31, 2005. The largest portion of the City's net assets (64.8%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves can not be used to liquidate these liabilities.

**CITY OF WEST UNIVERSITY PLACE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**December 31, 2005**

**Statement of Net Assets:**

The following table reflects the condensed statement of net assets:

**SUMMARY OF STATEMENT OF NET ASSETS**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 20,305,537	\$ 23,208,955	\$ 2,158,800	\$ 1,951,654	\$ 22,464,337	\$ 25,160,609
Capital assets, net	75,710,453	74,887,101	36,698,904	38,102,508	112,409,357	112,989,609
<b>Total Assets</b>	<b>96,015,990</b>	<b>98,096,056</b>	<b>38,857,704</b>	<b>40,054,162</b>	<b>134,873,694</b>	<b>138,150,218</b>
Long-term liabilities	69,043,225	72,518,235	14,247,409	14,890,000	83,290,634	87,408,235
Other liabilities	13,150,602	13,940,240	1,316,700	1,315,020	14,467,302	15,255,260
<b>Total Liabilities</b>	<b>82,193,827</b>	<b>86,458,475</b>	<b>15,564,109</b>	<b>16,205,020</b>	<b>97,757,936</b>	<b>102,663,495</b>
Net Assets:						
Invested in capital assets, net of related debt	2,285,217	8,838,382	21,776,495	22,647,508	24,061,712	31,485,890
Restricted	8,550,763	363,478	622,627	1,532,649	9,173,390	1,896,127
Unrestricted	2,986,183	2,435,721	894,473	(331,015)	3,880,656	2,104,706
<b>Total Net Assets</b>	<b>\$ 13,822,163</b>	<b>\$ 11,637,581</b>	<b>\$ 23,293,595</b>	<b>\$ 23,849,142</b>	<b>\$ 37,115,758</b>	<b>\$ 35,486,723</b>

A portion of the primary government's net assets, \$9,173,390 or 25.0%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$3,880,656 or 10%, may be used to meet the City's ongoing obligation to citizens and creditors.

# CITY OF WEST UNIVERSITY PLACE, TEXAS

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

December 31, 2005

### Statement of Activities:

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

#### CHANGES IN NET ASSETS

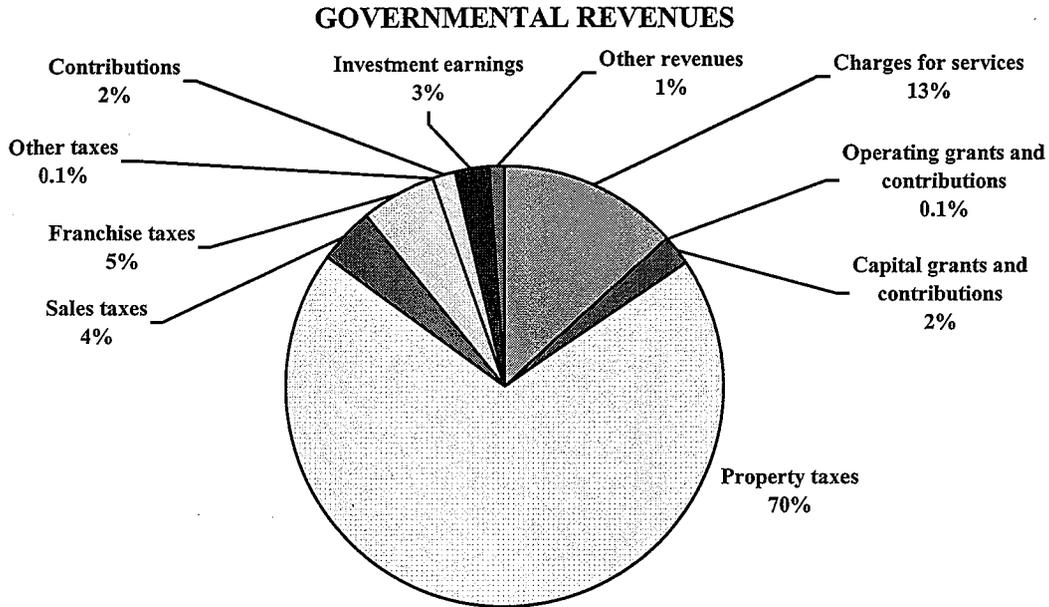
	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,315,601	\$ 1,778,449	\$ 6,010,960	\$ 5,305,172	\$ 8,326,561	\$ 7,083,621
Operating grants and contributions	16,915	342,450	-	-	16,915	342,450
Capital grants and contributions	370,864	1,270,704	-	-	370,864	1,270,704
General revenues:						
Ad valorem taxes	12,132,958	11,670,796	-	-	12,132,958	11,670,796
Sales taxes	745,716	683,572	-	-	745,716	683,572
Franchise taxes	913,998	872,221	-	-	913,998	872,221
Other taxes	15,460	16,021	-	-	15,460	16,021
Contributions	268,081	-	-	-	268,081	-
Investment earnings	458,208	338,969	21,374	6,896	479,582	345,865
Other revenues	222,044	197,645	216,047	-	438,091	197,645
Loss on sale of capital assets	(25,950)	-	-	-	(25,950)	-
<b>Total Revenues</b>	<u>17,433,895</u>	<u>17,170,827</u>	<u>6,248,381</u>	<u>5,312,068</u>	<u>23,682,276</u>	<u>22,482,895</u>
<b>Expenses</b>						
General administration	2,594,417	2,405,983	-	-	2,594,417	2,405,983
Public safety	5,109,968	4,826,905	-	-	5,109,968	4,826,905
Public works	3,073,735	2,587,621	-	-	3,073,735	2,587,621
Public services	1,840,117	1,368,549	-	-	1,840,117	1,368,549
Interest and fiscal agent fees on long-term debt	3,501,076	3,377,944	-	-	3,501,076	3,377,944
Water and sewer	-	-	5,083,562	4,844,930	5,083,562	4,844,930
Solid waste	-	-	850,366	676,448	850,366	676,448
<b>Total Expenses</b>	<u>16,119,313</u>	<u>14,567,002</u>	<u>5,933,928</u>	<u>5,521,378</u>	<u>22,053,241</u>	<u>20,088,380</u>
<b>Increase (Decrease) in Net Assets</b>						
<b>Before Transfers</b>	1,314,582	2,603,825	314,453	(209,310)	1,629,035	2,394,515
Transfers	870,000	(1,223,291)	(870,000)	1,223,291	-	-
<b>Change in Net Assets</b>	2,184,582	1,380,534	(555,547)	1,013,981	1,629,035	2,394,515
Net assets, beginning of year	11,637,581	10,257,047	23,849,142	22,835,161	35,486,723	33,092,208
<b>Net Assets, End of Year</b>	<u>\$ 13,822,163</u>	<u>\$ 11,637,581</u>	<u>\$ 23,293,595</u>	<u>\$ 23,849,142</u>	<u>\$ 37,115,758</u>	<u>\$ 35,486,723</u>

# CITY OF WEST UNIVERSITY PLACE, TEXAS

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

December 31, 2005

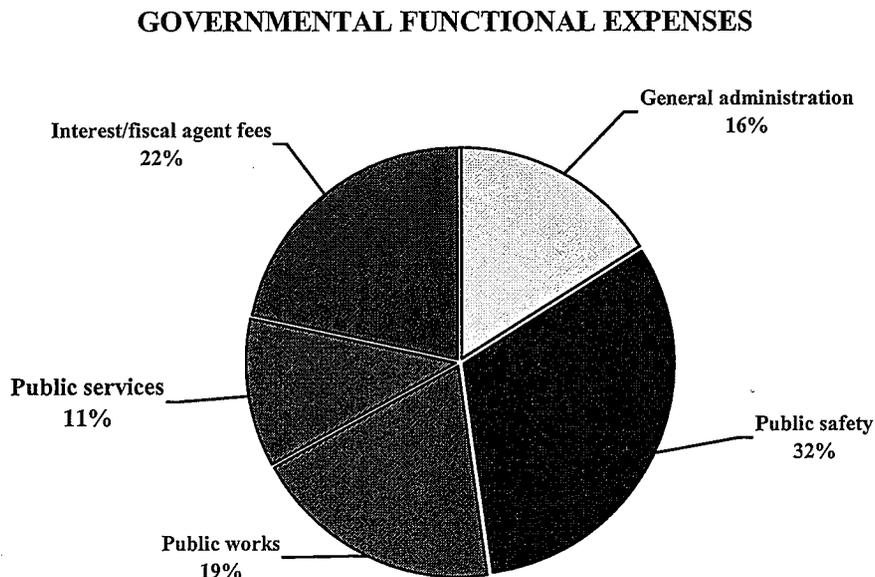
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.



For the year ended December 31, 2005, revenues from governmental activities totaled \$17,433,895. Property tax revenues are the City's largest revenue sources. Property tax revenue increased by 4% because of the increase in assessed property values in the prior year. The City has experienced this growth primarily due to new construction in the City.

Franchise fees, collected from electric, gas, cable and telephone/telecommunications utilities, totaled \$913,998 for the year ended December 31, 2005, a modest increase of 6% from the prior year.

This graph shows the governmental function expenses of the City:



# CITY OF WEST UNIVERSITY PLACE, TEXAS

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

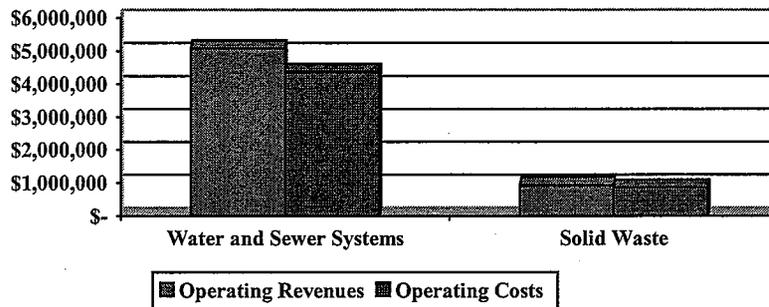
December 31, 2005

For the year ended December 31, 2005, expenses for governmental activities totaled \$16,119,313. This represents an increase of \$1,552,311 over last year. Construction projects for sidewalk expansion and drainage improvements continued in 2005, with the majority of the work complete. Expenses per capita were \$1,134, an increase over last year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

### BUSINESS-TYPE ACTIVITIES

Revenue vs. Costs  
(Dollars in millions)



### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$11,908,300. Of this, \$6,852,781 is designated for capital projects and equipment replacement, and \$996,927 is reserved for debt service.

There was a decrease in the combined fund balance of \$1,248,810 over the prior year. This is largely attributable to the continuation of both infrastructure replacement and sidewalk construction projects. These projects are expected to be complete by the end of the next fiscal year. All other funds as presented on the governmental funds statement of revenues, expenditures, and changes in fund balances experienced a positive net change in fund balance.

There had been a planned increase in budgeted fund balance in the amount of \$60,690 in the general fund. However, the net change in fund balance increased by \$337,760 resulting in a positive variance of \$277,070 from budgeted as amended over actual.

Revenue and other financing sources exceeded expenditures and other financing uses by \$337,760 in the general fund for fiscal year 2005. Actual general fund revenues exceeded original and amended budgeted revenues by \$284,486 during 2005. This increase includes the positive variances of \$119,647 for charges for services and \$122,570 for licenses and permits.

# CITY OF WEST UNIVERSITY PLACE, TEXAS

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

December 31, 2005

Expenses in Administration, Finance and Public Service exceeded budgeted amounts by a total of \$265,927 for the fiscal year. These variances are attributable to increased utility costs for the City. Additionally, legal and professional fees exceeded budget due to legal issues with Time Warner and a property located on Wesleyan Street.

### GENERAL FUND BUDGETARY HIGHLIGHTS - YEAR 2005

	<u>Original and Amended Budget</u>	<u>Actual</u>
<b><u>Revenues</u></b>		
Taxes	\$ 7,062,630	\$ 7,194,870
Other	2,107,250	2,259,496
Total	<u>9,169,880</u>	<u>9,454,366</u>
<b><u>Expenditures</u></b>		
Expenditures	<u>9,979,190</u>	<u>9,991,651</u>
<b><u>Other Financing Sources/(Uses)</u></b>		
Sales of capital assets	-	23,335
Transfers in	<u>870,000</u>	<u>851,710</u>
Total	<u>870,000</u>	<u>875,045</u>
<b>Change in Fund Balance</b>	<b><u>\$ 60,690</u></b>	<b><u>\$ 337,760</u></b>

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

### CAPITAL ASSETS

At the end of year 2005, the City's governmental activities funds had invested \$75,710,453 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$823,352. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with an increase in depreciation expense of \$1,823,010.

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

- Completion of the Area 8 and 9 Street and Drainage System Projects for \$13,043,115
- Continuation of the Area 10 and 11B Street and Drainage System Projects for \$1,619,181
- Sidewalk construction in the amount of \$1,504,359

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

### LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$87,205,000. Of this amount, \$59,095,000 was general obligation debt, \$15,255,000 was revenue bond debt, and certificates of obligation accounted for \$12,855,000.

# CITY OF WEST UNIVERSITY PLACE, TEXAS

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

December 31, 2005

During the year, the City had a net reduction in the long-term debt of \$3,005,774. The City opted to take advantage of low interest rates and refunded permanent improvement bonds, series' 1996, 1998, and 2000, as well as revenue bonds, series' 1996A, 1996B, and 1998.

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:

	<u>Moody's Investors Service</u>	<u>Standard and Poor's</u>
Water revenue bonds	Aaa	AAA

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of West University Place City Council approved a \$23.4 million budget for the City's major operating funds (General, Debt Service, Water Utility, and Solid Waste) for calendar year 2006. This 5.1% increase is largely due to increased personnel costs (10% increase in employee health care benefits). The budget incorporates a 2.3% decrease in the property tax rate made possible by a 6.4% growth in assessed property values. West University Place's tax rate is one of the lowest in the Houston area and is projected to remain stable into the future due to steady growth in assessed values, the political stability of the community, and the underlying strength in the Houston area economy.

The City's Water Utility Fund's revenues increased by 23.8% to \$5.2 million in response to significant rate increases and lack of rainfall in the summer of 2005. The Water Utility Fund had been a source of concern because a series of wetter years and dramatic increases in debt service had steadily decreased reserves and pushed the Fund into non-compliance with its bond covenants. The City Council took action in late 2003 by increasing water and sewer rates. Since then, the City has carefully monitored the performance of this utility and increased rates as needed with the last increase being in April 2006.

Assessed values have grown almost 25% in the last five years and, while the rate of growth is expected to slow, reconstruction will continue to impact the value of property well into the future. Assessed values are projected to grow by 4.6% in 2006 due to a large number of properties whose assessed values were capped below market in 2005.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of West University Place's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Walter Thomas, Finance Director, 3800 University Boulevard, West University Place, TX, 77005, telephone 713.662.5186, or for general City information, visit the City's website at [www.westu.org](http://www.westu.org).

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***BASIC FINANCIAL STATEMENTS***

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# CITY OF WEST UNIVERSITY PLACE, TEXAS

## STATEMENT OF NET ASSETS

December 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and equity in pooled cash and investments	\$ 19,484,794	\$ 692,995	\$ 20,177,789
Receivables, net of allowances	459,213	843,178	1,302,391
Inventory	1,853	-	1,853
Prepays and other assets	15,504	-	15,504
Deferred charges	344,173	-	344,173
Restricted assets:			
Cash and equity in pooled cash	-	622,627	622,627
Capital assets:			
Land	5,864,089	193,875	6,057,964
Construction in progress	14,767,828	2,494,124	17,261,952
Depreciable capital assets, net	55,078,536	34,010,905	89,089,441
<b>Total assets</b>	<b>96,015,990</b>	<b>38,857,704</b>	<b>134,873,694</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	1,172,608	349,684	1,522,292
Unearned revenue	6,647,906	-	6,647,906
Accrued bond interest	1,411,574	292,016	1,703,590
Noncurrent liabilities:			
Due within one year	3,918,514	675,000	4,593,514
Due in more than one year	69,043,225	14,247,409	83,290,634
<b>Total liabilities</b>	<b>82,193,827</b>	<b>15,564,109</b>	<b>97,757,936</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,285,217	21,776,495	24,061,712
Restricted for:			
Capital projects	6,852,781	622,627	7,475,408
Debt service	996,927	-	996,927
Special revenue projects	683,698	-	683,698
Unrestricted	3,003,540	894,473	3,898,013
<b>Total net assets</b>	<b>\$ 13,822,163</b>	<b>\$ 23,293,595</b>	<b>\$ 37,115,758</b>

See Notes to Financial Statements.

# CITY OF WEST UNIVERSITY PLACE, TEXAS

## STATEMENT OF ACTIVITIES

Year ended December 31, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General administration	\$ 2,594,417	\$ 1,530,847	\$ 16,915	\$ -
Public safety	5,109,968	186,844	-	370,864
Public works	3,073,735	-	-	-
Public services	1,840,117	597,910	-	-
Interest on long-term debt	3,501,076	-	-	-
<b>Total Governmental Activities</b>	<b>16,119,313</b>	<b>2,315,601</b>	<b>16,915</b>	<b>370,864</b>
<b>Business-type Activities</b>				
Water and sewer	5,083,562	5,084,828	-	-
Solid waste	850,366	926,132	-	-
<b>Total Business-type Activities</b>	<b>5,933,928</b>	<b>6,010,960</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 22,053,241</b>	<b>\$ 8,326,561</b>	<b>\$ 16,915</b>	<b>\$ 370,864</b>

**General Revenues:**

- Ad valorem taxes
- Sales taxes
- Franchise taxes
- Other taxes
- Contributions
- Investment earnings
- Other revenues
- Gain (loss) on sale of capital assets

Transfers

**Total General Revenues and Transfers**

**Change in Net Assets**

**Beginning Net Assets**

**Ending Net Assets**

See Notes to Financial Statements.

**Net Revenue (Expense) and Changes in Net Assets**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (1,046,655)	\$ -	\$ (1,046,655)
(4,552,260)	-	(4,552,260)
(3,073,735)	-	(3,073,735)
(1,242,207)	-	(1,242,207)
(3,501,076)	-	(3,501,076)
<u>(13,415,933)</u>	<u>-</u>	<u>(13,415,933)</u>
-	1,266	1,266
-	75,766	75,766
<u>-</u>	<u>77,032</u>	<u>77,032</u>
<u>(13,415,933)</u>	<u>77,032</u>	<u>(13,338,901)</u>
12,132,958	-	12,132,958
745,716	-	745,716
913,998	-	913,998
15,460	-	15,460
268,081	-	268,081
458,208	21,374	479,582
222,044	216,047	438,091
(25,950)	-	(25,950)
870,000	(870,000)	-
<u>15,600,515</u>	<u>(632,579)</u>	<u>14,967,936</u>
2,184,582	(555,547)	1,629,035
<u>11,637,581</u>	<u>23,849,142</u>	<u>35,486,723</u>
<u>\$ 13,822,163</u>	<u>\$ 23,293,595</u>	<u>\$ 37,115,758</u>

# CITY OF WEST UNIVERSITY PLACE, TEXAS

## BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2005

	Capital Projects			
	General	Debt Service	Infrastructure Replacement	Sidewalk Construction
<b>Assets</b>				
Current assets:				
Cash and equity in pooled cash and investments	\$ 6,865,046	\$ 4,582,230	\$ 3,860,026	\$ 3,262,872
Receivables, net of allowances for uncollectibles	353,690	89,613	-	-
Due from other funds	15,910	-	-	-
Inventory	-	-	-	-
Prepaid costs	15,504	-	-	-
<b>Total Assets</b>	<b>\$ 7,250,150</b>	<b>\$ 4,671,843</b>	<b>\$ 3,860,026</b>	<b>\$ 3,262,872</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 690,779	\$ 44,908	\$ 190,916	\$ 201,597
Deferred revenue	3,186,330	3,630,008	-	-
<b>Total Liabilities</b>	<b>3,877,109</b>	<b>3,674,916</b>	<b>190,916</b>	<b>201,597</b>
Fund Balances:				
Reserved for:				
Prepays and inventory	15,504	-	-	-
Debt service	-	996,927	-	-
Unreserved, undesignated reported in:				
General fund	3,357,537	-	-	-
Special revenue funds	-	-	-	-
Capital projects fund	-	-	3,669,110	3,061,275
<b>Total Fund Balances</b>	<b>3,373,041</b>	<b>996,927</b>	<b>3,669,110</b>	<b>3,061,275</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,250,150</b>	<b>\$ 4,671,843</b>	<b>\$ 3,860,026</b>	<b>\$ 3,262,872</b>

Amounts reported for governmental activities in the statement of net assets are different, because:  
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, non-depreciable

Capital assets, net depreciable

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

Internal service funds are used by management to charge the costs of certain capital assets to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the statement of net assets.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest payable

Non-current liabilities due in one year

Non-current liabilities due in more than one year

Deferred charges for issuance costs

Deferred charges on refunding

Premium on bond issuance

### Net Assets of Governmental Activities

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total
\$ 834,592	\$ 19,404,766
-	443,303
-	15,910
1,853	1,853
-	15,504
<u>\$ 836,445</u>	<u>\$ 19,881,336</u>

\$ 28,498	\$ 1,156,698
-	6,816,338
<u>28,498</u>	<u>7,973,036</u>

1,853	17,357
-	996,927
-	3,357,537
683,698	683,698
122,396	6,852,781
<u>807,947</u>	<u>11,908,300</u>
<u>\$ 836,445</u>	

20,631,917
54,292,324
168,432
850,330
(1,411,574)
(3,918,514)
(68,635,390)
344,173
1,265,654
<u>(1,673,489)</u>
<u>\$ 13,822,163</u>

**CITY OF WEST UNIVERSITY PLACE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year ended December 31, 2005

	General	Debt Service	Capital Projects	
			Infrastructure Replacement	Sidewalk Construction
<b>Revenues</b>				
Taxes	\$ 7,194,870	\$ 6,609,105	\$ -	\$ -
Permits, licenses, and fees	597,910	-	-	-
Fines and forfeitures	178,601	-	-	-
Charges for services	1,165,967	-	-	-
Intergovernmental	16,915	-	-	-
Contributions	-	-	-	-
Investment earnings	109,380	56,450	182,776	104,205
Other revenue	190,723	-	-	861
<b>Total Revenues</b>	<b>9,454,366</b>	<b>6,665,555</b>	<b>182,776</b>	<b>105,066</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	2,268,862	-	-	-
Public safety	4,769,582	-	-	-
Public works	1,582,592	-	-	-
Public service	1,370,615	-	-	-
Capital outlay	-	-	752,538	1,510,236
Debt service:				
Principal	-	2,900,000	-	-
Interest and fiscal agent fees	-	3,668,128	1,500	-
<b>Total Expenditures</b>	<b>9,991,651</b>	<b>6,568,128</b>	<b>754,038</b>	<b>1,510,236</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(537,285)</b>	<b>97,427</b>	<b>(571,262)</b>	<b>(1,405,170)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	870,000	-	-	-
Transfers (out)	(18,290)	-	(269,000)	-
Refunding bonds issued		25,075,000		
Premium on refunding bonds		1,793,024		
Payment to refunded bond escrow agent		(26,751,058)		
Sale of capital assets	23,335	-	-	-
<b>Total Other Financing Sources</b>	<b>875,045</b>	<b>116,966</b>	<b>(269,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>337,760</b>	<b>214,393</b>	<b>(840,262)</b>	<b>(1,405,170)</b>
Beginning fund balances	3,035,281	782,534	4,509,372	4,466,445
<b>Ending Fund Balances</b>	<b>\$ 3,373,041</b>	<b>\$ 996,927</b>	<b>\$ 3,669,110</b>	<b>\$ 3,061,275</b>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total
\$ -	\$ 13,803,975
-	597,910
8,243	186,844
-	1,165,967
370,864	387,779
268,081	268,081
4,267	457,078
21,340	212,924
<u>672,795</u>	<u>17,080,558</u>
-	2,268,862
-	4,769,582
-	1,582,592
209,367	1,579,982
306,249	2,569,023
-	2,900,000
-	3,669,628
<u>515,616</u>	<u>19,339,669</u>
<u>157,179</u>	<u>(2,259,111)</u>
287,290	1,157,290
-	(287,290)
	25,075,000
	1,793,024
	(26,751,058)
-	23,335
<u>287,290</u>	<u>1,010,301</u>
444,469	(1,248,810)
<u>363,478</u>	<u>13,157,110</u>
<u>\$ 807,947</u>	<u>\$ 11,908,300</u>

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# CITY OF WEST UNIVERSITY PLACE, TEXAS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2005

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

Net changes in fund balances - total governmental funds	\$ (1,248,810)
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. This is the amount by which capital outlays (\$2,224,028) was less than depreciation (\$1,453,721) in the current period.	770,307
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	
The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.	
Issuance of debt and principal expenditures	4,605,189
Debt issuance costs	198,709
Premium on refunding bond issuance	(1,793,024)
Revenue in the statement of activities that does not provide current financial resources are not reported as revenue in the funds.	4,157
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(398,270)
Internal service funds are used by management to charge the costs of certain capital assets to individual funds. The net revenue (expense) is reported with governmental activities.	46,324
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 2,184,582</u></b>

See Notes to Financial Statements.

# CITY OF WEST UNIVERSITY PLACE, TEXAS

STATEMENT OF NET ASSETS (Page 1 of 2)

## PROPRIETARY FUNDS

December 31, 2005

### Business-Type Activities-Enterprise Funds

	Water and Sewer	Solid Waste	Total
<b>Assets</b>			
Current assets:			
Cash and equity in pooled cash and investments	\$ 391,708	\$ 301,287	\$ 692,995
Accounts receivable, net of allowances	711,020	132,158	843,178
<b>Total Current Assets</b>	<b>1,102,728</b>	<b>433,445</b>	<b>1,536,173</b>
Noncurrent assets:			
Restricted cash and equity in pooled cash	622,627	-	622,627
<b>Total Restricted Assets</b>	<b>622,627</b>	<b>-</b>	<b>622,627</b>
Capital assets:			
Land	193,875	-	193,875
Buildings and improvements	459,625	-	459,625
Furniture and equipment	788,503	-	788,503
Water and sewer system	50,900,381	-	50,900,381
Construction in progress	2,494,124	-	2,494,124
Less: accumulated depreciation	(18,137,604)	-	(18,137,604)
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>36,698,904</b>	<b>-</b>	<b>36,698,904</b>
<b>Total Noncurrent Assets</b>	<b>37,321,531</b>	<b>-</b>	<b>37,321,531</b>
<b>Total Assets</b>	<b>\$ 38,424,259</b>	<b>\$ 433,445</b>	<b>\$ 38,857,704</b>

See Notes to Financial Statements.

**Governmental  
Activities -  
Internal Service  
Funds**

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\$ 80,028

-

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80,028

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-

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-

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-

-

1,555,873

-

-

(769,661)

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786,212

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786,212

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\$ 866,240

# CITY OF WEST UNIVERSITY PLACE, TEXAS

*STATEMENT OF NET ASSETS (Page 2 of 2)*

## PROPRIETARY FUNDS

December 31, 2005

### Business-Type Activities-Enterprise Funds

	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 299,470	\$ 50,214	\$ 349,684
Accrued interest payable	292,016	-	292,016
Revenue bonds	675,000	-	675,000
<b>Total Current Liabilities</b>	<b>1,266,486</b>	<b>50,214</b>	<b>1,316,700</b>
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts and deferred amounts on refunding)	14,247,409	-	14,247,409
<b>Total Noncurrent Liabilities</b>	<b>14,247,409</b>	<b>-</b>	<b>14,247,409</b>
<b>Total Liabilities</b>	<b>15,513,895</b>	<b>50,214</b>	<b>15,564,109</b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	21,776,495	-	21,776,495
Restricted for capital projects	622,627	-	622,627
Unrestricted	511,242	383,231	894,473
<b>Total Net Assets</b>	<b>\$ 22,910,364</b>	<b>\$ 383,231</b>	<b>23,293,595</b>

See Notes to Financial Statements.

**Governmental  
Activities -  
Internal Service  
Funds**

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\$ 15,910

-

-

---

15,910

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-

---

-

---

15,910

---

786,212

-

64,118

---

\$ 850,330

# CITY OF WEST UNIVERSITY PLACE, TEXAS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

### PROPRIETARY FUNDS

Year ended December 31, 2005

	<b>Business-Type Activities-Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
<b><u>Operating Revenues</u></b>			
Charges for sales and services	\$ 5,084,828	\$ 926,132	\$ 6,010,960
Other revenues	19,170	196,877	216,047
<b>Total Operating Revenues</b>	<b>5,103,998</b>	<b>1,123,009</b>	<b>6,227,007</b>
<b><u>Operating Expenses</u></b>			
Costs of sales and services	1,924,688	366,703	2,291,391
Personnel	855,976	483,663	1,339,639
Depreciation	1,589,794	-	1,589,794
<b>Total Operating Expenses</b>	<b>4,370,458</b>	<b>850,366</b>	<b>5,220,824</b>
<b>Operating Income (Loss)</b>	<b>733,540</b>	<b>272,643</b>	<b>1,006,183</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	13,180	8,194	21,374
Interest expense	(713,104)	-	(713,104)
Gain (loss) on sale of assets	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(699,924)</b>	<b>8,194</b>	<b>(691,730)</b>
<b>Income (Loss) Before Transfers</b>	<b>33,616</b>	<b>280,837</b>	<b>314,453</b>
Transfers in (out)	(645,000)	(225,000)	(870,000)
<b>Change in Net Assets</b>	<b>(611,384)</b>	<b>55,837</b>	<b>(555,547)</b>
Beginning net assets	23,521,748	327,394	23,849,142
<b>Ending Net Assets</b>	<b>\$ 22,910,364</b>	<b>\$ 383,231</b>	<b>\$ 23,293,595</b>

See Notes to Financial Statements.

**Governmental  
Activities -  
Internal Service  
Funds**

\$	364,880
	<u>9,120</u>
	<u>374,000</u>
	114,358
	-
	<u>175,135</u>
	<u>289,493</u>
	<u>84,507</u>
	1,130
	-
	<u>(39,313)</u>
	<u>(38,183)</u>
	46,324
	-
	46,324
	<u>804,006</u>
\$	<u><u>850,330</u></u>

# CITY OF WEST UNIVERSITY PLACE, TEXAS

*STATEMENT OF CASH FLOWS*  
*PROPRIETARY FUNDS (Page 1 of 2)*  
 Year ended December 31, 2005

Business-Type Activities-Enterprise Funds

	Water and Sewer	Solid Waste	Total
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers and users	\$ 4,970,494	\$ 1,131,985	\$ 6,102,479
Payments to suppliers	(2,219,360)	(280,351)	(2,499,711)
Payments to employees	(855,976)	(483,663)	(1,339,639)
<b>Net Cash Provided by Operating Activities</b>	1,895,158	367,971	2,263,129
<b><u>Cash Flows from Noncapital</u></b>			
<b><u>Financing Activities</u></b>			
Transfer to other funds	(645,000)	(225,000)	(870,000)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	(645,000)	(225,000)	(870,000)
<b><u>Cash Flows from Capital and Related</u></b>			
<b><u>Financing Activities</u></b>			
Proceeds from issuance of capital debt	9,020,000	-	9,020,000
Cost of defeasance of capital debt	(332,591)	-	(332,591)
Acquisition and construction of capital assets	(186,189)	-	(186,189)
Principal paid on capital debt	(9,220,000)	-	(9,220,000)
Advances from other funds	(2,078,130)	-	(2,078,130)
Interest paid on capital debt	(713,104)	-	(713,104)
Proceeds from sale of capital assets	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	(3,510,014)	-	(3,510,014)
<b><u>Cash Flows from Investing Activities</u></b>			
Interest received	13,180	8,194	21,374
<b>Net Cash Provided by Investing Activities</b>	13,180	8,194	21,374
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(2,246,676)	151,165	(2,095,511)
<b>Cash and Cash Equivalents, Beginning of Year</b>			
Unrestricted cash and cash equivalents	5,202	150,122	155,324
Restricted cash and cash equivalents	3,255,809	-	3,255,809
<b>Beginning cash and cash equivalents</b>	3,261,011	150,122	3,411,133
<b>Ending Cash and Cash Equivalents</b>	\$ 1,014,335	\$ 301,287	\$ 1,315,622
<b>Ending Cash and Cash Equivalents:</b>			
Unrestricted cash and cash equivalents	\$ 391,708	\$ 301,287	\$ 692,995
Restricted cash and cash equivalents	622,627	-	622,627
	\$ 1,014,335	\$ 301,287	\$ 1,315,622

See Notes to Financial Statements.