

CITY OF WEST UNIVERSITY PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of West University Place, Texas (the "City"), was incorporated in 1924. The City has operated under a "Home Rule Charter" which provides for a Council-Manager form of government since 1940.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police and fire services; municipal court; leisure services; streets; drainage; water and sewer services; solid waste collection and disposal; community development; and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Friends of West University Parks Fund, Inc., although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Friends of West University Parks Fund, Inc.

Friends of West University Parks Fund, Inc. (the "Corporation") has been included in the reporting entity as a blended component unit. The Corporation is a not-for-profit entity created to solicit private contributions for the beautification, improvement, and maintenance of the City's parkland. The Corporation's Board of Directors is appointed by and serves at the discretion of City Council. City Council approval is required for any projects of the Corporation that exceed \$1,000. In the event of dissolution, any assets of the Corporation will be transferred to the City. The operations of the

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Corporation are presented as a governmental fund type. Separate financial statements of the Corporation may be obtained from the Finance Department of the City.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City’s activities.
- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets and a statement of activities. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt**—This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**—This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that

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are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and public service.

Special Revenue Funds

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include Parks Fund, Friends of the Parks Fund (blended component unit), Senior Activity Fund, Court Technology Fund, and the METRO Grant Fund. The special revenue funds are considered nonmajor funds for reporting purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Funds

The capital projects funds are used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The Infrastructure Replacement Fund and the Sidewalk Construction Fund are considered major funds for reporting purposes with the Capital Projects Fund and Drainage Improvement Fund reported as nonmajor funds.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All

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revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB.

The proprietary fund types used by the City include the following:

Enterprise Funds

The enterprise funds are used to account for the operations that provide water and wastewater collection, wastewater treatment operations and solid waste collection and disposal. 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 Water and Sewer Fund and the Solid Waste Fund are considered major funds for reporting purposes.

Additionally, the government reports the following fund types:

Internal Service Funds

Internal service funds account for services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Equipment Replacement Fund is used to account for equipment replacement and maintenance services. The Separated Employees Fund accounts for costs associated with retired or separated employees.

D. Measurement Focus and Basis of Accounting

The government-wide statements of net assets and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the

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current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net assets, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

The City maintains a pooled cash and investments account. Each fund whose monies are deposited in the pooled cash and investment account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "Cash and equity in pooled cash and 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, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Money Market Mutual Funds that meet certain criteria
- Statewide investment pools

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2. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 enterprise 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.

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Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	20 to 50 years
Improvements	5 to 50 years
Equipment	5 to 10 years
Water and sewer system	20 to 30 years
Infrastructure	40 to 50 years

5. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund. Though a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

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

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level in the general fund and all others are the fund level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended.

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.

A. Excess of Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
General Government:	
Administration	\$151,232
Finance	\$74,570
Public Service	\$40,125
Transfers out	\$18,290
Debt Service Fund:	
Interest and fiscal agent fees	\$89,988
Special Revenue Funds:	
METRO Grant:	

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NOTES TO FINANCIAL STATEMENTS, Continued

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Public Service

\$124,883

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and 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. As of December 31, 2005, market values of pledged securities were \$2,796,486 and bank balances were \$1,651,825.

As of December 31, 2005, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Agencies	\$ 10,420,979	0.5
TexPool	8,711,980	0.0
Total fair value	<u>\$ 19,132,959</u>	
Portfolio weighted average maturity		0.5

TexPool

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

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

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B. Receivables

The following comprise receivable balances at year end:

	General	Debt Service	Water and Sewer	Solid Waste
Ad valorem taxes	\$ 78,819	\$ 89,613	\$ -	\$ -
Other taxes	277,189	-	-	-
Accounts	-	-	805,505	144,258
Less allowance	(2,318)	-	(94,485)	(12,100)
	\$ 353,690	\$ 89,613	\$ 711,020	\$ 132,158

C. Capital assets

A summary of changes in capital assets for the year end were as follows:

	Primary Government			
	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,864,089	\$ -	\$ -	\$ 5,864,089
Construction in progress	26,051,825	2,186,912	(13,470,909)	14,767,828
Total capital assets not being depreciated	31,915,914	2,186,912	(13,470,909)	20,631,917
Other capital assets:				
Buildings and improvements	7,966,099	-	-	7,966,099
Machinery and equipment	4,964,863	385,748	(403,227)	4,947,384
Infrastructure	43,092,304	13,646,238	-	56,738,542
Total other capital assets	56,023,266	14,031,986	(403,227)	69,652,025
Less accumulated depreciation for:				
Buildings and improvements	(3,536,712)	(281,547)	-	(3,818,259)
Machinery and equipment	(3,358,110)	(406,692)	301,600	(3,463,202)
Infrastructure	(6,157,257)	(1,134,771)	-	(7,292,028)
Total accumulated depreciation	(13,052,079)	(1,823,010)	301,600	(14,573,489)
Other capital assets, net	42,971,187	12,208,976	(101,627)	55,078,536
Totals	\$ 74,887,101	\$ 14,395,888	\$ (13,572,536)	\$ 75,710,453
				(1,411,574)
				(72,013,662)
			Invested in Capital Assets, Net of Related Debt	\$ 2,285,217

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

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Depreciation was charged to governmental functions as follows:

General government	\$ 162,553
Public safety	114,034
Public works	1,202,861
Public service	168,427
Capital assets held by the City's Internal Service Fund are charged to various functions based on their usage of the assets	175,135
Total Governmental Activities Depreciation Expense	\$ 1,823,010

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

Governmental Activities: Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Contractor Technology - Area 10	\$ 7,391,254	\$ 5,028,212	\$ 2,363,042
Contractor Technology - Area 11B	6,622,851	5,085,136	*
Totals	\$ 14,014,105	\$ 10,113,348	\$ 2,363,042

*Contractor filed bankruptcy - no additional payments are required to be made

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

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 193,875	\$ -	\$ -	\$ 193,875
Construction in progress	6,229,311	186,190	(3,921,377)	2,494,124
Total capital assets not being depreciated	6,423,186	186,190	(3,921,377)	2,687,999
Other capital assets:				
Buildings	459,625	-	-	459,625
Water and sewer system	46,979,004	3,921,377	-	50,900,381
Machinery and equipment	788,503	-	-	788,503
Total other capital assets	48,227,132	3,921,377	-	52,148,509
Less accumulated depreciation for:				
Buildings	(216,555)	(18,385)	-	(234,940)
Water and sewer system	(15,674,046)	(1,559,300)	(22,515)	(17,255,861)
Machinery and equipment	(657,209)	(12,109)	22,515	(646,803)
Total accumulated depreciation	(16,547,810)	(1,589,794)	-	(18,137,604)
Other capital assets, net	31,679,322	2,331,583	-	34,010,905
Totals	\$ 38,102,508	\$ 2,517,773	\$ (3,921,377)	\$ 36,698,904
		Less associated debt		(14,922,409)
		Invested in Capital Assets, Net of Related Debt		\$ 21,776,495

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,589,794
Total Business-type Activities Depreciation Expense	\$ 1,589,794

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D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds	\$ 62,120,000	\$ 25,075,000	\$ 28,100,000	\$ 59,095,000	\$ 3,150,000
Certificates of obligation	13,050,000	-	195,000	12,855,000	225,000
Unamortized refunding items	-	436,966	29,131	407,835	-
	<u>75,170,000</u>	<u>25,511,966</u>	<u>28,324,131</u>	<u>72,357,835</u>	<u>3,375,000</u>
Other liabilities:					
Compensated absences	264,922	338,982	-	603,904	543,514
Total Governmental Activities	<u>\$ 75,434,922</u>	<u>\$ 25,850,948</u>	<u>\$ 28,324,131</u>	<u>\$ 72,961,739</u>	<u>\$ 3,918,514</u>
Long-term debt due in more than one year				<u>\$ 69,043,225</u>	
Business-type Activities:					
Revenue bonds	\$ 15,455,000	\$ 9,020,000	\$ 9,220,000	\$ 15,255,000	\$ 675,000
(Less) deferred charges	-	(353,378)	(20,787)	(332,591)	-
Total Business-type Activities	<u>\$ 15,455,000</u>	<u>\$ 8,666,622</u>	<u>\$ 9,199,213</u>	<u>\$ 14,922,409</u>	<u>\$ 675,000</u>
Long-term debt due in more than one year				<u>\$ 14,247,409</u>	

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

Federal Arbitrage

General obligation bonds, combination tax and revenue bonds and certificates of obligation are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

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

Description	Interest Rates	Balance
<u>Governmental Activities</u>		
General Obligation Bonds		
Permanent improvement		
Series 1996	5.20-7.20%	\$ 250,000
Series 2000	5.25-6.75%	2,065,000
Permanent improvement and refunding		
Series 1998	4.88%	6,635,000
Series 2002	4.00-5.00%	25,070,000
Series 2005	2.45-5.25%	25,075,000
Total General Obligation Bonds		59,095,000
 Certificates of Obligation		
Series 2001	5.34%	3,055,000
Series 2003	3.85-4.00%	9,800,000
Total Certificates of Obligation		12,855,000
 Total Governmental Activities Long-Term Debt		 \$ 71,950,000
 <u>Business-type Activities</u>		
Revenue Bonds		
Water and sewer, series 2001A	4.70-6.50%	\$ 3,415,000
Water and sewer, series 2001B	2.55-4.30%	2,820,000
Water and sewer, refunding series 2005	2.87-4.50%	9,020,000
Total Business-type Activities Long-Term Debt		\$ 15,255,000

The annual requirements to amortize debt issues outstanding at year ending were as follows:

Year Ending Dec 31	<u>Governmental Activity</u>		<u>Business-type Activity</u>		<u>Total</u>
	Principal	Interest	Principal	Interest	
2006	\$ 3,375,000	\$ 3,314,663	\$ 675,000	\$ 595,994	\$ 7,960,657
2007	3,525,000	3,166,330	665,000	601,873	7,958,203
2008	3,690,000	3,004,091	690,000	577,814	7,961,905
2009	3,875,000	2,823,918	715,000	551,749	7,965,667
2010	4,055,000	2,640,024	745,000	523,446	7,963,470
2011-2015	23,345,000	10,175,988	4,240,000	2,128,594	39,889,582
2016-2020	30,085,000	3,686,121	5,305,000	1,131,270	40,207,391
2021-2022	-	-	2,220,000	102,745	2,322,745
Total	\$ 71,950,000	\$ 28,811,135	\$ 15,255,000	\$ 6,213,485	\$ 122,229,620

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

CITY OF WEST UNIVERSITY PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2005

Advance Refunding

The City issued \$25,075,000 of permanent improvement refunding bonds to provide resources to purchase direct obligations of the United States of America that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments in the amount of \$25,395,000 for the City's outstanding Permanent Improvement Bonds, series' 1996, 1998 and 2000. As a result, the refunded portions of the bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,356,058. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by \$1,092,474 and resulted in an economic gain of \$782,791.

Additionally, the City issued \$9,020,000 of waterworks and sewer system revenue refunding bonds to provide resources to purchase direct obligations of the United States of America that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments in the amount of \$8,655,000 for the City's outstanding Waterworks and Sewer System Revenue Bonds, series' 1996A, 1996B and 1998A. The reacquisition price exceeded the net carrying amount of the old debt by \$139,155. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next seventeen years by \$203,684 and resulted in an economic gain of \$139,525.

In 2002, the City defeased certain permanent improvement bonds, series' 1992, 1993 and 1996 in the amount of \$15,755,000 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2005, \$3,150,000 of permanent improvement bonds, series 1996 were considered defeased related to the 2002 refunding.

E. Interfund Transactions

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
Water and Sewer	General Fund	\$ 645,000
Solid Waste	General Fund	225,000
Infrastructure Replacement	Nonmajor Governmental	269,000
General Fund	Nonmajor Governmental	18,290
		<u>\$ 1,157,290</u>

Transfers to the general fund were subsidies for administrative expenditures. Other amounts transferred between funds related to amounts collected by the nonmajor governmental funds for various governmental expenditures.

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

CITY OF WEST UNIVERSITY PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2005

F. Fund Equity

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditure.

The following is a list of fund balances reserved or designated recognized by the City:

General Fund		
Reserved for prepaids and inventory	\$	15,504
Debt Service Fund		
Reserved for debt service	\$	996,927
Nonmajor Other Governmental Funds		
Reserved for inventory	\$	1,853

G. Restricted Assets

The balance of the restricted cash account in the enterprise fund recognized by the City is as follows:

Water and Sewer Fund		
Restricted for construction	\$	<u>622,627</u>

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,539 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect of the financial condition of the City.

CITY OF WEST UNIVERSITY PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2005

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

C. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 801 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 7%, and the City's matching ratio is currently two to one, both as adopted by City Council. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period.

CITY OF WEST UNIVERSITY PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2005

The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly.

Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2004 valuation is effective for rates beginning January 2006).

All assumptions for the 12/31/04 valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153. The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization Period	25 Years - Open period
Asset Valuation Method	Amortized cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation at	3.5%
Cost of Living Adjustments	None

Three-Year Contribution Information

Fiscal year	Annual Pension Percentage of ARC		Net Pension Obligation
	Cost (ARC)	Contributions	
2003	\$ 701,509	100%	\$ -
2004	\$ 730,622	100%	\$ -
2005	\$ 893,021	100%	\$ -

D. Hurricane Rita

Prior to making landfall on September 24, 2005, the National Hurricane Center forecasted that Hurricane Rita, a category 5 hurricane and one of largest storms on record, would likely come ashore just west of the City, placing the City on the “dirty side” of the storm. This news came just one month after the devastating affects of Hurricane Katrina on New Orleans, Louisiana and the surrounding area. In the days leading up to landfall, revised forecasts placed the storm’s path directly across the City. The combination of these events prompted the region to undergo one of the largest evacuations on record. Actual landfall occurred east of the City, near the Texas/Louisiana border, and the damage results for the City were less than originally predicted.

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

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WEST UNIVERSITY PLACE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

Year ended December 31, 2005

	<u>Original and Amended Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem	\$ 5,446,630	\$ 5,519,696	\$ 73,066
Franchise	953,000	929,458	(23,542)
Sales	663,000	745,716	82,716
Licenses and permits	475,340	597,910	122,570
Fines	273,400	178,601	(94,799)
Charges for services	1,046,320	1,165,967	119,647
Intergovernmental	-	16,915	16,915
Investment earnings	100,500	109,380	8,880
Other revenues	211,690	190,723	(20,967)
Total Revenues	9,169,880	9,454,366	284,486
<u>Expenditures</u>			
General government:			
Administration	615,440	766,672	(151,232) *
Finance	1,427,620	1,502,190	(74,570) *
Public safety:			
Police	2,677,480	2,532,433	145,047
Fire	2,240,250	2,237,149	3,101
Public works	1,687,910	1,582,592	105,318
Public service	1,330,490	1,370,615	(40,125) *
Total Expenditures	9,979,190	9,991,651	(12,461)
Excess of Revenues Over (Under) Expenditures	(809,310)	(537,285)	272,025
<u>Other Financing Sources</u>			
Transfers in	870,000	870,000	-
Transfers (out)	-	(18,290)	(18,290) *
Sale of capital assets	-	23,335	23,335
Total Other Financing Sources	870,000	875,045	5,045
Net Change in Fund Balance	\$ 60,690	337,760	\$ 277,070
Beginning fund balance		3,035,281	
Ending Fund Balance		\$ 3,373,041	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. Excess of expenditures over appropriations *

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CITY OF WEST UNIVERSITY PLACE, TEXAS

SCHEDULE OF FUNDING PROGRESS- TEXAS MUNICIPAL RETIREMENT SYSTEM

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

Fiscal year	2005	2004	2003	2002	2001
Actuarial Valuation date	12/31/2004	12/31/2003	12/31/2002	12/31/2001	12/31/2000
Actuarial Value of Assets	\$ 12,886,461	\$ 13,522,221	\$ 10,748,722	\$ 9,745,961	\$ 9,745,961
Actuarial Accrued Liability	\$ 19,196,674	\$ 19,648,251	\$ 14,372,452	\$ 13,228,490	\$ 13,228,490
Percentage Funded	67.1%	68.8%	74.8%	73.7%	73.7%
Unfunded Actuarial					
Accrued Liability	\$ 6,310,213	\$ 6,126,030	\$ 3,623,730	\$ 3,482,529	\$ 3,482,529
Annual Covered Payroll	\$ 5,545,016	\$ 5,708,418	\$ 4,902,792	\$ 4,018,383	\$ 3,952,192
Unfunded Actuarial Accrued Liability					
(UAAL) % of Covered Payroll	113.8%	107.3%	73.9%	86.7%	88.1%
Net Pension Obligation (NPO)					
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 893,021	\$ 730,622	\$ 670,077	\$ 568,996	\$ 580,535
Contributions Made	\$ 893,021	\$ 730,622	\$ 670,077	\$ 568,996	\$ 580,535
NPO at the End of Period	\$ -				

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***COMBINING STATEMENTS
AND SCHEDULES***

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CITY OF WEST UNIVERSITY PLACE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

Year ended December 31, 2005

	<u>Original and Amended Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Ad valorem taxes	\$ 6,504,600	\$ 6,609,105	\$ 104,505
Investment earnings	10,000	56,450	46,450
Total Revenues	<u>6,514,600</u>	<u>6,665,555</u>	<u>150,955</u>
<u>Expenditures</u>			
Debt service:			
Principal	2,900,000	2,900,000	-
Interest and fiscal agent fees	3,578,140	3,668,128	(89,988) *
Total Expenditures	<u>6,478,140</u>	<u>6,568,128</u>	<u>(89,988)</u>
<u>Other Financing Sources (Uses)</u>			
Refunding bonds issued	-	25,075,000	25,075,000
Premium on refunding bonds issued	-	1,793,024	1,793,024
Payment to refunded bond escrow agent	-	(26,751,058)	(26,751,058)
Total Other Financing Sources (Uses)	<u>-</u>	<u>116,966</u>	<u>116,966</u>
Net Change in Fund Balance	<u>\$ 36,460</u>	<u>214,393</u>	<u>\$ 60,967</u>
Beginning fund balance		<u>782,534</u>	
Ending Fund Balance		<u>\$ 996,927</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. Excess of expenditures over appropriations *

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CITY OF WEST UNIVERSITY PLACE, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2005

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Parks Fund

This fund is used to account for donations made by citizens for the specific purpose of improving the City's parks.

Friends of the Parks Fund

This fund accounts for the financial activity of the Friends of West University Parks Fund, Inc. This fund's revenues are restricted to use in improving the City's parks.

Senior Activity Fund

This fund is used to account for donations made to provide activities for the City's senior citizens.

Court Technology Fund

This fund is used to account for a portion of traffic fine revenue set aside to acquire technology for the municipal court.

METRO Grant Fund

This fund is used to account for the proceeds of a multi-year transportation grant from METRO.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for resources used in the acquisition or construction of major general capital assets.

Capital Projects Fund

This fund is used to account for a wide range of construction projects and the acquisition of very costly capital equipment.

Drainage Improvement Fund

This fund is used to account for the cost and financing of a major project to improve drainage in the City.

CITY OF WEST UNIVERSITY PLACE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2005

	Special Revenue Funds			
	Parks	Friends of the Parks	Senior Activity	Court Technology
<u>Assets</u>				
Current assets:				
Cash and equity in pooled cash and investments	\$ 15,481	\$ 394,713	\$ 4,732	\$ 6,436
Inventory	-	1,853	-	-
Total Assets	\$ 15,481	\$ 396,566	\$ 4,732	\$ 6,436
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 4,673	\$ -	\$ 1,802	\$ -
Total Liabilities	4,673	-	1,802	-
Fund balances:				
Reserved for inventory	-	1,853	-	-
Unreserved	10,808	394,713	2,930	6,436
Total Fund Balances	10,808	396,566	2,930	6,436
Total Liabilities and Fund Balances	\$ 15,481	\$ 396,566	\$ 4,732	\$ 6,436

<u>Special Revenue Funds</u> <u>METRO Grant</u>	<u>Capital Projects Funds</u> <u>Capital Projects</u> <u>Drainage Improvement</u>		<u>Total Nonmajor Governmental Funds</u>
\$ 264,271	\$ 144,419	\$ 4,540	\$ 834,592
-	-	-	1,853
<u>\$ 264,271</u>	<u>\$ 144,419</u>	<u>\$ 4,540</u>	<u>\$ 836,445</u>
\$ -	\$ 22,023	\$ -	\$ 28,498
-	22,023	-	28,498
-	-	-	1,853
<u>264,271</u>	<u>122,396</u>	<u>4,540</u>	<u>806,094</u>
<u>264,271</u>	<u>122,396</u>	<u>4,540</u>	<u>807,947</u>
<u>\$ 264,271</u>	<u>\$ 144,419</u>	<u>\$ 4,540</u>	<u>\$ 836,445</u>

CITY OF WEST UNIVERSITY PLACE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

Year ended December 31, 2005

	Special Revenue Funds			
	Parks	Friends of the Parks	Senior Activity	Court Technology
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ 8,243
Intergovernmental	-	-	-	-
Contributions	4,367	254,870	8,844	-
Investment earnings	372	3,045	155	99
Other revenues	-	-	-	-
Total Revenues	4,739	257,915	8,999	8,342
Expenditures				
Current:				
Public service	-	72,251	12,233	-
Capital outlay	7,275	-	-	4,500
Total Expenditures	7,275	72,251	12,233	4,500
Excess of Revenues Over (Under) Expenditures	(2,536)	185,664	(3,234)	3,842
Other Financing Sources				
Transfers in	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	(2,536)	185,664	(3,234)	3,842
Beginning fund balances	13,344	210,902	6,164	2,594
Ending Fund Balances	\$ 10,808	\$ 396,566	\$ 2,930	\$ 6,436

Special Revenue Funds	Capital Projects Funds		Total Nonmajor Governmental Funds
METRO Grant	Capital Projects	Drainage Improvement	
\$ -	\$ -	\$ -	\$ 8,243
370,864	-	-	370,864
-	-	-	268,081
-	596	-	4,267
-	21,340	-	21,340
<u>370,864</u>	<u>21,936</u>	<u>-</u>	<u>672,795</u>
124,883	-	-	209,367
-	233,994	60,480	306,249
<u>124,883</u>	<u>233,994</u>	<u>60,480</u>	<u>515,616</u>
<u>245,981</u>	<u>(212,058)</u>	<u>(60,480)</u>	<u>157,179</u>
18,290	269,000	-	287,290
<u>18,290</u>	<u>269,000</u>	<u>-</u>	<u>287,290</u>
264,271	56,942	(60,480)	444,469
-	65,454	65,020	363,478
<u>\$ 264,271</u>	<u>\$ 122,396</u>	<u>\$ 4,540</u>	<u>\$ 807,947</u>

CITY OF WEST UNIVERSITY PLACE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUNDS

Year ended December 31, 2005

	PARKS		
	Original and Amended Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Contributions	\$ 2,000	\$ 4,367	\$ 2,367
Investment earnings	100	372	272
Total Revenues	2,100	4,739	2,639
Expenditures			
Capital outlay	15,000	7,275	7,725
Total Expenditures	15,000	7,275	7,725
Net Change in Fund Balance	\$ (12,900)	(2,536)	\$ 10,364
Beginning fund balance		13,344	
Ending Fund Balance		\$ 10,808	

CITY OF WEST UNIVERSITY PLACE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUNDS

Year ended December 31, 2005

	SENIOR ACTIVITY		
	Original and Amended Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Permits, licenses and fees	\$ 15,000	\$ -	\$ (15,000)
Contributions	-	8,844	8,844
Investment earnings	100	155	55
Total Revenues	15,100	8,999	(6,101)
Expenditures			
Public service	15,000	12,233	2,767
Total Expenditures	15,000	12,233	2,767
Net Change in Fund Balance	\$ 100	(3,234)	\$ (3,334)
Beginning fund balance		6,164	
Ending Fund Balance		\$ 2,930	

CITY OF WEST UNIVERSITY PLACE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUNDS

Year ended December 31, 2005

	COURT TECHNOLOGY		
	Original and Amended Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Fines and forfeitures	\$ 14,000	\$ 8,243	\$ (5,757)
Investment earnings	-	99	99
Total Revenues	14,000	8,342	(5,658)
Expenditures			
Capital outlay	14,000	4,500	9,500
Total Expenditures	14,000	4,500	9,500
Net Change in Fund Balance	\$ -	3,842	\$ 3,842
Beginning fund balance		2,594	
Ending Fund Balance		\$ 6,436	

CITY OF WEST UNIVERSITY PLACE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUNDS

Year ended December 31, 2005

	METRO GRANT		
	Original and Amended Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$ 259,000	\$ 370,864	\$ 111,864
Investment earnings	-	-	-
Total Revenues	259,000	370,864	111,864
Expenditures			
Public service	-	124,883	(124,883) *
Total Expenditures	-	124,883	(124,883)
Excess of Revenues Over Expenditures	259,000	245,981	(13,019)
Other Financing Sources			
Transfers in	-	18,290	18,290
Net Change in Fund Balance	\$ 259,000	264,271	\$ (13,019)
Beginning fund balance		-	
Ending Fund Balance		\$ 264,271	

1. Excess of expenditures over appropriations *

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CITY OF WEST UNIVERSITY PLACE, TEXAS

INTERNAL SERVICE FUNDS

December 31, 2005

Equipment Replacement Fund

This internal service fund is used to account for equipment replacement and maintenance services to departments or agencies of the City on a cost reimbursement basis.

Separated Employees' Fund

This internal service fund is used to account for the costs associated with retiring and separating employees.

CITY OF WEST UNIVERSITY PLACE, TEXAS

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

December 31, 2005

	<u>Equipment Replacement</u>	<u>Separated Employees</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Equity in pooled cash and investments	\$ 77,846	\$ 2,182	\$ 80,028
Total Current Assets	<u>77,846</u>	<u>2,182</u>	<u>80,028</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	1,555,873	-	1,555,873
Less: accumulated depreciation	<u>(769,661)</u>	<u>-</u>	<u>(769,661)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>786,212</u>	<u>-</u>	<u>786,212</u>
Total Noncurrent Assets	<u>786,212</u>	<u>-</u>	<u>786,212</u>
Total Assets	<u>864,058</u>	<u>2,182</u>	<u>866,240</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	<u>15,910</u>	<u>-</u>	<u>15,910</u>
Total Current Liabilities	<u>15,910</u>	<u>-</u>	<u>15,910</u>
Total Liabilities	<u>15,910</u>	<u>-</u>	<u>15,910</u>
<u>Net Assets</u>			
Invested in capital assets	786,212	-	786,212
Unrestricted	<u>61,936</u>	<u>2,182</u>	<u>64,118</u>
Total Net Assets	<u>\$ 848,148</u>	<u>\$ 2,182</u>	<u>\$ 850,330</u>

CITY OF WEST UNIVERSITY PLACE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

Year ended December 31, 2005

	<u>Equipment Replacement</u>	<u>Separated Employees</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for sales and services	\$ 290,160	\$ 74,720	\$ 364,880
Other revenues	9,120	-	9,120
Total Operating Revenues	<u>299,280</u>	<u>74,720</u>	<u>374,000</u>
<u>Operating Expenses</u>			
Costs of sales and services	41,820	72,538	114,358
Depreciation	175,135	-	175,135
Total Operating Expenses	<u>216,955</u>	<u>72,538</u>	<u>289,493</u>
Operating Income (Loss)	<u>82,325</u>	<u>2,182</u>	<u>84,507</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	1,130	-	1,130
Gain (loss) on sale of capital assets	(39,313)	-	(39,313)
Total Nonoperating Revenues (Expenses)	<u>(38,183)</u>	<u>-</u>	<u>(38,183)</u>
Change in Net Assets	44,142	2,182	46,324
Beginning net assets	804,006	-	804,006
Ending Net Assets	<u>\$ 848,148</u>	<u>\$ 2,182</u>	<u>\$ 850,330</u>

CITY OF WEST UNIVERSITY PLACE, TEXAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

Year ended December 31, 2005

	Equipment Replacement	Separated Employees	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 299,280	\$ 74,720	\$ 374,000
Payments to suppliers	(80,733)	(72,538)	(153,271)
Net Cash Provided by Operating Activities	218,547	2,182	220,729
<u>Cash Flows from Capital and Related</u>			
<u>Financing Activities</u>			
Acquisition and construction of capital assets	(287,947)	-	(287,947)
Proceeds from sale of capital assets	20,454	-	20,454
Net Cash Provided (Used) by Capital and Related Financing Activities	(267,493)	-	(267,493)
<u>Cash Flows from Investing Activities</u>			
Interest received	1,130	-	1,130
Net Cash Provided by Investing Activities	1,130	-	1,130
Net Increase (Decrease) in Cash and Cash Equivalents	(47,816)	2,182	(45,634)
Beginning cash and cash equivalents	125,662	-	125,662
Ending Cash and Cash Equivalents	\$ 77,846	\$ 2,182	\$ 80,028
Reconciliation of Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 82,325	\$ 2,182	\$ 84,507
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	175,135	-	175,135
Changes in Operating Assets and Liabilities:			
Increase (Decrease) in Current Liabilities:			
Accounts payable	(38,913)	-	(38,913)
Net Cash Provided (Used) by Operating Activities	\$ 218,547	\$ 2,182	\$ 220,729

STATISTICAL SECTION

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CITY OF WEST UNIVERSITY PLACE, TEXAS

NET ASSETS BY COMPONENT

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

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 7,811,571	\$ 8,838,382	\$ 2,285,217
Restricted	305,496	363,478	8,533,406
Unrestricted	2,139,980	2,435,721	3,003,540
Total governmental activities net assets	\$ 10,257,047	\$ 11,637,581	\$ 13,822,163
Business-type activities			
Invested in capital assets, net of related debt	\$ 22,140,957	\$ 22,647,508	\$ 21,776,495
Restricted	1,180,254	1,532,649	622,627
Unrestricted	(486,050)	(331,015)	894,473
Total business-type activities net assets	22,835,161	23,849,142	23,293,595
Primary government			
Invested in capital assets, net of related debt	\$ 29,952,528	\$ 31,485,890	\$ 24,061,712
Restricted	1,485,750	1,896,127	9,156,033
Unrestricted	1,653,930	2,104,706	3,898,013
Total primary government net assets	\$ 33,092,208	\$ 35,486,723	\$ 37,115,758

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

CITY OF WEST UNIVERSITY PLACE, TEXAS

CHANGES IN NET ASSETS

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

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities			
General administration	\$ 2,070,377	\$ 2,405,983	\$ 2,594,417
Public safety	4,816,966	4,826,905	5,109,968
Public works	2,554,406	2,587,621	3,073,735
Public services	1,148,718	1,368,549	1,840,117
Interest and fiscal agent fees on long-term debt	3,820,949	3,377,944	3,501,076
Total governmental activities expenses	<u>14,411,416</u>	<u>14,567,002</u>	<u>16,119,313</u>
Business-type activities			
Water	4,567,117	4,844,930	5,083,562
Sewer	798,759	676,448	850,366
Total business-type activities expenses	<u>5,365,876</u>	<u>5,521,378</u>	<u>5,933,928</u>
Total primary government expenses	<u>\$ 19,777,292</u>	<u>\$ 20,088,380</u>	<u>\$ 22,053,241</u>
Program Revenues			
Governmental activities			
Charges for services			
General administration	\$ 428,859	\$ 551,379	\$ 1,530,847
Public safety	710,560	530,266	186,844
Public works	-	-	-
Public services	651,351	696,804	597,910
Operating grants and contributions	236,989	342,450	16,915
Capital grants and contributions	261,976	1,270,704	370,864
Total governmental activities program revenues	<u>2,289,735</u>	<u>3,391,603</u>	<u>2,703,380</u>
Business-type activities			
Charges for services			
Water	3,106,875	4,201,687	5,084,828
Sewer	1,048,171	1,103,485	926,132
Operating grants and contributions	-	-	-
Total business-type activities program revenues	<u>4,155,046</u>	<u>5,305,172</u>	<u>6,010,960</u>
Total primary government program revenues	<u>\$ 6,444,781</u>	<u>\$ 8,696,775</u>	<u>\$ 8,714,340</u>
Net (Expense)/Revenue			
Governmental activities	\$ (12,121,681)	\$ (11,175,399)	\$ (13,415,933)
Business-type activities	(1,210,830)	(216,206)	77,032
Total primary government net expense	<u>\$ (13,332,511)</u>	<u>\$ (11,391,605)</u>	<u>\$ (13,338,901)</u>

CITY OF WEST UNIVERSITY PLACE, TEXAS

CHANGES IN NET ASSETS (Continued)

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

	Fiscal Year		
	2003	2004	2005
General Revenues and Other Changes in Net Assets			
Governmental activities			
Taxes			
Property taxes, levied for general purposes	\$ 4,765,758	\$ 5,134,667	\$ 5,337,999
Property taxes, levied for debt service	6,011,109	6,536,129	6,794,959
Sales taxes	758,947	683,572	745,716
Franchise and local taxes	873,649	872,221	913,998
Other taxes	18,343	16,021	15,460
Contributions	-	-	268,081
Investment earnings	515,414	338,969	458,208
Other revenues	159,582	197,645	222,044
Gain (loss) on sale of capital assets	-	-	(25,950)
Transfers	(2,914,442)	(1,223,291)	870,000
Total governmental activities	<u>10,188,360</u>	<u>12,555,933</u>	<u>15,600,515</u>
Business-type activities			
Investment earnings	10,280	6,896	21,374
Other revenues	-	-	216,047
Transfers	2,914,442	1,223,291	(870,000)
Total business-type activities	<u>2,924,722</u>	<u>1,230,187</u>	<u>(632,579)</u>
Total primary government	<u>\$ 13,113,082</u>	<u>\$ 13,786,120</u>	<u>\$ 14,967,936</u>
Change in Net Assets			
Governmental activities	\$ (1,933,321)	\$ 1,380,534	\$ 2,184,582
Business-type activities	1,713,892	1,013,981	(555,547)
Total primary government	<u>\$ (219,429)</u>	<u>\$ 2,394,515</u>	<u>\$ 1,629,035</u>

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

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CITY OF WEST UNIVERSITY PLACE, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES

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

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Change 2004-2005</u>
Property	\$ 11,481,442	\$ 11,670,796	\$ 12,132,958	4.0%
Sales	777,290	667,552	730,156	9.4%
Franchise fee	873,649	872,221	913,998	4.8%
Other taxes	159,582	16,020	15,460	-3.5%
	<u>\$ 13,291,963</u>	<u>\$ 13,226,589</u>	<u>\$ 13,792,572</u>	4.3%

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

CITY OF WEST UNIVERSITY PLACE, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	Fiscal Year			
	1996	1997	1998	1999
General Fund				
Reserved	\$ 44,931	\$ 88,752	\$ -	\$ 48,059
Unreserved	4,029,705	3,875,695	4,394,820	4,173,141
Total general fund	<u>\$ 4,074,636</u>	<u>\$ 3,964,447</u>	<u>\$ 4,394,820</u>	<u>\$ 4,221,200</u>
All Other Governmental Funds				
Reserved	\$ 8,914,850	\$ 7,699,519	\$ 13,927,927	\$ 10,951,602
Unreserved, reported in:				
Capital project	1,074,588	1,884,809	199,695	(551,473)
Nonmajor governmental funds	266,694	424,134	294,254	400,884
Total all other governmental funds	<u>\$ 10,256,132</u>	<u>\$ 10,008,462</u>	<u>\$ 14,421,876</u>	<u>\$ 10,801,013</u>

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ 58,934	\$ 7,364	\$ 80,544	\$ 2,148,781	\$ 2,098,916	\$ 15,504
3,934,596	2,985,884	2,846,051	841,381	936,365	3,357,537
<u>\$ 3,993,530</u>	<u>\$ 2,993,248</u>	<u>\$ 2,926,595</u>	<u>\$ 2,990,162</u>	<u>\$ 3,035,281</u>	<u>\$ 3,373,041</u>
\$ 27,915,848	\$ 20,188,647	\$ 20,919,924	\$ 656,903	\$ 782,534	\$ 998,780
(81,464)	538,175	698,630	19,412,415	9,106,291	6,852,781
246,523	545,459	121,914	139,427	233,004	683,698
<u>\$ 28,080,907</u>	<u>\$ 21,272,281</u>	<u>\$ 21,740,468</u>	<u>\$ 20,208,745</u>	<u>\$ 10,121,829</u>	<u>\$ 8,535,259</u>

CITY OF WEST UNIVERSITY PLACE, TEXAS

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year			
	1996	1997	1998	1999
Revenues				
Taxes	\$ 6,578,797	\$ 6,910,111	\$ 7,495,912	\$ 7,972,546
Permits, licenses, and fees	336,588	421,159	558,469	396,484
Fines and forfeitures	324,502	367,165	184,813	307,058
Charges for services	1,887,703	1,488,771	702,131	796,763
Intergovernmental	44,236	565,919	125,318	650,459
Contributions	-	-	-	-
Investment earnings	762,240	1,100,372	1,120,750	1,288,324
Other revenues	294,059	281,251	317,661	343,348
Total revenues	10,228,125	11,134,748	10,505,054	11,754,982
Expenditures				
General government	1,396,276	1,462,013	1,685,246	1,803,017
Public safety	2,763,358	2,900,458	2,892,950	2,952,688
Public works	1,965,714	2,007,833	1,288,618	1,435,693
Public service	716,775	747,746	709,674	866,489
Capital outlay	7,261,742	2,993,082	5,890,116	5,560,612
Debt service				
Principal	1,015,000	1,085,000	1,425,000	1,585,000
Interest	1,566,122	1,856,475	1,935,122	2,045,071
Total expenditures	16,684,987	13,052,607	15,826,726	16,248,570
Excess of revenues over (under) expenditures	(6,456,862)	(1,917,859)	(5,321,672)	(4,493,588)
Other Financing Sources (Uses)				
Transfers in	1,676,000	1,430,000	1,310,390	1,172,500
Transfers out	(1,163,000)	(520,000)	(711,480)	(473,400)
Issuance of debt	6,818,526	650,000	14,901,901	-
Premium on debt issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	(5,335,352)	-
Sale of capital assets	-	-	-	-
Total other financing sources	7,331,526	1,560,000	10,165,459	699,100
Net change in fund balances	\$ 874,664	\$ (357,859)	\$ 4,843,787	\$ (3,794,488)
Debt service as a percentage of noncapital expenditures	27.39%	29.24%	33.82%	33.96%

Fiscal Year

	2000	2001	2002	2003	2004	2005
\$	8,987,973	\$ 9,963,477	\$ 11,534,667	\$ 12,416,216	\$ 13,263,355	\$ 13,803,975
	496,677	472,081	386,124	444,886	577,164	597,910
	274,001	276,815	319,388	243,931	193,322	186,844
	914,686	901,544	1,074,335	1,086,952	974,549	1,165,967
	1,055,425	259,000	277,769	307,784	1,392,662	387,779
	-	-	-	-	-	268,081
	1,015,579	1,720,839	655,918	511,267	336,967	457,078
	553,268	389,693	603,217	387,897	451,551	212,924
	<u>13,297,609</u>	<u>13,983,449</u>	<u>14,851,418</u>	<u>15,398,933</u>	<u>17,189,570</u>	<u>17,080,558</u>
	1,777,263	1,981,486	2,061,227	1,952,308	2,211,183	2,268,862
	3,525,192	4,019,282	4,336,152	4,701,684	4,616,019	4,769,582
	1,490,417	1,515,164	1,500,127	1,631,434	1,642,867	1,582,592
	987,209	896,309	941,302	1,015,026	1,255,857	1,579,982
	6,473,002	12,886,880	13,583,834	13,107,808	11,882,057	2,569,023
	1,780,000	1,880,000	2,185,000	2,295,000	2,685,000	2,900,000
	2,058,343	2,812,336	3,130,630	3,808,650	3,775,384	3,669,628
	<u>18,091,426</u>	<u>25,991,457</u>	<u>27,738,272</u>	<u>28,511,910</u>	<u>28,068,367</u>	<u>19,339,669</u>
	(4,793,817)	(12,008,008)	(12,886,854)	(13,112,977)	(10,878,797)	(2,259,111)
	1,986,950	1,790,600	1,691,111	631,000	837,000	1,139,000
	(1,173,842)	(991,500)	(1,002,861)	-	-	(269,000)
	21,107,933	3,325,000	29,180,987	9,918,331	-	25,075,000
	-	-	-	-	-	1,793,024
	-	-	(16,397,937)	-	-	(26,751,058)
	-	-	-	-	-	23,335
	<u>21,921,041</u>	<u>4,124,100</u>	<u>13,471,300</u>	<u>10,549,331</u>	<u>837,000</u>	<u>1,010,301</u>
\$	<u>17,127,224</u>	<u>\$ (7,883,908)</u>	<u>\$ 584,446</u>	<u>\$ (2,563,646)</u>	<u>\$ (10,041,797)</u>	<u>\$ (1,248,810)</u>
	33.04%	35.81%	37.55%	39.62%	39.91%	39.17%

CITY OF WEST UNIVERSITY PLACE, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES

Last Ten Years

(modified accrual basis of accounting)

Function	Fiscal Year			
	1996	1997	1998	1999
Property	\$ 5,437,391	\$ 5,650,077	\$ 6,054,801	\$ 6,610,664
Sales	454,906	537,074	627,443	531,246
Franchise fee	686,500	716,279	804,005	818,326
Other taxes	-	6,681	9,663	12,310
	<u>\$ 6,578,797</u>	<u>\$ 6,910,111</u>	<u>\$ 7,495,912</u>	<u>\$ 7,972,546</u>

Fiscal Year							Change
2000	2001	2002	2003	2004	2005	2004-2005	
\$ 7,376,687	\$ 8,532,873	\$ 9,717,905	\$ 11,481,442	\$ 11,691,541	\$ 12,128,801	3.7%	
776,085	523,665	862,325	758,987	683,573	745,716	9.1%	
786,672	533,646	939,577	873,649	872,221	913,998	4.8%	
10,587	9,981	14,860	18,303	16,020	15,460	-3.5%	
<u>\$ 8,950,031</u>	<u>\$ 9,600,165</u>	<u>\$ 11,534,667</u>	<u>13,132,381</u>	<u>\$ 13,263,355</u>	<u>\$ 13,803,975</u>	4.1%	

CITY OF WEST UNIVERSITY PLACE, TEXAS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Residential Property	\$ 1,461,070,200	\$ 1,475,517,440	\$ 1,497,313,260	\$ 1,704,205,400
Commercial Property	58,172,060	55,906,970	48,657,800	54,608,270
Less: Tax Exempt Property	<u>(67,208,700)</u>	<u>(63,727,640)</u>	<u>(59,326,660)</u>	<u>(56,106,070)</u>
Total Taxable Assessed Value (1)	1,452,033,560	1,467,696,770	1,486,644,400	1,702,707,600
Total Direct Tax Rate	0.37000	0.38000	0.40000	0.42000

Source: Harris County Certified / Uncertified Tax Roll.

(1) Property is assessed at actual value; therefore, the assessed values are equal to actual value.
Tax rates are per \$100 of assessed value.

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 1,997,785,950	\$ 2,224,515,970	\$ 2,391,518,150	\$ 2,544,734,110	\$ 2,680,629,150	\$ 2,816,526,599
56,534,900	64,388,870	60,317,070	52,571,420	56,271,940	79,232,269
<u>(57,022,280)</u>	<u>(54,014,970)</u>	<u>(54,426,270)</u>	<u>(79,831,440)</u>	<u>(80,402,800)</u>	<u>(128,158,556)</u>
1,997,298,570	2,234,889,870	2,397,408,950	2,517,474,090	2,656,498,290	2,767,600,312
0.41000	0.42000	0.42000	0.43000	0.44670	0.43000

CITY OF WEST UNIVERSITY PLACE, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
City of West University Place by fund:				
General	0.21000	0.21000	0.21000	0.21000
Debt service	0.16000	0.17000	0.19000	0.21000
Total Direct Rates	<u>0.37000</u>	<u>0.38000</u>	<u>0.40000</u>	<u>0.42000</u>
Houston Independent School District	1.38400	1.38400	1.38400	1.45900
Harris County	0.40680	0.42770	0.41870	0.39480
Harris County Flood Control District	0.07600	0.07420	0.07420	0.08000
Port of Houston Authority	0.01850	0.01600	0.01960	0.02130
Harris County Hospital District	0.12380	0.12380	0.12380	0.14650
Harris County Dept. of Education	-	-	-	-
Houston Community College	0.05868	0.06615	0.06615	0.06615
Total Direct and Overlapping Rates (1)	<u>2.43778</u>	<u>2.47185</u>	<u>2.48645</u>	<u>2.58775</u>

Tax rates per \$100 of assessed valuation
Source: Harris County Appraisal District

(1) Overlapping rates are those of local and county governments that apply within the City of West University Place.

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
0.20000	0.20500	0.19500	0.19000	0.19670	0.20100
<u>0.21000</u>	<u>0.21500</u>	<u>0.22500</u>	<u>0.24000</u>	<u>0.25000</u>	<u>0.22900</u>
<u>0.41000</u>	<u>0.42000</u>	<u>0.42000</u>	<u>0.43000</u>	<u>0.44670</u>	<u>0.43000</u>
1.51900	1.51900	1.58000	1.58000	1.58000	1.62000
0.39480	0.35900	0.38390	0.38810	0.38800	0.39986
0.08000	0.06170	0.04760	0.04170	0.04170	0.03322
0.02040	0.01830	0.01830	0.01990	0.02000	0.01474
0.14650	0.20270	0.19020	0.19020	0.19020	0.19216
-	-	-	-	-	0.00629
0.08233	0.08133	0.08133	0.08133	0.09598	0.09577
<u>2.65303</u>	<u>2.66203</u>	<u>2.72133</u>	<u>2.73123</u>	<u>2.76258</u>	<u>2.79204</u>

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CITY OF WEST UNIVERSITY PLACE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Three Years Ago

Property Tax Payer	2005			2002		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Southwestern Bell	\$ 8,957,200	1	0.31%	\$ 19,706,640	1	0.86%
U West Marketplace Assoc	5,357,095	2	0.18%			
CenterPoint Energy, Inc.	4,756,050	3	0.16%			
5650 Kirby Partnership	4,474,771	4	0.15%	3,775,690	4	0.16%
Kenneth and Kimberly Alo	3,747,900	5	0.13%			
Southwestern Bell Tele Co	2,679,650	6	0.09%			
Whole Foods Market	2,480,520	7	0.09%			
Max & Christine Lukens	2,466,234	8	0.09%			
Willowick Partners LTD	2,406,481	9	0.08%			
James and Karen Gerstner	2,380,400	10	0.08%	2,057,000	8	0.09%
Houston Lighting & Power		n/a		4,378,000	2	0.19%
Bellaire Shopping Center		n/a		3,979,290	3	0.17%
Bardwell Building		n/a		3,370,100	5	0.15%
Frank and Lillian Orson		n/a		2,551,200	6	0.11%
James L. Salners		n/a		2,424,900	7	0.11%
Gary and Tracy Stein		n/a		2,012,300	9	0.09%
Paul & Jeanine Van Wagenen		n/a		1,936,000	10	0.08%
Subtotal	\$ 39,706,301		1.37%	\$ 46,191,120		2.01%
Other Taxpayers	2,856,052,567		98.63%	2,253,821,520		97.99%
Total	<u>\$ 2,895,758,868</u>		<u>100.00%</u>	<u>\$ 2,300,012,640</u>		<u>100.00%</u>

Source: Harris County Tax Assessor-Collector's records.

CITY OF WEST UNIVERSITY PLACE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Tax levy	\$ 5,373,916	\$ 5,628,421	\$ 6,022,837	\$ 6,564,512
Current tax collected	\$ 5,340,911	\$ 5,386,852	\$ 5,980,947	\$ 6,524,907
Percent of current tax collections	99.39%	95.71%	99.30%	99.40%
Delinquent tax collections	\$ 31,563	\$ 239,786	\$ 39,622	\$ 34,583
Total tax collections	\$ 5,372,474	\$ 5,626,638	\$ 6,020,569	\$ 6,559,490
Total collections as a percentage of current levy	99.97%	99.97%	99.96%	99.92%
Outstanding delinquent taxes	\$ 1,442	\$ 1,783	\$ 2,268	\$ 5,022
Outstanding delinquent taxes as percentage of current levy	0.027%	0.032%	0.038%	0.077%

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$	7,305,615	\$ 8,703,604	\$ 9,630,400	\$ 10,680,077	\$ 11,581,528	\$ 12,192,921
\$	7,255,353	\$ 8,655,130	\$ 9,582,032	\$ 10,629,260	\$ 11,516,657	\$ 12,124,169
	99.31%	99.44%	99.50%	99.52%	99.44%	99.44%
\$	43,293	\$ 41,388	\$ 34,435	\$ 29,204	\$ 43,992	\$ 4,026
\$	7,298,646	\$ 8,696,518	\$ 9,616,467	\$ 10,658,464	\$ 11,560,649	\$ 12,128,195
	99.90%	99.92%	99.86%	99.80%	99.82%	99.47%
\$	6,969	\$ 7,086	\$ 13,933	\$ 21,613	\$ 20,879	\$ 64,726
	0.095%	0.081%	0.145%	0.202%	0.180%	0.531%

CITY OF WEST UNIVERSITY PLACE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Three Years (1)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
PRIMARY GOVERNMENT			
Governmental Activities:			
General obligation bonds	\$ 64,715,000	\$ 62,120,000	\$ 59,095,000
Certificates of obligation	13,140,000	13,050,000	12,855,000
Subtotal	<u>\$ 77,855,000</u>	<u>\$ 75,170,000</u>	<u>\$ 71,950,000</u>
Business-Type Activities:			
Revenue bonds	\$ 15,995,000	\$ 15,455,000	\$ 15,255,000
TOTAL PRIMARY GOVERNMENT	<u>\$ 93,850,000</u>	<u>\$ 90,625,000</u>	<u>\$ 87,205,000</u>
PERSONAL INCOME (2)	-	-	-
DEBT AS A PERCENTAGE OF PERSONAL INCOME	-	-	-
POPULATION	14,211	14,211	14,211
DEBT PER CAPITA	\$ 6,604	\$ 6,377	\$ 6,136

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

(2) Personal income data is not available.

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

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CITY OF WEST UNIVERSITY PLACE, TEXAS

RATIO OF NET BONDED DEBT TO ASSESSED VALUE, NET BONDED DEBT PER CAPITA, AND ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

	1996	1997	1998	1999
NET TAXABLE ASSESSED VALUE				
All property	\$ 1,450,131,620	\$ 1,481,163,540	\$ 1,505,694,530	\$ 1,567,240,600
NET BONDED DEBT				
Gross bonded debt	\$ 33,930,000	\$ 32,760,000	\$ 41,020,000	\$ 39,045,000
Less debt service funds	1,102,160	938,753	636,948	811,335
Net Bonded Debt	\$ 32,827,840	\$ 31,821,247	\$ 40,383,052	\$ 38,233,665
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	2.26%	2.15%	2.68%	2.44%
POPULATION	12,920	12,920	12,920	12,920
NET BONDED DEBT PER CAPITA	\$ 2,541	\$ 2,463	\$ 3,126	\$ 2,959

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 1,781,467,580	\$ 2,022,417,900	\$ 2,300,012,640	\$ 2,488,976,270	\$ 2,517,474,090	\$ 2,895,758,868
\$ 58,475,000	\$ 60,050,000	\$ 70,250,000	\$ 76,705,000	\$ 75,170,000	\$ 71,950,000
838,547	633,071	567,825	656,144	782,534	996,927
<u>\$ 57,636,453</u>	<u>\$ 59,416,929</u>	<u>\$ 69,682,175</u>	<u>\$ 76,048,856</u>	<u>\$ 74,387,466</u>	<u>\$ 70,953,073</u>
3.24%	2.94%	3.03%	3.06%	2.95%	2.45%
14,211	14,211	14,211	14,211	14,211	14,211
\$ 4,056	\$ 4,181	\$ 4,903	\$ 5,351	\$ 5,234	\$ 4,993

CITY OF WEST UNIVERSITY PLACE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2005

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Houston ISD	\$ 1,770,218,000	2.800%	\$ 49,566,104
Harris County (2)(3)	2,229,939,000	1.120%	24,975,317
Harris Co. Flood Control District (3)	391,895,000	1.120%	4,389,224
Port of Houston Authority (3)	294,700,000	1.920%	<u>5,658,240</u>
Subtotal, overlapping debt			84,588,885
City direct debt	71,950,000	100.000%	<u>71,950,000</u>
Total direct and overlapping debt			<u><u>\$ 156,538,885</u></u>

Source: Harris County

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

(2) Excludes Toll Road Tax Bonds. The County's policy and practice has been to provide payment of debt service on the outstanding Toll Road Tax Bonds from toll revenues and certain other funds, and to date, no tax has been collected to provide for such debt service.

(3) Debt outstanding is as of December 31, 2005

CITY OF WEST UNIVERSITY PLACE, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Three Years (1)

	Fiscal Year		
	2003	2004	2005
Debt limit	\$ 124,448,664	\$ 125,873,705	\$ 144,787,943
Total net debt applicable to limit	76,048,856	74,387,466	70,953,073
Legal debt margin	\$ 48,399,808	\$ 51,486,239	\$ 73,834,870
Total net debt applicable to the limit as a percentage of debt limit	61.11%	59.10%	49.00%

Legal Debt Margin Calculation for Fiscal Year 2005

Assessed value	\$ 2,895,758,868
Debt limit (5% of assessed value)	144,787,943
Debt applicable to limit:	
General obligation bonds	71,950,000
Less: amount set aside for repayment of general obligation debt	(996,927)
Total net debt applicable to limit	70,953,073
Legal debt margin	\$ 73,834,870

Note: The City's Home Rule Charter (1983), Section 7.07 limits all bonded debt to no more than 5% of the assessed valuation.

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

CITY OF WEST UNIVERSITY PLACE, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Gross revenues (1)	\$ 3,133,575	\$ 2,968,012	\$ 3,366,410	\$ 3,413,889
Operating expenses (2)	\$ 2,429,479	\$ 1,990,369	\$ 2,360,258	\$ 2,297,558
Net revenues available for Debt Service	\$ 704,096	\$ 977,643	\$ 1,006,152	\$ 1,116,331
DEBT SERVICE REQUIREMENTS (3)				
Principal	\$ -	\$ 5,000	\$ 220,000	\$ 225,000
Interest	-	251,590	316,630	484,177
Total	\$ -	\$ 256,590	\$ 536,630	\$ 709,177
Coverage	-	3.81	1.87	1.57

(1) Total revenues including interest, excluding tap fees

(2) Total operating expenses less depreciation

(3) Includes revenue bonds only

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 3,427,821	\$ 3,274,339	\$ 3,358,111	\$ 3,106,875	\$ 4,204,407	\$ 5,098,008
\$ 2,613,128	\$ 2,352,802	\$ 2,469,348	\$ 2,359,745	\$ 2,565,022	\$ 2,780,664
\$ 814,693	\$ 921,537	\$ 888,763	\$ 747,130	\$ 1,639,385	\$ 2,317,344
\$ 335,000	\$ 350,000	\$ 360,000	\$ 510,000	\$ 540,000	\$ 565,000
510,759	489,684	801,739	765,160	740,339	714,225
<u>\$ 845,759</u>	<u>\$ 839,684</u>	<u>\$ 1,161,739</u>	<u>\$ 1,275,160</u>	<u>\$ 1,280,339</u>	<u>\$ 1,279,225</u>
0.96	1.10	0.77	0.59	1.28	1.81

CITY OF WEST UNIVERSITY PLACE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended Dec 31	Population(1)	Personal Income(5)	Per Capita Personal Income(2)	Median Age (6)	School Enrollment(3)	Unemployment Rate(4)
1996	12,920	\$ -	\$ 44,165	N/A	885	1.30%
1997	12,920	-	45,049	N/A	885	0.90%
1998	12,920	-	45,950	N/A	885	0.90%
1999	12,920	-	46,869	N/A	952	1.10%
2000	14,211	-	47,806	39.30	950	0.07%
2001	14,211	-	48,762	39.30	947	1.06%
2002	14,211	-	49,737	39.30	915	1.06%
2003	14,211	-	50,732	39.30	915	1.06%
2004	14,211	-	51,747	39.30	951	4.60%
2005	14,211	-	52,782	39.30	972	6.00%

Data sources:

- (1) Bureau of the Census
- (2) Claritas
- (3) The school enrollment reflects enrollment in schools located within the City limits.
- (4) Texas Workforce Commission
- (5) Personal income data are not available.
- (6) Median age data prior to 2000 are not available.

CITY OF WEST UNIVERSITY PLACE, TEXAS

PRINCIPAL EMPLOYERS

Current Year (1)

Employer

Southwestern Bell
West University Elementary School
City of West University Place

Note: The residents of the City of West University Place are primarily employed outside of the City limits.

(1) The requirement is for the current year and nine years ago, only the current year is available at this time.

CITY OF WEST UNIVERSITY PLACE, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund:										
Administration	3	3	3	3	4	4	4	4	4	4.5
Finance	12	12	10	10	10	10	9	9	9	9
Police Department	28	28	28	28	35	35	36	35	35	34
Fire Department	20	20	20	21	21	20	20	23	24	24.5
Public Works	23	21	22	22	23	22	23	23	21	21
Parks & Recreation	6	6	6	6	6	6	6	6	8	8
General Fund Total	92	90	89	90	99	97	98	100	101	101
Enterprise Fund:										
Water	15	15	15	15	14	14	15	14	14	14
Solid Waste	9	9	9	9	10	10	10	10	10	7
Enterprise Fund Total	24	24	24	24	24	24	25	24	24	21
TOTAL CITY POSITIONS	<u>116</u>	<u>114</u>	<u>113</u>	<u>114</u>	<u>123</u>	<u>121</u>	<u>123</u>	<u>124</u>	<u>125</u>	<u>122</u>

NOTES:

Around 20-35 temporary and seasonal employees are hired during the summer months as camp counselors, pool personnel and front desk. This count is not reflected above.

Around 6 Contract personnel are used year round to augment solid waste crews. This count is not reflected above.

On-call firefighters (9) are not included.

School crossing guards (8) are not included.

CITY OF WEST UNIVERSITY PLACE, TEXAS

OPERATING INDICATORS BY FUNCTION / PROGRAM

Last Three Years (1)

Function / Program	Fiscal Year		
	2003	2004	2005
Police			
Arrests	145	321	366
Accident reports	186	139	138
Citations	5,235	3,675	3,583
Offense reports	804	1,018	1,027
Calls for service	10,896	11,353	13,688
Fire			
Emergency responses	447	659	624
Fire incidents	650	655	776
Average response time	2:30	3:08	3:08
Water			
New accounts	879	915	760
Source		80% surface water	20% well water
Average daily consumption (millions of gallons)	2.170	2.170	2.279
Number of million gallons of surface water pumped	696.694	674.705	735.622
Number of million gallons of well water pumped	174.103	117.389	101.457
Total consumption (millions of gallons)	870.797	792.094	837.079
Peak daily consumption (millions of gallons)	5.990	5.990	8.640
Sewer			
Average daily sewage treatment (millions of gallons)	1.354	1.423	1.271
Total consumption (millions of gallons)	0.000	0.000	452.618
Peak daily consumption (millions of gallons)	4.685	5.123	4.684

Source: Various City departments

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

CITY OF WEST UNIVERSITY PLACE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM

Last Three Years (1)

Function / Program	Fiscal Year		
	2003	2004	2005
Police			
Stations	1	1	1
Patrol units	9	9	7
Fire stations	1	1	1
Other public works			
Streets (miles - centerlines)	43.0	43.0	43.0
Streetlights	690	690	690
Parks and recreation			
Parks	9	9	9
Parks acreage	12.6	12.6	12.6
Swimming pools	2	2	2
Baseball / softball diamonds	5	5	5
Tennis courts	5	5	5
Racquetball/handball courts	2	2	2
Gymnasiums	1	1	1
Basketball courts	2	2	2
Water			
Water mains (miles)	40.0	40.0	40.0
Fire hydrants	324	357	357
Storage capacity (millions of gallons)	3.65	3.65	3.65
Sewer			
Sanitary sewers (miles)	40.0	40.0	40.0
Storm sewers (miles)	32.0	32.0	32.0
Open ditch / creek / canal drainage (miles)	1.32	1.32	1.32
Treatment capacity (millions of gallons)	2.00	2.00	2.00

Source: Various City departments

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