



Neal Mora

CITY OF TEXAS CITY, TEXAS

Comprehensive Annual Financial Report
September 30, 2006

City of Texas City, Texas

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INTRODUCTORY SECTION

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CITY OF TEXAS CITY, TEXAS

FINANCE DEPARTMENT • OFFICE (409) 643-5904 • FAX (409) 945-3030



Cheryl T. Hunter, CPA
Director of Finance

Mayor:
Matthew T. Doyle

Commissioners:
Mike Land
Dee Ann Haney
Tommy Clark
Dedrick D. Johnson, Sr.
Donald B. Singleton
Carl Sullivan

March 19, 2007

To the Honorable Matthew T. Doyle, Mayor and
Members of the City Commission and
Citizens of the City of Texas City, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Texas City, Texas (the "City"), for the fiscal year ended September 30, 2006, is hereby submitted. Responsibility for both the accuracy of the data, and the 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 that presents fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented as compliant with the financial reporting model in effect pursuant to GASB statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as Management's Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

- The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about costs of services, operating results and financial position of the government as an economic entity.
- Following the government-wide statements are fund financial statements for the primary government (City) and proprietary fund.
- The notes to the financial statements disclose information essential for the fair presentation of the basic statements that is not displayed in the financial statements.
- The management's discussion and analysis (MD&A) gives an objective and easily readable analysis of the City's financial activities based on currently known facts, decisions, or conditions. It presents short and long-term analysis of the City's activities. The City of Texas City's MD&A can be found immediately following the independent auditor's report.
- Required supplementary information (RSI) is financial information that GASB standards require to be presented with, but outside of, the financial statements. The RSI that GASB Statement No. 34 requires is MD&A (noted above), and budgetary comparison schedules for the General Fund.

PROFILE OF THE GOVERNMENT

The City of Texas City is the second largest city in Galveston County; located southeast of Houston, Texas. Houston is readily accessible via Interstate 45, a major thoroughfare running through the West side of Texas City. The City encompasses an area of 132 square miles and estimated population of 45,521. The City of Texas City is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation.



The City of Texas City is a home-rule city operating under a strong mayor form of government. Policy-making and legislative authority are vested in a governing commission (City Commission) consisting of the Mayor and (6) six City Commissioners, all elected on a non-partisan basis. Four of the six Commissioners are elected by district, and are required to reside in their respective district in which they are elected. The Mayor and two Commissioners are elected at large. All City Commissioners and the Mayor are elected for a two year term. The City Commission is responsible, but not limited to, passing ordinances, adopting the budget and tax rate, and appointing committees. The Mayor is responsible for carrying out the policies of the City Commission, for overseeing the day-to-day operations of the City and for hiring the department directors, subject to City Commission approval.

The City of Texas City provides a full range of municipal services contemplated by ordinance and the City Charter. This includes police and fire protection, emergency medical services, street construction and maintenance, planning and zoning, recreational activities, curbside brush collection, a recycling center, a storm water drainage system, water distribution system, sewer system, wastewater collection and treatment and general administrative services. Sanitation services, residential and commercial garbage collection, are contracted with a private firm. The financial reporting units of the City are funds. The Construction Fund-Gulf Coast Water Authority Bonds, City of Texas City Economic Development Corporation, City of Texas City Harbour Foreign Trade Zone Corporation, City of Texas City Industrial Development Corporation, City of Texas City Public Facilities Development Corporation, City of Texas City Danforth Health Facilities Corporation, City of Texas City Cultural Arts Foundation, and City of Texas City Historical Preservation are reported as Component Units for which the City is financially accountable.

BUDGET

The budget is required by City Charter, which controls many facets of the budgeting process. The budget is used to plan for the use of funds generated through a variety of revenue sources to provide services for the benefit of the citizens in the community. The budget text provides the following:

- a.) Identifies revenue sources and amounts to provide for services delivered during the next fiscal year (October through September);
- b.) Approves the expenditure of monies to deliver the services provided by each of the respective operating divisions;
- c.) Provides a basis for financial recording and control of the approved revenue and expenditure dollars.

The budget process is a systematic approach to plan for the new year. The process is established to gain input from the citizens, the City Commission, and the City staff. The budget process initially begins with departmental requests, at which time each request is reviewed by the Mayor and Director of Finance, prioritized and discussed with the department head. The budget is then evaluated by City Commission in terms of staff, programs, projects, services and policies of the City. The staff, programs, projects, services and policies may be new or existing. Critical in the process is determining at what level the programs, projects, services and policies will serve. Also considered is not only the impact on the budget being formulated, but also the City's ability to pay for each; in other words, how much revenue can be generated through taxes, fees, etc., putting the least amount of burden on the citizens.

The City's budget shall be preceded by a budget message which shall explain the budget both in fiscal terms and work programs. It shall outline the proposed financial policies of the City for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year in financial policies, expenditures, and revenues together with the reasons for such changes, and include such other material deemed relevant to Commission consideration of the document. The budget shall provide a complete financial plan of all City funds and activities for the ensuing year. In the organization of the budget, the combination of expenditure classification by fund, organization unit, program purpose, activity, or object is deemed the most feasible in representation. It shall begin with a clear general summary of its contents; shall show in detail all estimated income, indicating the proposed property tax levy, and all proposed expenditures, including debt service, for the ensuing fiscal year; and shall be so arranged as to show comparative figures for actual and estimated income and expenditures for three fiscal years, the last completed fiscal year, the year of preparation of the budget, and the projections for the ensuing fiscal year. It shall indicate in separate sections:

- (1.) Proposed expenditures for operations during the ensuing fiscal year, detailed by departments, in terms of their respective work programs, and the method of financing such expenditures;
- (2.) Proposed capital improvement expenditures during the ensuing fiscal year, detailed by purpose and the proposed method of financing each capital expenditure;
- (3.) Anticipated net surplus or deficit for the ensuing fiscal year of each utility owned or enterprise fund operated by the City and the proposed method of its disposition; budgets for each utility or enterprise fund giving detailed income and expenditure information shall be included; and
- (4.) Detailed schedules indicating the City's debt position and debt service requirements.

The Commission, may, upon the recommendation of the chief executive officer, transfer any unencumbered appropriation balance or any portion thereof within a department of the City government to another.

The City Commission is required to adopt the final budget by no later than the close of the current fiscal year.

Budget transfers within departments require the approval of the Mayor and the Director of Finance, and transfers outside departments and amendments to the final budget require City Commission approval.

ECONOMIC CONDITION AND OUTLOOK

The City of Texas City continues to move forward in the 21st Century at a dynamic pace. Excellence in economic diversity and a better quality of life is a shared goal among the residents, community leaders and city officials.

The City looks forward as it welcomes new residential developments to accommodate and anticipate its growth. The City has several new master planned communities in progress. Land Tejas of Houston is planning a 3,300 acre development on the former Bishop tract located on both sides of Interstate 45 from Hughes Road to the E.F. Lowry Expressway. This development will feature 8,000 new homes, large lake, office park, commercial and retail space, water parks, and schools. The Kohfeldt family, a founding family of Texas City, is developing 1,600 acres around the City's Bayou Golf Course for 5,000 new homes, many having water access and golf course views. Included in this development will be 100 acres for a research and light manufacturing center, a marina, new golf club house, town center and other features such as active senior residences, walking trails and schools. Both of these projects will break ground in 2007. The Grand Cay development has begun, which will include approximately 500 new waterfront homes, marina, condos, restaurant and direct access to the City's 600 acre Dollar Bay Coastal Birding Trail. Four other residential/commercial developments are scheduled, in addition to the numerous smaller developments that have already commenced. All of these developments are expected to create 15,000 new homes within the next 10 to 15 years.

The former 100 acre Tex-Tin site has been sold and being developed as an intermodal yard and warehousing complex by Phoenix International Terminal, L.L.C. This complex will complement the new Texas City International Terminal being constructed on Shoal Point to import and export 1,000,000 containers of consumer products. The two projects are expected to create over 2,000 new jobs and millions in local and state taxes.

The City of Texas City is adding a new natatorium and gymnasium to the existing Lowry Fitness Center. The Center's existing gym, exercise and locker rooms will also be expanded and completely remodeled. This will be the only natatorium in Galveston County and will be used by the school district and the City to attract state swimming meets. This project is being funded by Texas City Economic Development Corporation, with contributions from BP and the Texas City Independent School District.

Texas City has much to offer anyone who enjoys outdoor activities. With more than 500 acres of city parks with lush greenery, amazing sculptures and resting areas. The Hike and Bike Trail covers 13 miles and includes a 1.5 mile Fitness Trail with exercise stations. The City of Texas City Shooting Range is an all-weather range with 28 stations for all legal caliber rifles and 11 stations for handguns. It also includes two regulation skeet and one trap field. The 200 acre Bayou Golf Club boasts a championship layout with elevated greens and tee boxes, water on 12 holes, and 22 sand traps.

The City of Texas City's community purpose is to make it possible for all citizens to benefit from living, working, worshiping and playing in a safe, healthy, attractive and economically viable community. Thereby, offering all citizens the opportunity for a rewarding, satisfying and fulfilling lifestyle, and providing a foundation for a strong family unit environment.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

With the rebound of sales tax, coupled with new growth to property values; the City was able to enhance services provided to citizens. Many of the notable achievements during the year reflect this focus:

- Adopted an operating budget without a property tax increase;
- Approved an across the board (ACB) salary increase in the amount of 3% for all city employees, with the exception of the Fire department;
- Approved an across the board (ACB) salary increase in the amount of 2% for the Fire department with a 1% increase in the City's retirement contribution, bringing the City's total contribution to 12%;
- Implemented a Demolition Program to demolish and clean up condemned commercial buildings throughout the City;
- Completed 29th Street Improvements, providing a new road with drainage, water and sewer improvements from Loop 197 to Palmer Highway;

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued)

- Completed 25th Avenue Extension Street Improvements, providing a four lane extension road along with drainage, water and sewer improvements from State Highway 146 to State Highway 3;
- Completed Phase 9-Sanitary Sewer Line Rehabilitation Program, rehabbing/replacing 28,275 linear feet of 6"-12" deteriorated sanitary sewer lines, from 1993 to 2006, the City has rehabbed/replaced a total of 274,155 linear feet, of a total of 1,008,587 linear feet (27% of line system), of sanitary sewer lines at a total cost of \$45,821,925;
- Completed Phase 6-Water Line Replacement Program, replacing 22,760 linear feet of deteriorated water lines in the water system, from 1999 to 2006, the City has replaced a total of 202,575 linear feet, of a total of 1,183,426 linear feet (17.1% of line system), of water lines at a total cost of \$11,579,635;
- Began construction on 13th Avenue Sanitary Sewer Improvements project, providing a new road with drainage, water and sewer improvements at a total project cost of \$5,161,400.00, estimated completion date in early 2007;
- Completed design and engineering for a 1200 GPM aquifer and storage recovery water well located west of FM 2004;
- Began construction on the Natatorium project located at the Lowry Fitness Center, with the addition of a pool to accommodate swim meets, expansion and remodeling of the gym and locker rooms;
- Completed replacement of ornamental fencing at Memorial Park;
- Completed implementation of OSSl public safety software, providing a new system for Police, Fire, Records, and Jail;
- Completed resurface/repair of pavement at the Biosphere Recycling Center;
- Completed the Rainwater Pump Engine Replacement Program, installing the third and final diesel engine located at Pump Station A;
- Trained all City staff in "Cultural Diversity in the Workplace";
- Completed repaving of parking lot at the Rifle Range;
- Completed improvements at Washington Gym, installing new A/C units and resurfacing gym floor;
- Completed improvements at Nessler Pool, replacing parts for pool;
- Replaced roofs on Moore Memorial Library and the Wastewater Treatment Plant;
- Implemented new cash registering/reservation system for Recreation & Tourism;
- Completed repair of stone exterior and waterproofing on the Public Works building located on 6th Street;
- Completed installation of covered walkways in the City Hall employee parking lot;
- Initiated engineering and design services for the 9th Avenue/9th Street Improvements project;
- Began installation of two fine bar screens at the Wastewater Treatment Plant;
- Completed replacing computers and servers at the Moore Memorial Library;
- Continue progressive "pro-active" multi-dimensional safety program embodying all facets of work;
- Completed infrastructure appraisal study in order to be in complete compliance with GASB 34 requirements for the fiscal year ending September 30, 2007;
- Renewed the City of Texas City Police Department's State Training Academy License from the Texas Commission on Law Enforcement Officers Standard and Education;
- Entered into an inter-local agreement with Texas City Independent School District (TCISD) and LaMarque Independent School District (LMISD) for the Summer Lunch Program, to provide the preparation and transportation of free lunches for children;
- Continue to improve the quality of pre hospital emergency medical care that the citizens have come to expect from the City of Texas City;
- Continue to operate a cost effective emergency medical system while attracting and retaining the most educated, highest quality practitioners in the region and continue;
- Entered into an inter-local agreement to provide EMS standby coverage for the Texas City High School Football games;
- Entered into a development agreement with Land Tejas Development Company for the creation of two Tax Increment Reinvestment Zones (TIRZ), one residential and one for the commercial component of the development;
- Continue to operate and maintain a City committed to delivering quality public services to its citizens.

CAPITAL IMPROVEMENT PROGRAM (CIP)

A capital improvement program (CIP) is a fiscal planning tool that identifies capital improvement projects, prioritizes these projects, and schedules them for funding and implementation. Capital improvement programming provides the decision-makers in Texas City with the ability to gain an overall perspective on new development in the City and to coordinate government capital improvement and outlay plans with general community growth and expansion. This enables the City to foresee repair and replacement needs. A CIP helps assure logical development of public facilities and helps avoid concentrating too much on certain types of projects to the exclusion or detriment of other public facility and capital needs.

A capital improvement program is an important capital and fiscal planning tool. The CIP, if exercised skillfully and with good judgment, will help Texas City:

- (1.) Select projects which address the most pressing need(s);
- (2.) Eliminate projects that are favored by one or more groups in the community but have a low overall priority;
- (3.) Prevent projects from being undertaken either too soon, causing unnecessary carrying costs, or too late, after the need for the project is upon the City and planning must be done in a crisis situation.

The capital budget is only as good as the plan for financing the proposed projects. The number of public improvements a municipality can finance generally depends on:

- (1.) The level of recurring future operating expenditures;
- (2.) The current level of debt (bonded indebtedness);
- (3.) The legal limit of debt it may incur (bonded capacity);
- (4.) Any potential sources of additional revenue available for capital improvement financing.

Financial analysis and planning are needed for intelligent capital improvement programming. The three elements that must be clearly understood are:

- (1.) The relationship between the revenue program (based on the economic vitality of the community) and the operating budget (based on a program of public services), with the resulting cash funds available to pay in whole or in part for capital improvements or to meet the obligations of the debt service;
- (2.) The new debt structure of the community and its ability to incur new debt;
- (3.) Policies and legal mandates dealing with revenues, operating expenditures, capital improvements, bonds, and the relations among and between them.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining internal control designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is completed to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Internal control is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived, and (2) the evaluation of costs and benefits require estimates and judgments by management.

We believe the City's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

FINANCIAL INFORMATION (continued)

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Commission. Activities of the General, Special Revenue, Debt Service, Construction, Enterprise, Internal Service, Agency Funds and Component Units are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each department. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

The City of Texas City's financial statements have been audited by Null-Lairson, P.C., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Texas City for the fiscal year ended September 30, 2006, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was reasonable basis for rendering and unqualified opinion on the City of Texas City's financial statements for the fiscal year ended September 30, 2006, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

ACKNOWLEDGEMENTS

The preparation of this report was accomplished with the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the departments who assisted and contributed to its preparation. We would also like to thank the Mayor and City Commission for their interest and unfailing support in planning and conducting the financial operations of the City in a responsible and prudent manner.

Respectfully submitted,

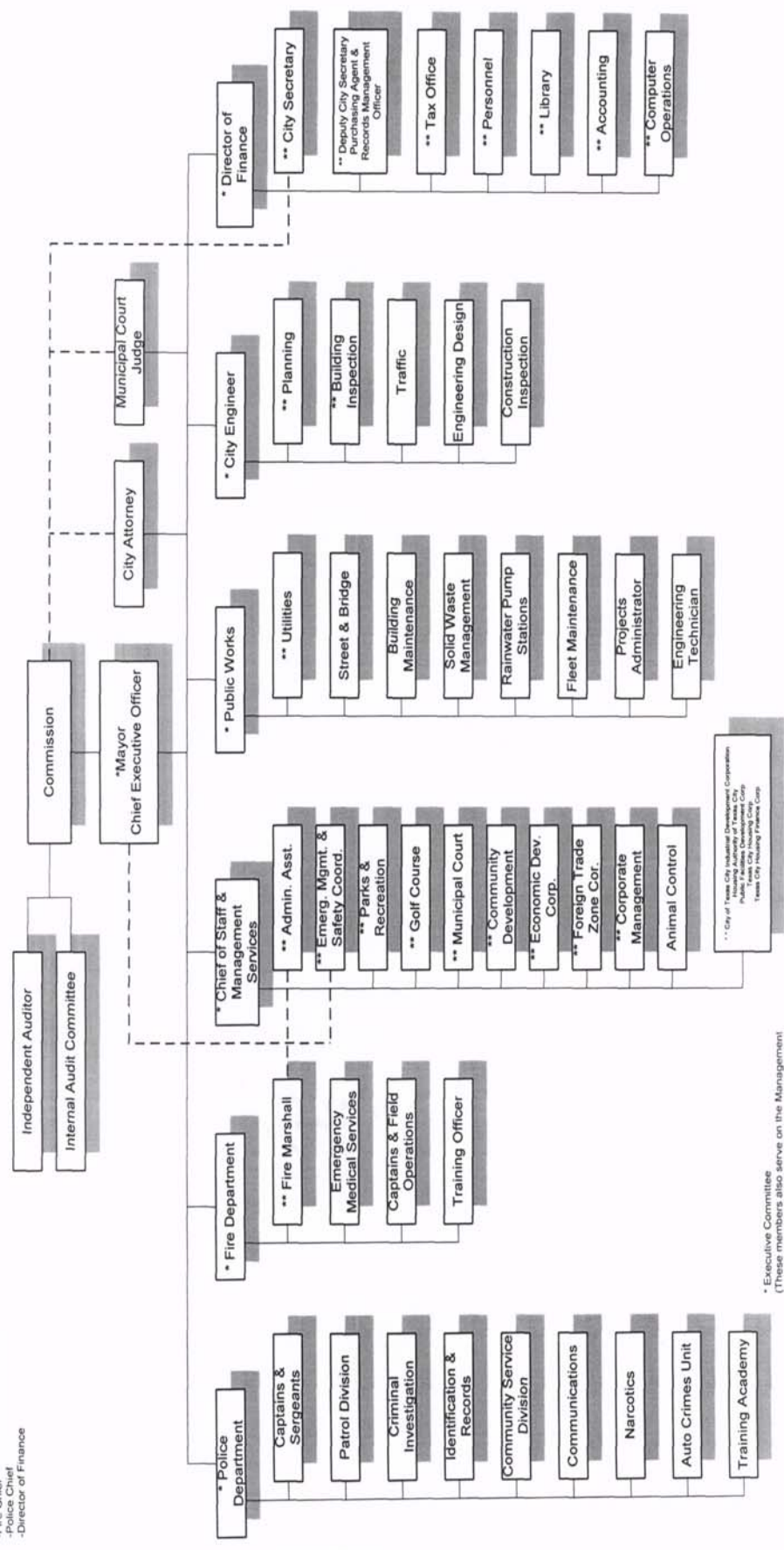
A handwritten signature in blue ink, appearing to read "Cheryl T. Hunter".

Cheryl T. Hunter, CPA
Director of Finance

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City of Texas City
Organizational Chart
As of May 1, 1996

APPOINTMENTS
BY COMMISSION
-City Secretary
-City Attorney
-Municipal Court Judge
-Independent Auditor's
By Mayor & Confirmed by Commission
-Fire Chief
-Police Chief
-Director of Finance



* Executive Committee
(These members also serve on the Management Committee)
** Management Committee

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*Mayor
Matthew T. Doyle*

*Commissioners At-Large
Mike Land
Mayor Pro-Tem*

Dee Ann Haney

*District 1
Donald Singleton*

*District 2
Carl Sullivan*

*District 3
Dedrick Johnson, Sr.*

*District 4
Tommy Clark*

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FINANCIAL SECTION

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**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND
OTHER SUPPLEMENTARY INFORMATION INCLUDING THE SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

The Honorable Mayor and
Members of the City Commission
City of Texas City, 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 Texas City, Texas (the City) as of and for the year ended September 30, 2006, 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 an opinion on these financial statements based on our audit.

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

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 of Texas City, Texas of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report, which has been issued separately from this document, is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the information identified as Required Supplementary Information in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Texas City, Texas' basic financial statements. The introductory section, other supplementary and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the 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.



NULL – LAIRSON, PC
Texas City, Texas
March 23, 2007

**CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2006**

In this section of the Comprehensive Annual Financial Report, we present a narrative overview and analysis of the financial activities of the City of Texas City for the fiscal year ended September 30, 2006. Please read it in conjunction with the independent auditors' report, our letter of transmittal and the City's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Texas City exceeded its liabilities at the close of the most recent fiscal year by \$62.4 million (*net assets*). Of this amount, \$20.2 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$14.7 million.
- As of the close of the current fiscal year, the City of Texas City's governmental funds reported combined ending fund balances of \$25.7 million, a decrease of \$646,000 in comparison with the prior year. Approximately 36% of this total amount, \$10.8 million is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$10.8 million, or 31.5 percent of total general fund expenditures.
- The City's total debt decreased by \$5.4 million as a result of principal and interest payments on the City's outstanding bond issues and loans.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Texas City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Texas City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Texas City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administrative services, public safety, public works, culture and recreation, health and sanitation.

The business-type activities of the City of Texas City include the Utility Fund and Water and Sewer System Revenue.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The City's seven component units consist of the following:

- City of Texas City Economic Development Corporation (4B)
- City of Texas City Harbour Foreign Trade Zone Corporation
- City of Texas City Industrial Development Corporation
- City of Texas City Public Facilities Development Corporation
- City of Texas City Danforth Health Facilities Corporation
- City of Texas City Cultural Arts Foundation
- City of Texas City Historical Preservation Corporation

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Texas City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 fiscal year. Such information may be useful in evaluating a government'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 Texas City maintains in excess of twenty-five 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. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds

The City of Texas City maintains two different 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 of Texas City uses enterprise funds to account for its Utility Fund and Water and Sewer System Revenue and Interest and Sinking Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Texas City uses internal service funds to account for its equipment replacement and for its equipment maintenance insurance. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund and for the Water and Sewer System Revenue and Interest and Sinking Funds, all of which are considered to be major funds of the City of Texas City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Texas City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Texas City's progress in funding its obligation to provide pension benefits to its employees. The City of Texas City adopts an annual appropriated budget for its general, debt service, special revenue, construction, water, sewer, internal service, and fiduciary funds, and component units. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Texas City, assets exceeded liabilities by \$35,763,540 at the close of the most recent fiscal year.

By far the largest portion of the City of Texas City's net assets (52 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related 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 of Texas 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 capital assets themselves cannot be used to liquidate these liabilities.

City of Texas City's Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|------------------------------------|---------------|-------------------------------------|----------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and other assets | \$ 33.4 | \$ 34.1 | \$ 11.2 | \$ 14.0 | \$ 44.6 | \$ 48.1 |
| Capital assets | 35.0 | 26.1 | 48.1 | 43.7 | 83.1 | 69.8 |
| Total assets | <u>68.4</u> | <u>60.2</u> | <u>59.3</u> | <u>57.7</u> | <u>127.7</u> | <u>117.9</u> |
| Long-term liabilities outstanding | 53.3 | 56.2 | 8.1 | 8.0 | 61.4 | 64.2 |
| Other Liabilities | 1.9 | 3.5 | 2.5 | 2.2 | 4.4 | 5.7 |
| Total Liabilities | <u>55.2</u> | <u>59.7</u> | <u>10.6</u> | <u>10.2</u> | <u>65.8</u> | <u>69.9</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | (11.1) | (23.3) | 40.1 | 34.3 | 29.0 | 11.0 |
| Restricted | 13.2 | 19.2 | - | - | 13.2 | 19.2 |
| Unrestricted | 11.1 | 4.6 | 9.1 | 13.1 | 20.2 | 17.7 |
| Total net assets | <u>\$ 13.2</u> | <u>\$ 0.5</u> | <u>\$ 49.2</u> | <u>\$ 47.4</u> | <u>\$ 62.4</u> | <u>\$ 47.9</u> |

An additional portion of the City of Texas City's net assets (21 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$20.2 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Texas City has positive balances in the Invested in Capital Assets and Restricted categories, both for the government as a whole, as well as for its separate and business-type activities.

City of Texas City's Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|----------------------------|-------------|-----------------------------|-------------|-------------|-------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 6.0 | \$ 4.9 | \$ 9.8 | \$ 9.4 | \$ 15.8 | \$ 14.3 |
| Operating grants and contributions | 4.9 | 1.3 | - | - | 4.9 | 1.3 |
| Capital grants and contributions | (0.6) | - | 0.6 | - | - | - |
| General Revenues: | | | | | | |
| Property Taxes | 19.6 | 17.9 | - | - | 19.6 | 17.9 |
| Other Taxes | 15.8 | 12.4 | - | - | 15.8 | 12.4 |
| Other | 3.1 | 1.6 | 1.1 | 1.9 | 4.2 | 3.5 |
| Total revenues | 48.8 | 38.1 | 11.5 | 11.3 | 60.3 | 49.4 |
| Expenses: | | | | | | |
| General government | 3.6 | 3.2 | - | - | 3.6 | 3.2 |
| Public Safety | 15.2 | 13.3 | - | - | 15.2 | 13.3 |
| Public Works | 8.7 | 5.7 | - | - | 8.7 | 5.7 |
| Health and Welfare | 0.3 | 2.7 | - | - | 0.3 | 2.7 |
| Culture and Recreation | 6.2 | 6.2 | - | - | 6.2 | 6.2 |
| Urban rehabilitation and housing | 0.4 | 0.5 | - | - | 0.4 | 0.5 |
| Interest on long-term debt | 2.2 | 1.9 | - | - | 2.2 | 1.9 |
| Enterprise Fund-Water | - | - | 4.4 | 4.3 | 4.4 | 4.3 |
| Enterprise Fund-Sewer | - | - | 4.6 | 4.3 | 4.6 | 4.3 |
| Total Expenses | 36.6 | 33.5 | 9.0 | 8.6 | 45.6 | 42.1 |

City of Texas City's Changes in Net Assets (Continued)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|---------------|-----------------------------|----------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Increase (decrease) in net assets before transfers | 12.2 | 4.6 | 2.5 | 2.7 | 14.7 | 7.3 |
| Transfers | 0.5 | - | (0.5) | - | - | - |
| Increase (decrease) in net assets | 12.7 | 4.6 | 2.0 | 2.7 | 14.7 | 7.3 |
| Net assets-beginning | 0.5 | (4.1) | 47.2 | 44.7 | 47.7 | 40.6 |
| Prior period adjustment | - | - | - | - | - | - |
| Net assets-ending | \$ 13.2 | \$ 0.5 | \$ 49.2 | \$ 47.4 | \$ 62.4 | \$ 47.9 |

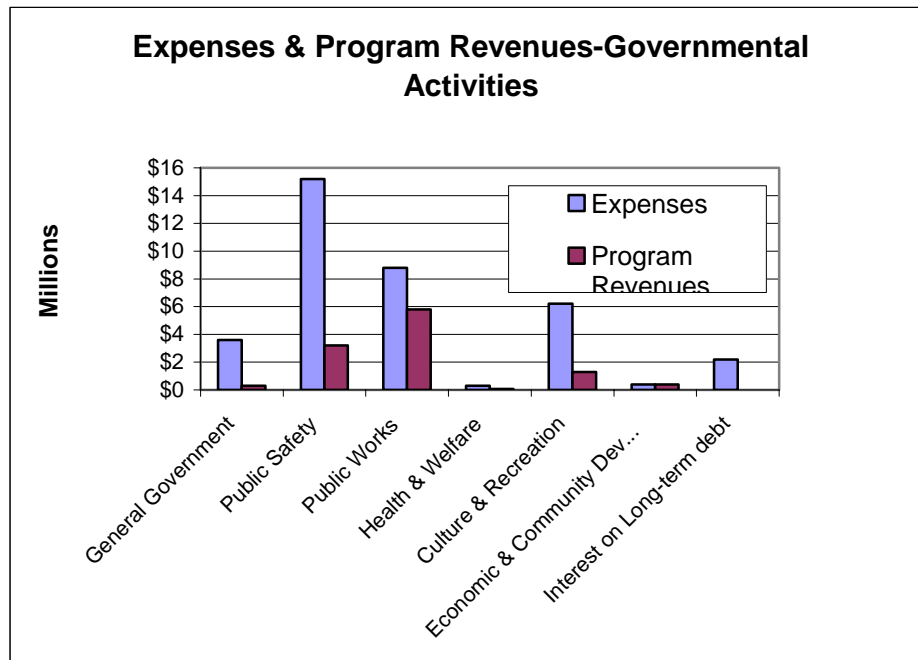
The most significant changes in net assets occurred with a net increase in net assets invested in capital assets net of related debt of \$14.7 million due primarily to a combination of an increase in property values and sales tax revenues. Unrestricted net assets in the business type activities decreased by \$4.0 million due to increases in capital expenses.

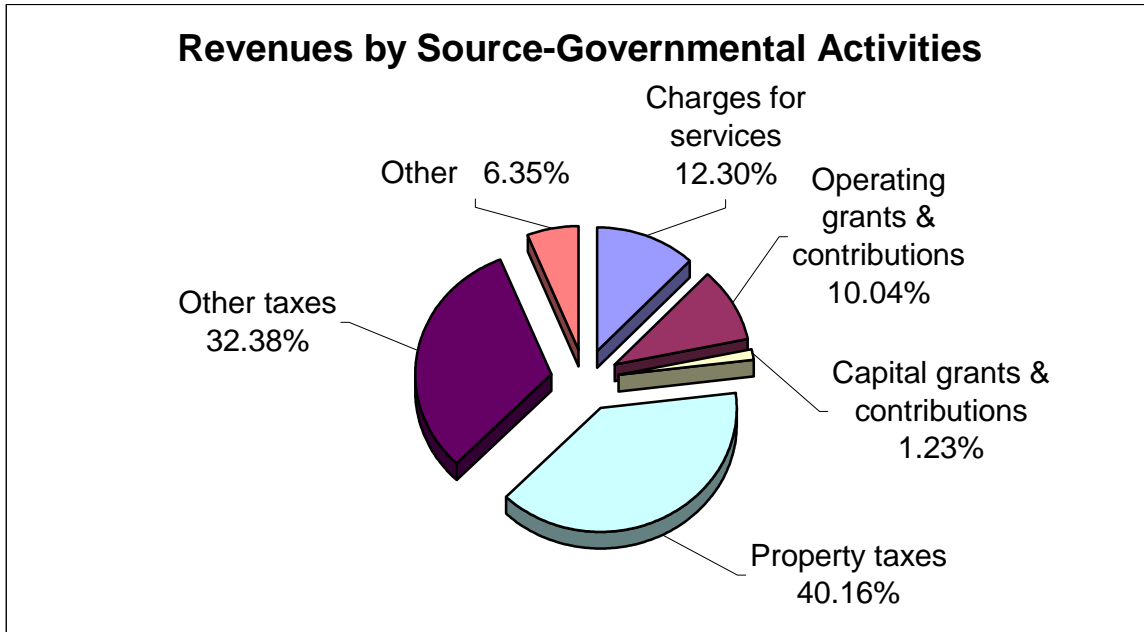
The government's net assets increased by approximately \$14.7 million from the prior year primarily as a result of the increase in net assets in the Governmental Activities due to increased property values and sales tax revenues.

Governmental activities

Governmental activities increased the City of Texas City's net assets by \$12.7 million, thereby accounting for 86.39 percent of the total increase in the net assets of the City. Key elements of this decrease are as follows:

- Property taxes increase by \$1.7 million (9.5 percent) during the year. The increase is a result of an increase in 2005 Certified Taxable Values. The rise in values is attributed to a 37% increase in industrial, 15.9% increase in business, 2.6% increase in residential and a decrease of .5% in other, net taxable values.
- Sales tax revenues increased by \$3.4 million (27.42 percent) during the year. The increase is primarily attributed to ongoing industrial construction and expansion projects.
- Operating grants and contributions increased by \$3.6 million (277 percent) during the year. The increase is attributed to the contributions from Galveston County on the 25th Avenue Extension Project.
- Increases in expenses closely paralleled inflation and growth in the demand for services. However, the City of Texas City's public safety increase in expenses of \$1.9 million (14.28 percent) reflects increases in overtime costs, the addition of a city-wide EMS program, and additional personnel.

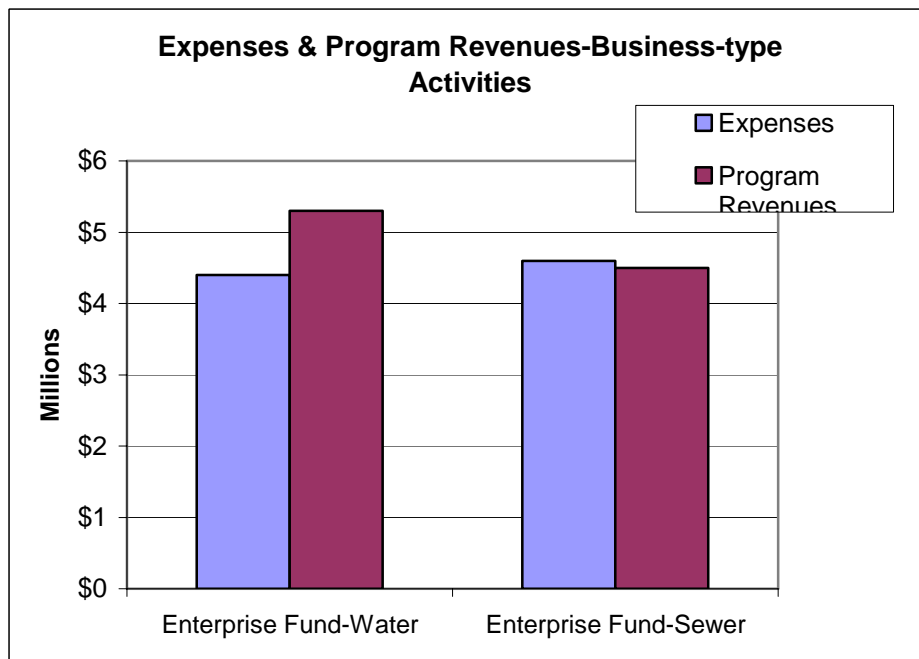




Business-type activities

Business-type activities increased the City of Texas City's net assets by \$2.0 million, accounting for 13.61 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities remained constant with a minimal increase of \$.40 million. Water and sewer rates remained the same for the fiscal year.
- Operating expenses for business-type activities also remained constant with a minimal increase of \$.40 million.



Financial Analysis of the Government's Funds

The City of Texas City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

At the end of the current fiscal year, the City of Texas City's governmental funds reported combined ending fund balances of \$25.7 million an increase of \$646,000 as compared to the prior year. *Unreserved fund balance*, which is available for spending at the government's discretion, totaled \$10.8 million. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$1.1 million), 2) for prepaid expenditures (\$.20 million), 3) for amounts invested in inventory (\$.40 million), 4) for encumbrances (\$1.5 million), and 5) for other purposes (\$11.6 million).

The general fund is the chief operating fund of the City of Texas City. At the end of the current fiscal year, *unreserved fund balance* amounted to \$10.8 million while total fund balance amounted to \$12.9 million. As a measure of the general fund's liquidity, it may be useful to compare both fund balance reserved for future expenditures and total fund balance, to total fund expenditures. Unreserved fund balance represents 31 percent of total general fund expenditures, while total fund balance represents 37 percent of that same amount.

The fund balance of the City of Texas City's General Fund increased by \$2.5 million during the current fiscal year. Key factors in this increase are as follows:

- Property taxes increase by \$1.7 million (9.5 percent) during the year. The increase is a result of an increase in 2005 Certified Taxable Values. The rise in values is attributed to a 37% increase in industrial, 15.9% increase in business, 2.6% increase in residential and a decrease of .5% in other, net taxable values.
- Sales tax revenues increased by \$3.4 million (27.42 percent) during the year. The increase is primarily attributed to ongoing industrial construction and expansion projects.

The debt service has a total fund balance of \$1.1 million, which is legally restricted for payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$80,000..

Proprietary funds

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

Unrestricted net assets of the Utility Fund at the end of the year totaled \$979,000 and the total net assets were \$49.2 million. The total change in net assets for these funds was \$2.0 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Texas City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase in appropriations of \$.60 million summarized as follows:

- \$.10 million in increases in general government activities
- \$.09 million in increases allocated to public safety
- \$.17 million in increases allocated to the public works
- \$.019 million in increases allocated to culture and recreation
- \$.0004 million in increases allocated to health and welfare
- \$.27 million in increases allocated for Capital Outlay

The increases during the year were budgeted from available fund balance.

Capital Assets and Debt Administration**Capital assets**

The City of Texas City's investment in capital assets for its governmental and business type activities as of September 30, 2006, amounts to \$83.1 million (net of accumulated depreciation). This investment in capital assets includes land, historical treasures and works of art, buildings, improvements, vehicles, machinery and equipment, furniture and office equipment and construction in progress and investment in future water rights. The total increase in the City of Texas City's investment in capital assets for the current fiscal year was \$14 million (16 percent).

Major capital assets acquired during the current fiscal year included the following:

- Completed Phase 6 of the Water Line Replacement Program, replacing 22,760 linear feet of deteriorated water lines.
- Completed Phase 9 of the Sanitary Sewer Line Rehabilitation Program, rehabbing/replacing 28,275 linear feet of deteriorated sanitary sewer lines.
- Completed 29th Street Improvements, providing a new road with drainage, water and sewer improvements from Loop 197 to Palmer Highway.
- Completed implementation of OSSI public safety software, providing a new system for Police, Fire, Records and Jail.
- Various pieces of equipment and vehicles were acquired during the year for approximately \$1.5 million.

**City of Texas City's Capital Assets
(Net of depreciation)**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|-------------------------------------|------------------------------------|-------------------------------------|----------------|
| Land | \$ 2.8 | \$ 0.1 | \$ 2.9 |
| Historical treasures & works of art | 0.9 | - | 0.9 |
| Infrastructure | 22.6 | 68.2 | 3.8 |
| Buildings & structures | 8.2 | 1.9 | 4.7 |
| Machinery, equipment & furniture | 16.0 | 3.5 | 19.5 |
| Construction in progress | 0.1 | 5.7 | 5.8 |
| | <u>50.6</u> | <u>79.4</u> | <u>130.0</u> |
| Less: Accumulated depreciation | (15.6) | (31.3) | (46.9) |
| | <u>\$ 35.0</u> | <u>\$ 48.1</u> | <u>\$ 83.1</u> |

Additional information on the City of Texas City's capital assets can be found in notes to the Financial Statements of this report.

Long-term debt

At the end of the current fiscal year, the City of Texas City had total bonded debt outstanding of \$53.4 million. Of this amount, \$48.1 million comprises debt backed by the full faith and credit of the government. The remainder of the City of Texas City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Texas City's Outstanding Debt
Certificates of Obligation, General Obligation, and Revenue Bonds**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|----------------------------|------------------------------------|-------------------------------------|----------------|
| Certificates of obligation | \$ 13.5 | \$ - | \$ 13.5 |
| General obligation bonds | 31.8 | - | 31.8 |
| Contract revenue bonds | - | 8.2 | 8.2 |
| | <u>\$ 45.2</u> | <u>\$ 8.2</u> | <u>\$ 53.4</u> |

The City of Texas City's total debt decreased by \$3.2 million (5.6 percent) during the current fiscal year due to annual scheduled principal payments on the debt.

During the current fiscal year, the government acquired no additional new debt.

Current ratings on debt issues are as follows:

City of Texas City's Debt Ratings

| | <u>Moody's Investor's Service</u> | <u>Standard and Poors</u> |
|----------------------------|---|-----------------------------------|
| General obligation bonds | Aaa | AAA |
| Certificates of obligation | Aa3 | A+ |

All of the City's bond issues have been successful in qualifying for bond insurance resulting in ratings of Aaa, Aa3, AAA and A+ from Moody's and Standard & Pools (S&P).

Additional information on the City of Texas City's long-term debt can be found in the Notes to the Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

- The City looks forward as it welcomes new residential developments to accommodate and anticipate it growth with the additions of several new master planned communities, which are in progress.
- The City of Texas City is adding a new natatorium and gymnasium to the existing Lowry Fitness Center. This will be the only natatorium in Galveston County and will be used by the school district and City to attract state swimming meets.
- The former 100 acre Tex-Tin site has been sold and being developed as an inter-modal yard and warehousing complex by Phoenix International Terminal. This complex will complement the new Texas City International Terminal being constructed on Shoal Point to import and export 1,000,000 containers of consumer products. The two projects are expected to create over 2,000 new jobs and millions in local and state taxes.
- The 2006 Budget was prepared assuming a total tax rate of \$.45624 per \$100 valuation. The tax rate provides sufficient funds for general fund operations and debt service requirements. The 2006 tax rate is comprised of the following components:

| | |
|--------------|-----------|
| General Fund | \$.368579 |
| Debt Service | \$.087661 |

- The General Fund has budgeted revenues and other sources of \$37.5 million, compared to last year's budgeted revenues and other sources of \$33.1 million. This represents an increase of \$4.4 million. The increase in revenues is mainly attributed to the rise in property tax valuations, increase in amounts held in inventory at January 1, 2006, and a significant increase in sales tax collections for the City.
- The General Fund has budgeted expenditures of \$38.3 million, compared to the previous year's budgeted expenditures of \$34.1 million, an increase of \$4.2 million or 12.47%.
- The 2006 Budget included an across the board salary increase in the amount of 4% for City employees whose yearly salary is \$35,000 or below and 3% for those over \$35,000. The Police department's budget included a 3% increase for those policeman included in the collective bargaining agreement and the Fire department's budget included an across the board salary increase of 2% with a 3% increase in the City's contribution to the Firemen's retirement fund, bringing the total City contribution level to 15%.
- The 2006 Budget provided funding for 5 additional full time personnel, one (1) Assistant City Engineer, two (2) Firefighters, and one (1) local history librarian, at a total cost of \$257,000.
- The 2006 Budget includes \$29.5 million in capital outlay, which was funded through various funds and sources. The City Commission approved a \$1.5 million capital project to be funded by the General Fund, the 16th Avenue street improvement project is slated to begin in late 2007.
- The City continues to make the third installment for the amount due to BP Amoco, which amounts to \$512,000. The refund is a result from the litigation , BP Amoco vs. GCAD that involved a dispute over the 2002 tax year's valuations. The City is mandated to refund an amount totaling approximately \$2.04 million, beginning December 15, 2004, with the final installment due on December 15, 2007.
- The 2006 Budget will expend funds from the General Fund's unreserved fund balance to fund the cost of the additional personnel, employee salary increase and non-recurring expenditures. The drawdown

on the fund balance is expected to reduce to the unreserved fund balance to approximately 23.55% of budgeted expenditures, well within the goal of 15-25%.

- The Water Revenue Fund has budgeted revenues of \$5.3 million. Budgeted expenditures in the Water Revenue Fund totaled \$7.5 million, compared to last year's budgeted expenditures of \$6.9 million. This represents an increase of \$.56 million or 8%, which is attributed to the capital funded in the 2006 budget. The 2006 Budget reflects that the water revenue fund will operate with a net income of \$.40 million.
- The Sewer Revenue Fund has budgeted revenues of \$4.6 million. Expenditures in the Sewer Revenue Fund totaled \$8.5 million compared to last year's budgeted expenditures of \$7.9 million. This represents an increase of \$.50 million or 7%, which is attributed to the capital funded in the 2006 budget. The 2006 Budget reflects that the sewer revenue fund will operate with a net loss of \$47,700.
- The proposed budget for the Water and Sewer Revenue Funds also include funding for the following additional personnel, a General Superintendent at \$80,000.

Requests for Information

This financial report is designed to provide a general overview of the City of Texas City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 1801 9th Avenue North, Texas City, Texas 77590.

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BASIC FINANCIAL STATEMENTS

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City of Texas City, Texas
Statement of Net Assets
September 30, 2006

| | Governmental Activities | Business-type Activities | Total | Component Units |
|---|------------------------------------|-------------------------------------|-----------------------|----------------------------|
| ASSETS | | | | |
| Cash and Equivalents | \$ 13,875,579 | \$ 4,858,993 | \$ 18,734,572 | \$ 1,477,643 |
| Investments | 12,292,373 | 5,029,232 | 17,321,605 | 5,106,740 |
| Receivables | 4,196,134 | 945,107 | 5,141,241 | 41,378 |
| Due from Other Governmental Agencies | 2,380,370 | - | 2,380,370 | 662,857 |
| Inventories | 426,442 | 148,089 | 574,531 | - |
| Other assets | 289,822 | 136,845 | 426,667 | - |
| Capital Assets | | | | |
| Land and improvements not being | 3,754,007 | 5,820,432 | 9,574,439 | 3,999,532 |
| Infrastructure | 18,594,003 | 68,242,268 | 86,836,271 | - |
| Buildings | 8,221,343 | 1,867,676 | 10,089,019 | 18,140,286 |
| Equipment and Furniture | 16,026,882 | 3,518,293 | 19,545,175 | - |
| Other Capital Assets | 3,981,831 | - | 3,981,831 | 266,269 |
| Less: Accumulated Depreciation | (15,580,163) | (31,270,603) | (46,850,766) | (3,784,515) |
| Total Capital Assets | <u>34,997,903</u> | <u>48,178,066</u> | <u>83,175,969</u> | <u>18,621,572</u> |
| Other assets | - | 601,856 | 601,856 | - |
| Total Assets | <u>\$ 68,458,623</u> | <u>\$ 59,898,188</u> | <u>\$ 128,356,811</u> | <u>\$ 25,910,190</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 1,704,692 | \$ 2,548,006 | \$ 4,252,698 | \$ 297,680 |
| Deferred Revenues | 213,475 | - | 213,475 | - |
| Long-term liabilities | | | | |
| Due within one year | | | | |
| Bonds, capital leases, and contracts | 3,316,505 | - | 3,316,505 | 78,763 |
| Accrued interest | 278,646 | 16,752 | 295,398 | - |
| Compensated absences | 98,200 | - | 98,200 | - |
| Claims and judgments | 683,127 | - | 683,127 | 57,249 |
| Due in more than one year | | | | |
| Bonds, capital leases and contracts | 43,128,314 | 8,052,272 | 51,180,586 | - |
| Net pension obligation | 282,720 | - | 282,720 | - |
| Compensated absences | 1,379,416 | - | 1,379,416 | - |
| Claims and judgments | 4,167,824 | - | 4,167,824 | 969,387 |
| Total liabilities | <u>55,252,919</u> | <u>10,617,030</u> | <u>65,869,949</u> | <u>1,403,079</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | (11,083,630) | 40,254,565 | 29,170,935 | 17,573,422 |
| Restricted for: | | | | |
| Capital projects | 9,763,610 | - | 9,763,610 | - |
| Debt Service | 1,444,804 | - | 1,444,804 | - |
| Other projects | 1,948,333 | - | 1,948,333 | 6,933,689 |
| Unrestricted | 11,132,587 | 9,026,593 | 20,159,180 | - |
| Total net assets | <u>\$ 13,205,704</u> | <u>\$ 49,281,158</u> | <u>\$ 62,486,862</u> | <u>\$ 24,507,111</u> |

See accompanying notes to financial statements.

City of Texas City, Texas
Statement of Activities
For the Year Ended September 30, 2006

| Functions/Programs | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Units |
|--|----------------------|----------------------|--------------------------|----------------------------------|---|--------------------------|------------------------|----------------------|
| | Expenses | Charges for Services | Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General Government | \$ 3,627,245 | \$ 275,170 | \$ - | \$ - | \$ (3,352,075) | \$ - | \$ (3,352,075) | |
| Public Safety | 15,194,357 | 2,426,236 | 753,727 | - | (12,014,394) | - | (12,014,394) | |
| Public Works | 8,760,691 | 2,036,767 | 3,721,075 | - | (3,002,849) | - | (3,002,849) | |
| Health and Welfare | 304,240 | 63,858 | - | - | (240,382) | - | (240,382) | |
| Culture and Recreation | 6,227,018 | 1,241,842 | 12,408 | - | (4,972,768) | - | (4,972,768) | |
| Economic and Community Development | 412,396 | - | 424,449 | - | 12,053 | - | 12,053 | |
| Interest on Long-term debt | 2,169,494 | - | - | - | (2,169,494) | - | (2,169,494) | |
| Total governmental activities | <u>36,695,441</u> | <u>6,043,873</u> | <u>4,911,659</u> | <u>-</u> | <u>(25,739,909)</u> | <u>-</u> | <u>(25,739,909)</u> | |
| Business-type activities | | | | | | | | |
| Water Revenue Fund | 4,395,997 | 5,274,822 | - | 290,707 | - | 1,169,532 | 1,169,532 | |
| Sewer Revenue Fund | 4,179,635 | 4,535,477 | - | 328,307 | - | 684,149 | 684,149 | |
| GCWA Bonds Construction Fund | 125,461 | - | - | - | - | (125,461) | (125,461) | |
| Utility Capital Reserve Fund | 285,660 | - | - | - | - | (285,660) | (285,660) | |
| Total business-type activities | <u>8,986,753</u> | <u>9,810,299</u> | <u>-</u> | <u>619,014</u> | <u>-</u> | <u>1,442,560</u> | <u>1,442,560</u> | |
| Total primary government | <u>\$ 45,682,194</u> | <u>\$ 15,854,172</u> | <u>\$ 4,911,659</u> | <u>\$ 619,014</u> | <u>\$ (25,739,909)</u> | <u>\$ 1,442,560</u> | <u>\$ (24,297,349)</u> | |
| Component Units | | | | | | | | |
| Component Units | <u>\$ 2,320,686</u> | <u>\$ 732,578</u> | <u>\$ 1,250,000</u> | <u>\$ -</u> | | | | <u>\$ (338,108)</u> |
| Total component units | <u>\$ 2,320,686</u> | <u>\$ 732,578</u> | <u>\$ 1,250,000</u> | <u>\$ -</u> | | | | <u>\$ (338,108)</u> |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purposes | | | | | \$ 15,388,751 | \$ - | \$ 15,388,751 | \$ - |
| Property taxes, levied for debt service | | | | | 4,232,970 | - | 4,232,970 | - |
| Franchise and other taxes | | | | | 3,800,281 | - | 3,800,281 | - |
| Sales taxes | | | | | 12,002,838 | - | 12,002,838 | 4,000,946 |
| Unrestricted investment earnings | | | | | 866,921 | 257,220 | 1,124,141 | 156,656 |
| Miscellaneous | | | | | 2,166,095 | 841,091 | 3,007,186 | 180,866 |
| Special item - gain (loss) on sale of assets | | | | | 71,493 | - | 71,493 | 17,556 |
| Transfers | | | | | 500,000 | (500,000) | - | - |
| Capital contributions to business type activities | | | | | (619,015) | - | (619,015) | - |
| Total general revenues, special items, and transfers | | | | | <u>38,410,334</u> | <u>598,311</u> | <u>39,008,645</u> | <u>4,356,024</u> |
| Change in net assets | | | | | 12,670,425 | 2,040,871 | 14,711,296 | 4,017,916 |
| Net assets - beginning | | | | | 535,279 | 47,240,287 | 47,775,566 | 20,489,195 |
| Net assets - ending | | | | | <u>\$ 13,205,704</u> | <u>\$ 49,281,158</u> | <u>\$ 62,486,862</u> | <u>\$ 24,507,111</u> |

See accompanying notes to financial statements.

**City of Texas City, Texas
Balance Sheet
Governmental Funds
September 30, 2006**

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>2005 Series Construction Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|----------------------|------------------------------|--|---|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 7,164,660 | \$ 1,182,324 | \$ 2,952,781 | \$ 305,030 | \$ 11,604,795 |
| Investments | 3,725,629 | - | 3,986,850 | 4,079,894 | 11,792,373 |
| Taxes receivable, net | 1,570,568 | 353,444 | - | - | 1,924,012 |
| Receivable from other governments | 1,941,932 | - | - | 438,438 | 2,380,370 |
| Accrued interest receivable | 15,234 | - | 45,507 | 45,937 | 106,678 |
| Other receivables | 1,583,504 | - | - | 293,945 | 1,877,449 |
| Inventories | 426,442 | - | - | - | 426,442 |
| Prepaid expenses | 204,994 | - | - | - | 204,994 |
| Total assets | <u>\$ 16,632,963</u> | <u>\$ 1,535,768</u> | <u>\$ 6,985,138</u> | <u>\$ 5,163,244</u> | <u>\$ 30,317,113</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 1,240,928 | \$ 2,501 | \$ 89,918 | \$ 112,499 | \$ 1,445,846 |
| Payable to other governments | 171,747 | - | - | - | 171,747 |
| Deferred revenue | 1,529,134 | 342,966 | - | 213,475 | 2,085,575 |
| Other accrued expenses | 235,739 | 12,268 | - | - | 248,007 |
| Other payables | 542,881 | 76,195 | 16,937 | 3,610 | 639,623 |
| Total liabilities | <u>3,720,429</u> | <u>433,930</u> | <u>106,855</u> | <u>329,584</u> | <u>4,590,798</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Inventories | 426,442 | - | - | - | 426,442 |
| Encumbrances | 784,850 | - | 647,630 | 115,092 | 1,547,572 |
| Prepaid expenses | 204,994 | - | - | - | 204,994 |
| Debt service | - | 1,101,838 | - | - | 1,101,838 |
| Other purposes | 615,163 | - | 6,230,653 | 4,718,568 | 11,564,384 |
| Unreserved | 10,881,085 | - | - | - | 10,881,085 |
| Total fund balances | <u>12,912,534</u> | <u>1,101,838</u> | <u>6,878,283</u> | <u>4,833,660</u> | <u>25,726,315</u> |
| Total liabilities and fund balances | <u>\$ 16,632,963</u> | <u>\$ 1,535,768</u> | <u>\$ 6,985,138</u> | <u>\$ 5,163,244</u> | <u>\$ 30,317,113</u> |

City of Texas City, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

Total fund balance, governmental funds \$ 25,726,315

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 33,139,973

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. 3,657,047

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

| | |
|--------------------------|--------------|
| Bonds payable | (45,235,000) |
| Claims and judgments | (3,419,541) |
| Capital leases payable | (652,715) |
| Compensated absences | (1,379,416) |
| Accrued interest payable | (259,448) |

Deferred property tax revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 1,872,100

Certain other long-term assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

| | |
|---------------------------|-----------|
| Deferred bond issue costs | 84,828 |
| Net pension obligation | (282,720) |
| Discount on bonds | (45,724) |

Rounding 49,281,163

Net Assets of Governmental Activities in the Statement of Net Assets \$ 62,486,862

City of Texas City, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

| | General Fund | Debt Service Fund | 2005 Series Construction Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|------------------------------|--|---|---|
| REVENUES | | | | | |
| Property Taxes | \$ 15,573,353 | \$ 4,262,937 | \$ - | \$ - | \$ 19,836,290 |
| Sales and miscellaneous taxes | 15,413,730 | - | - | 389,389 | 15,803,119 |
| Fees and fines | 961,103 | - | - | 82,078 | 1,043,181 |
| Licenses and permits | 285,664 | - | - | - | 285,664 |
| Intergovernmental | 71,568 | - | - | 1,119,015 | 1,190,583 |
| Charges for services | 2,756,342 | - | - | 1,388,991 | 4,145,333 |
| Investment earnings | 444,066 | 58,207 | 234,676 | 129,970 | 866,919 |
| Miscellaneous | 1,489,307 | 1,060,500 | - | 3,907,060 | 6,456,867 |
| Total revenues | <u>36,995,133</u> | <u>5,381,644</u> | <u>234,676</u> | <u>7,016,503</u> | <u>49,627,956</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 3,343,366 | - | 42,240 | 216,908 | 3,602,514 |
| Public safety | 14,140,948 | - | - | 1,251,506 | 15,392,454 |
| Public works | 8,668,399 | - | - | - | 8,668,399 |
| Health and welfare | 301,208 | - | - | - | 301,208 |
| Culture and recreation | 5,761,663 | - | - | 163,406 | 5,925,069 |
| Economic and community development | - | - | - | 413,362 | 413,362 |
| Debt Service: | | | | | |
| Principal | 646,265 | 3,274,207 | - | - | 3,920,472 |
| Interest and other charges | 4,974 | 2,187,383 | - | - | 2,192,357 |
| Capital Outlay | 1,609,014 | - | 109,859 | 8,075,900 | 9,794,773 |
| Total expenditures | <u>34,475,837</u> | <u>5,461,590</u> | <u>152,099</u> | <u>10,121,082</u> | <u>50,210,608</u> |
| Excess (deficiency) of revenues over expenditures | 2,519,296 | (79,946) | 82,577 | (3,104,579) | (582,652) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 550,000 | - | - | 320,000 | 870,000 |
| Transfers out | (663,000) | - | - | (50,000) | (713,000) |
| Total other financing sources and uses | <u>(113,000)</u> | <u>-</u> | <u>-</u> | <u>270,000</u> | <u>157,000</u> |
| SPECIAL ITEM | | | | | |
| Proceeds from sale of fixed assets | 71,493 | - | - | - | 71,493 |
| Net change in fund balances | 2,477,789 | (79,946) | 82,577 | (2,834,579) | (354,159) |
| Fund balances - beginning | 10,434,745 | 1,181,784 | 6,795,706 | 7,668,239 | 26,080,474 |
| Fund balances - ending | <u>\$ 12,912,534</u> | <u>\$ 1,101,838</u> | <u>\$ 6,878,283</u> | <u>\$ 4,833,660</u> | <u>\$ 25,726,315</u> |

City of Texas City, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006

| | |
|--|----------------------|
| Net change in fund balances - total governmental funds: | \$ (354,159) |
| <p>Amounts reported for Governmental Activities in the Statement of Activities are different</p> <p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> | |
| Capital outlay | 9,794,773 |
| Depreciation expense | (1,085,585) |
| <p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.</p> | |
| | (214,570) |
| <p>Governmental funds report proceeds from long-term debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.</p> | |
| Debt service principal | 3,920,472 |
| <p>Internal service funds are used by management to charge the costs of certain activities, such as self-insured employee health insurance and equipment replacement, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.</p> | |
| | 941,100 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p> | |
| Capital assets contributed to business-type activities | (619,015) |
| (Increase) decrease in accrued interest | 25,098 |
| (Increase) decrease in compensated absences | 264,545 |
| Amortization/accretion of deferred bond issue costs and discounts on bonds | <u>(2,234)</u> |
| Change in net assets of governmental activities | <u>\$ 12,670,425</u> |

City of Texas City, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2006

| | Enterprise Funds | | | | | |
|---|-------------------------------|---------------------------|-------------------------------------|-------------------------------------|----------------------|-------------------------------|
| | Major Enterprise Funds | | | Nonmajor Enterprise Funds | | |
| | Water Revenue Fund | Sewer Revenue Fund | GCWA Bonds Construction Fund | Utility Capital Reserve Fund | Total | Internal Service Funds |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 2,003,799 | \$ 295,794 | \$ 3,404,855 | \$ (845,455) | \$ 4,858,993 | \$ 2,270,786 |
| Investments | 3,471,522 | 1,494,110 | 63,600 | - | 5,029,232 | 500,000 |
| Accounts receivable, net | 306,805 | 472,276 | 58,620 | - | 837,701 | - |
| Deferred charges | - | - | 128,770 | - | 128,770 | - |
| Accrued interest receivable | 39,433 | 12,129 | 36,564 | - | 88,126 | 5,823 |
| Other receivables | 19,281 | - | - | - | 19,281 | 282,172 |
| Inventories | 99,186 | 48,903 | - | - | 148,089 | - |
| Prepaid expenses | 8,075 | - | - | - | 8,075 | - |
| Total current assets | <u>5,948,101</u> | <u>2,323,212</u> | <u>3,692,409</u> | <u>(845,455)</u> | <u>11,118,267</u> | <u>3,058,781</u> |
| Non-current assets: | | | | | | |
| Capital Assets: | | | | | | |
| Land and improvements | 137,410 | 4,652 | - | - | 142,062 | - |
| Infrastructure | 12,861,202 | 40,441,704 | 8,373,009 | 6,566,353 | 68,242,268 | - |
| Construction in progress | 1,330,549 | 4,347,821 | - | - | 5,678,370 | - |
| Buildings | 353,524 | 1,514,152 | - | - | 1,867,676 | - |
| Equipment and furniture | 1,762,755 | 1,704,957 | - | 50,581 | 3,518,293 | 5,153,876 |
| Less accumulated depreciation | (12,768,295) | (17,059,037) | (297,341) | (1,145,929) | (31,270,602) | (3,295,946) |
| Total capital assets | <u>3,677,145</u> | <u>30,954,249</u> | <u>8,075,668</u> | <u>5,471,005</u> | <u>48,178,067</u> | <u>1,857,930</u> |
| Other assets | 601,856 | - | - | - | 601,856 | - |
| Total non-current assets | <u>4,279,001</u> | <u>30,954,249</u> | <u>8,075,668</u> | <u>5,471,005</u> | <u>48,779,923</u> | <u>1,857,930</u> |
| Total assets | <u>\$ 10,227,102</u> | <u>\$ 33,277,461</u> | <u>\$ 11,768,077</u> | <u>\$ 4,625,550</u> | <u>\$ 59,898,190</u> | <u>\$ 4,916,711</u> |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable | 500,846 | 1,026,661 | 24,352 | - | 1,551,859 | - |
| Salaries payable | 10,456 | 24,133 | - | - | 34,589 | - |
| Customer deposits payable | 957,895 | 3,665 | - | - | 961,560 | - |
| Accrued interest payable | - | - | 16,752 | - | 16,752 | - |
| Claims and judgments | - | - | - | - | - | 1,259,663 |
| Bonds, notes and loans payable | - | - | 310,000 | - | 310,000 | - |
| Total current liabilities | <u>1,469,197</u> | <u>1,054,459</u> | <u>351,104</u> | <u>-</u> | <u>2,874,760</u> | <u>1,259,663</u> |
| Non-current liabilities: | | | | | | |
| Bonds, notes and loans payable | - | - | 7,742,272 | - | 7,742,272 | - |
| Total non-current liabilities | <u>-</u> | <u>-</u> | <u>7,742,272</u> | <u>-</u> | <u>7,742,272</u> | <u>-</u> |
| Total liabilities | <u>\$ 1,469,197</u> | <u>\$ 1,054,459</u> | <u>\$ 8,093,376</u> | <u>\$ -</u> | <u>\$ 10,617,032</u> | <u>\$ 1,259,663</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 3,677,145 | 30,954,249 | 152,166 | 5,471,005 | 40,254,565 | 1,857,930 |
| Restricted for other purposes | - | - | - | - | - | 1,799,118 |
| Unrestricted | 5,080,760 | 1,268,753 | 3,522,535 | (845,455) | 9,026,593 | - |
| Total net assets | <u>\$ 8,757,905</u> | <u>\$ 32,223,002</u> | <u>\$ 3,674,701</u> | <u>\$ 4,625,550</u> | <u>\$ 49,281,158</u> | <u>\$ 3,657,048</u> |

City of Texas City, Texas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

| | Enterprise Funds | | | | | Internal Service Funds |
|---|-------------------------------|-------------------------------|---|--|----------------------|-----------------------------------|
| | Major Enterprise Funds | | | Nonmajor Enterprise Funds | | |
| | Water Revenue Fund | Sewer Revenue Fund | GCWA Bonds Construction Fund | Utility Capital Reserve Fund | Total | |
| REVENUES | | | | | | |
| Charges for services | \$ 5,274,822 | \$ 4,535,477 | \$ - | \$ - | \$ 9,810,299 | \$ 4,438,218 |
| Miscellaneous | 162,772 | - | 678,319 | - | 841,091 | - |
| Total operating revenues | <u>5,437,594</u> | <u>4,535,477</u> | <u>678,319</u> | <u>-</u> | <u>10,651,390</u> | <u>4,438,218</u> |
| OPERATING EXPENSES | | | | | | |
| Personal services | 723,014 | 1,372,241 | - | - | 2,095,255 | - |
| Contractual services | 235,388 | 209,166 | - | - | 444,554 | 871,144 |
| Utilities | 120,224 | 126,586 | - | - | 246,810 | - |
| Repairs and maintenance | 369,312 | 586,585 | - | - | 955,897 | - |
| Other supplies and expenses | 2,656,936 | 368,028 | - | - | 3,024,964 | - |
| Insurance claims and expenses | - | - | - | - | - | 2,603,025 |
| Depreciation | 105,938 | 1,517,028 | 109,448 | 285,660 | 2,018,074 | 473,742 |
| Total Operating Expenses | <u>4,210,812</u> | <u>4,179,634</u> | <u>109,448</u> | <u>285,660</u> | <u>8,785,554</u> | <u>3,947,911</u> |
| Operating income (loss) | <u>1,226,782</u> | <u>355,843</u> | <u>568,871</u> | <u>(285,660)</u> | <u>1,865,836</u> | <u>490,307</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | |
| Interest and investment revenue | 140,029 | 65,806 | 51,386 | - | 257,221 | 80,436 |
| Miscellaneous revenue | - | - | - | - | - | 5,084 |
| Amortization of water rights | (185,185) | - | - | - | (185,185) | - |
| Total non-operating revenue (expenses) | <u>(45,156)</u> | <u>65,806</u> | <u>35,373</u> | <u>-</u> | <u>56,023</u> | <u>85,520</u> |
| Income (loss) before contributions and transfers | 1,181,626 | 421,649 | 604,244 | (285,660) | 1,921,859 | 575,827 |
| Capital contributions | 290,707 | 328,307 | - | - | 619,014 | 343,000 |
| Transfers out | (250,000) | (250,000) | - | - | (500,000) | - |
| Special item - gain (loss) on sale of fixed assets | - | - | - | - | - | 22,274 |
| Change in net assets | 1,222,333 | 499,956 | 604,244 | (285,660) | 2,040,873 | 941,101 |
| Total net assets - beginning | 7,535,572 | 31,723,046 | 3,070,457 | 4,911,210 | 47,240,285 | 2,715,947 |
| Total net assets - ending | <u>\$ 8,757,905</u> | <u>\$ 32,223,002</u> | <u>\$ 3,674,701</u> | <u>\$ 4,625,550</u> | <u>\$ 49,281,158</u> | <u>\$ 3,657,048</u> |

City of Texas City, Texas
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2005

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities | |
|--|--|-----------------------------------|---|---|---------------------|------------------------------------|-----------------------------------|
| | Major Enterprise Funds | | | Nonmajor Enterprise Fund | Totals | | Internal Service Funds |
| | Water Revenue Fund | Sewer Revenue Fund | GCWA Bonds Construction Fund | Utility Capital Reserve Fund | | | |
| | | | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Cash Received from Customers | \$ 5,486,279 | \$ 4,588,375 | \$ 703,023 | \$ - | \$ 10,777,677 | \$ 4,420,129 | |
| Other Operating Cash Receipts | 162,772 | - | - | - | 162,772 | - | |
| Cash Paid to Suppliers | (3,194,575) | (618,871) | (48,300) | (113,175) | (3,974,921) | (871,144) | |
| Cash Paid to Employees | (723,808) | (1,374,529) | - | - | (2,098,337) | - | |
| Cash Paid for Claims | - | - | - | - | - | (2,761,385) | |
| Net cash provided (used) by operating activities | <u>1,730,668</u> | <u>2,594,975</u> | <u>654,723</u> | <u>(113,175)</u> | <u>4,867,191</u> | <u>787,600</u> | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Operating transfers from (to) other funds | (250,000) | (250,000) | - | - | (500,000) | - | |
| Net cash provided (used) by noncapital financing activities | <u>(250,000)</u> | <u>(250,000)</u> | <u>-</u> | <u>-</u> | <u>(500,000)</u> | <u>-</u> | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Acquisition and construction of capital assets | (1,513,931) | (4,298,351) | (246,321) | (538,194) | (6,596,797) | (1,276,934) | |
| Principal paid on capital debt | - | - | (300,000) | - | (300,000) | - | |
| Interest paid on capital debt | - | - | (431,127) | - | (431,127) | - | |
| Capital contributions from other funds | - | - | - | - | - | 343,000 | |
| Proceeds from sales of capital assets | - | - | - | - | - | 22,274 | |
| Net cash provided (used) by capital and related financing activities | <u>(1,513,931)</u> | <u>(4,298,351)</u> | <u>(977,448)</u> | <u>(538,194)</u> | <u>(7,327,924)</u> | <u>(911,660)</u> | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Proceeds from sales and maturities of investments | 2,250,000 | 2,000,000 | 1,448,556 | - | 5,698,556 | 2,034,238 | |
| Purchase of investments | (3,451,581) | (1,489,460) | (1,453,956) | - | (6,394,997) | (500,000) | |
| Interest and dividends received | 78,977 | 56,741 | 105,671 | (2) | 241,387 | 74,613 | |
| Net cash provided (used) by investing activities | <u>(1,122,604)</u> | <u>567,281</u> | <u>100,271</u> | <u>(2)</u> | <u>(455,054)</u> | <u>1,608,851</u> | |
| Net increase in cash and cash equivalents | (1,155,867) | (1,386,095) | (222,454) | (651,371) | (3,415,787) | 1,484,791 | |
| Cash and cash equivalents, beginning | 3,159,666 | 1,681,889 | 3,627,309 | (194,084) | 8,274,780 | 785,995 | |
| Cash and cash equivalents, ending | <u>\$ 2,003,799</u> | <u>\$ 295,794</u> | <u>\$ 3,404,855</u> | <u>\$ (845,455)</u> | <u>\$ 4,858,993</u> | <u>\$ 2,270,786</u> | |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | | | |
| Operating income (loss) | \$ 1,226,782 | \$ 355,842 | \$ 593,995 | \$ (285,660) | \$ 1,890,959 | \$ 495,391 | |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation expense | 105,938 | 1,517,028 | 109,448 | 285,660 | 2,018,074 | 473,742 | |
| (Increase) decrease in accounts receivable | 140,192 | 52,898 | (420) | - | 192,670 | (282,172) | |
| (Increase) decrease in inventories | (8,869) | (3,721) | - | - | (12,590) | - | |
| Increase (decrease) in accounts payable | 196,154 | 675,216 | (48,300) | (113,175) | 709,895 | - | |
| Increase (decrease) in accrued wages payable | (794) | (2,288) | - | - | (3,082) | - | |
| Increase (decrease) in customer deposits | 71,265 | - | - | - | 71,265 | - | |
| Increase (decrease) in accrued claims payable | - | - | - | - | - | 100,639 | |
| Total adjustments | <u>503,886</u> | <u>2,239,133</u> | <u>60,728</u> | <u>172,485</u> | <u>2,976,232</u> | <u>292,209</u> | |
| Net cash provided by operating activities | <u>\$ 1,730,668</u> | <u>\$ 2,594,975</u> | <u>\$ 654,723</u> | <u>\$ (113,175)</u> | <u>\$ 4,867,191</u> | <u>\$ 787,600</u> | |

**City of Texas City, Texas
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006**

| | Firemen's Relief and Retirement Fund | Life & Disability Fund | Agency Fund |
|---|---|---------------------------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 181,518 | \$ 19,949 | \$ 111,878 |
| Receivables: | | | |
| Interest and Dividends | 20,749 | 844 | - |
| Other receivables | - | - | 422 |
| Total receivables | 20,749 | 844 | 422 |
| Investments: | | | |
| U.S. Government obligations | 1,224,423 | 196,188 | 98,094 |
| Municipal bonds | 36,824 | - | - |
| Corporate bonds | 235,827 | - | - |
| Corporate stocks | 7,870,619 | - | - |
| Other investments | 2,250,085 | - | - |
| Total Investments | 11,617,778 | 196,188 | 98,094 |
| Total assets | \$ 11,820,045 | \$ 216,981 | \$ 210,394 |
| LIABILITIES | | | |
| Refunds payable and others | \$ 20,419 | \$ - | \$ 210,394 |
| Total liabilities | 20,419 | - | \$ 210,394 |
| NET ASSETS | | | |
| Held in trust for benefits and other purposes | \$ 11,799,626 | \$ 216,981 | |

City of Texas City, Texas
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2006

| | Firemen's Relief and Retirement Fund | Life & Disability Fund |
|---|---|---------------------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 335,712 | \$ - |
| Plan Members | 391,663 | - |
| Total contributions | 727,375 | - |
| Investment earnings: | | |
| Net increase in fair value of investments | 663,268 | - |
| Interest | 199,313 | 4,943 |
| Dividends | 141,157 | - |
| Investment activity expense | (142,976) | - |
| Total net investment earnings | 860,762 | 4,943 |
| Other Additions: | | |
| Miscellaneous | 37 | - |
| Total other additions | 37 | - |
| Total additions | 1,588,174 | 4,943 |
| DEDUCTIONS | | |
| Benefits | 879,273 | |
| Refunds of contributions | 104,288 | |
| Miscellaneous expense | 3,889 | - |
| Total deductions | 987,450 | - |
| Change in net assets | 600,724 | 4,943 |
| Net assets - beginning | 11,198,902 | 212,038 |
| Net assets - ending | \$ 11,799,626 | \$ 216,981 |

City of Texas City, Texas
Discretely Presented Component Units - Governmental Activities
Combining Statement of Net Assets
September 30, 2006

| | Texas City Economic Development Corp. | TCEDC - Fourth Monday | Public Facilities Development Fund | Texas City Industrial Development Corp. | Texas City Foreign Trade Zone | Danforth Health Facilities Corp. | Texas City Cultural Arts Foundation | Texas City Museum | Totals |
|---|--|-----------------------------|---|--|-------------------------------------|---|---|-----------------------|--------------------------|
| ASSETS | | | | | | | | | |
| Cash and Cash Equivalents | \$ 893,724 | \$ 3,778 | \$ 354,275 | \$ 45,438 | \$ 12,889 | \$ 1,752 | \$ 53,192 | \$ 112,594 | \$ 1,477,642 |
| Investments | 4,512,396 | - | - | 99,250 | 248,125 | - | 148,875 | 98,094 | 5,106,740 |
| Receivables | 11,486 | - | 4,887 | 1,417 | 21,042 | - | 2,125 | 422 | 41,379 |
| Due from Other Governmental Agencies | 646,758 | - | 16,100 | - | - | - | - | - | 662,858 |
| Capital Assets | | | | | | | | | |
| Land and improvements not being depreciated | 3,559,855 | - | 439,677 | - | - | - | - | - | 3,999,532 |
| Buildings | 14,213,142 | - | 3,927,144 | - | - | - | - | - | 18,140,286 |
| Other Capital Assets | 204,650 | - | 61,619 | - | - | - | - | - | 266,269 |
| Less: Accumulated Depreciation | <u>(2,569,148)</u> | <u>-</u> | <u>(1,215,367)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,784,515)</u> |
| Total Capital Assets | <u>15,408,499</u> | <u>-</u> | <u>3,213,073</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,621,572</u> |
| Total Assets | <u>\$ 21,472,863</u> | <u>\$ 3,778</u> | <u>\$ 3,588,335</u> | <u>\$ 146,105</u> | <u>\$ 282,056</u> | <u>\$ 1,752</u> | <u>\$ 204,192</u> | <u>\$ 211,110</u> | <u>\$ 25,910,191</u> |
| LIABILITIES | | | | | | | | | |
| Accounts payable and accrued expenses | \$ 286,977 | \$ - | \$ 2,637 | \$ - | \$ 350 | \$ - | \$ 325 | \$ 7,391 | \$ 297,680 |
| Long-term liabilities | | | | | | | | | |
| Due within one year | | | | | | | | | |
| Bonds, capital leases, and contracts | - | - | 78,763 | - | - | - | - | - | 78,763 |
| Claims and judgments | 57,249 | - | - | - | - | - | - | - | 57,249 |
| Due in more than one year | | | | | | | | | |
| Claims and judgments | <u>969,387</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>969,387</u> |
| Total liabilities | <u>1,313,613</u> | <u>-</u> | <u>81,400</u> | <u>-</u> | <u>350</u> | <u>-</u> | <u>325</u> | <u>7,391</u> | <u>1,403,079</u> |
| NET ASSETS | | | | | | | | | |
| Invested in capital assets, net of related debt | 15,448,302 | - | 2,718,569 | - | - | - | - | - | 18,166,871 |
| Restricted for: | | | | | | | | | |
| Other projects | <u>4,710,948</u> | <u>3,778</u> | <u>788,367</u> | <u>146,105</u> | <u>281,705</u> | <u>1,752</u> | <u>203,867</u> | <u>203,720</u> | <u>6,340,242</u> |
| Total net assets | <u>\$ 20,159,250</u> | <u>\$ 3,778</u> | <u>\$ 3,506,936</u> | <u>\$ 146,105</u> | <u>\$ 281,705</u> | <u>\$ 1,752</u> | <u>\$ 203,867</u> | <u>\$ 203,720</u> | <u>\$ 24,507,113</u> |

See accompanying notes to financial statements.

City of Texas City, Texas
Discretely Presented Component Units - Governmental Activities
Combining Statement of Activities
For the Year Ended September 30, 2006

| Functions/Programs | Program Revenue | | | Net (Expense) Revenue and Changes in Net Assets | | | | | | | | Totals |
|--|------------------|----------------------|------------------------------------|---|-----------------------|------------------------------------|---|-------------------------------|----------------------------------|-------------------------------------|-------------------|------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Texas City Economic Development Corp. | TCEDC - Fourth Monday | Public Facilities Development Fund | Texas City Industrial Development Corp. | Texas City Foreign Trade Zone | Danforth Health Facilities Corp. | Texas City Cultural Arts Foundation | Texas City Museum | |
| Component Units | | | | | | | | | | | | |
| <i>Governmental Activities</i> | | | | | | | | | | | | |
| Texas City Economic Development Corp. | \$ 1,855,402 | \$ - | \$ 1,250,000 | \$ (605,402) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (605,402) |
| TCEDC - Fourth Monday | - | - | 5,313 | - | 5,313 | - | - | - | - | - | - | 5,313 |
| Public Facilities Development Fund | 286,676 | 585,096 | - | - | - | 298,420 | - | - | - | - | - | 298,420 |
| Texas City Industrial Development Corp. | 25 | - | - | - | - | - | (25) | - | - | - | - | (25) |
| Texas City Foreign Trade Zone | 62,683 | 107,500 | - | - | - | - | - | 44,817 | - | - | - | 44,817 |
| Danforth Health Facilities Corp. | - | - | - | - | - | - | - | - | - | - | - | - |
| Texas City Cultural Arts Foundation | 29,851 | 16,338 | 40,000 | - | - | - | - | - | - | 26,487 | - | 26,487 |
| Texas City Museum | 86,050 | 23,644 | - | - | - | - | - | - | - | - | (62,406) | (62,406) |
| Total component units | 2,320,687 | 732,578 | 1,295,313 | (605,402) | 5,313 | 298,420 | (25) | 44,817 | - | 26,487 | (62,406) | (292,796) |
| General revenues: | | | | | | | | | | | | |
| Taxes: | | | | | | | | | | | | |
| Sales taxes | | | 4,000,946 | - | - | - | - | - | - | - | - | 4,000,946 |
| Unrestricted investment earnings | | | 138,127 | - | - | 1,639 | 3,745 | 5,991 | 12 | 3,890 | 3,251 | 156,655 |
| Miscellaneous | | | 6,638 | - | - | 27,522 | - | - | - | 1,767 | 99,628 | 135,555 |
| Special item - gain (loss) on sale of assets | | | 17,556 | - | - | - | - | - | - | - | - | 17,556 |
| Total general revenues, special items, ar | | | 4,163,267 | - | - | 29,161 | 3,745 | 5,991 | 12 | 5,657 | 102,879 | 4,310,712 |
| Change in net assets | | | 3,557,865 | - | 5,313 | 327,581 | 3,720 | 50,808 | 12 | 32,144 | 40,473 | 4,017,916 |
| Net assets - beginning | | | 16,601,385 | - | (1,535) | 3,179,355 | 142,385 | 230,897 | 1,740 | 171,723 | 163,247 | 20,489,197 |
| Net assets - ending | | | \$ 20,159,250 | \$ 3,778 | \$ 3,506,936 | \$ 146,105 | \$ 281,705 | \$ 1,752 | \$ 203,867 | \$ 203,720 | \$ 24,507,113 | |

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CITY OF TEXAS CITY, TEXAS
Notes to the Financial Statements
September 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Texas City (the "City") is a municipality operating under the applicable laws and regulations of the State of Texas. The City prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board, other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants, and the requirements of contracts and grants of agencies from which it receives funds.

In 2003, the City implemented GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB Statement No. 34), GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, Certain Financial Statement Note Disclosures which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

A. Reporting entity

Primary government. The City of Texas City, Texas was incorporated in September, 1911 and is a home rule City under statutes of the State of Texas. It is governed by an elected mayor and six-member commission. The current City charter was amended November 7, 1995. The City provides the full range of municipal services contemplated by statute or character. This includes public safety (police and fire), highway and streets, sanitation, health, culture-recreation, education, planning and zoning, and general administrative services. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for descriptions) to emphasize that they are legally separate from the primary government.

Blended component units. The Firemen's Relief and Retirement Fund, an entity legally separate from the City, is governed by a seven member board. For financial reporting purposes, the Firemen's Relief and Retirement Fund is reported as if it were part of the City's operations because its purpose is to provide benefits to employees of the City. The fund is reported as a Pension Trust Fund in the Fiduciary Fund Types.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting entity (Continued)

Discretely presented component units. All of these units are presented as governmental fund types.

City of Texas City Industrial Development Corporation The City of Texas City Industrial Development Corporation was created to issue industrial development revenue bonds for the purpose of paying all or part of the costs of constructing and acquiring one or more commercial, industrial or manufacturing facilities within the City, or for the purpose of loaning the proceeds to one or more corporations duly authorized to do business in the State of Texas, in order to provide temporary or permanent financing of all or part of the cost of constructing and acquiring a commercial, industrial, or manufacturing facility. The board of directors is appointed by the City; however, none of the directors are members of the City Commission. The corporation's operational budget is subject to approval by the City Commission.

Texas City Economic Development Corporation The Texas City Economic Development Corporation is a non-profit corporation created for the purpose of promotion and development of new and expanded businesses within the City of Texas City and any other activity allowed by the enabling statutes. The administration of the Economic Development Corporation is vested in a board of directors and a general manager. The City appoints the board of directors and the Economic Development Corporation Board appoints the general manager. However, the corporation is fiscally dependent on the City because their operational and capital budgets are approved by the City Commission.

Texas City Foreign Trade Zone Corporation The Texas City Foreign Trade Zone Corporation was created to operate and maintain a foreign trade zone and subsequent subzones in Galveston, Brazoria, and Chambers County areas for the promotion of international trade. The administration of the Texas City Foreign Trade Zone Corporation is conducted by a board of directors and a general manager. The City Commission appoints the board of directors, and the board of directors of the corporation appoints the general manager. Although the Foreign Trade Zone Corporation has the authority to set user fees, its operational and capital budgets must be approved by the City Commission.

Public Facilities Development Corporation The Public Facilities Development Corporation is a non-profit corporation created to enhance the welfare and/or prosperity of the citizens of the City and the State of Texas through the acquisition, financing, construction, equipping, operation, and/or leasing, on behalf of the City, facilities that promote or encourage economic, civic, social, and/or educational development or expansion. The administration of the corporation is vested with the board of directors, which are appointed by the City Commission. Although the Public Facilities Development Corporation has the authority to operate and lease the facilities, the operational and capital budgets are approved by the City Commission.

Danforth Health Facilities Corporation The Danforth Health Facilities Corporation is a non-profit corporation created to acquire, construct, provide, improve, finance and refinance any health facility which is found by the board of directors to be required, necessary or convenient for health care, research and education, within the State of Texas. The affairs of the corporation are managed by a board of directors, which are appointed by the City Commission. However, none of the directors are members of the City Commission. The corporation's operational budget is subject to approval by the City Commission.

Texas City Cultural Arts Foundation The Texas City Cultural Arts Foundation is a Nonprofit Corporation created to promote the Arts. The administration of the Corporation is conducted by a board of directors. The Corporation's operational and capital budgets are subject to approval by the City Commission.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

City of Texas City
1801 Ninth Avenue North
Texas City, Texas 77590

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 on all of the nonfiduciary activities of the primary government and its component units. Except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund*

The *capital projects funds* are used to account for major capital expenditures not financed by enterprise funds, internal service funds, or trust funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

The City reports the following major proprietary funds:

The *water revenue fund* and *sewer revenue fund* account for the rendering of water and sewer services to the residents of the City.

Additionally, the government reports the following fund types:

The *internal services funds* account for equipment replacement costs and group health insurance costs as needed by City departments on a cost reimbursement basis

The *pension trust fund* is used to account for the assets of the City's fire fighters pension plan. The pension trust fund is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting

The *private-purpose trust fund* is used to account for funds received from the termination of the City's former life and disability insurance plan.

The *agency funds* are used to account for resources held for others in a custodial capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers for goods or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D. Assets, liabilities, and net assets or equity****1. Deposits and investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 6) fully collateralized repurchase agreements; and 7) a public funds investment pool meeting the requirement of Government Code 2256.016 – 2256.019. Temporary investments are reported at cost, which approximates market.

Except for the Firefighters' Relief and Retirement Fund, the City's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The City did not fully comply with the requirements of the PFIA and the City's investment policies.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (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." Any residual balances outstanding between the governmental activities, business-type activities, and fiduciary funds are reported in the government-wide financial statements as "internal balances."

All customer and property tax receivables are shown net of an allowance for uncollectibles. Customer accounts receivable in excess of 120 days comprise the customer accounts receivable allowance for uncollectibles. The property tax receivable allowance is approximately nine percent of outstanding property taxes at September 30, 2006.

Property taxes are levied as of October 1 on property values assessed as of the same date. Assessed values approximate 100% of market value. Taxes are due October 1, immediately following the levy date, and are considered delinquent February 1 of the following year. Property taxes attach as an enforceable lien on property as of January 1.

3. Inventories and prepaid items

Inventories are valued at cost. The General Fund inventory consists of consumable vehicle replacement parts. The consumption method of accounting is used for the governmental fund types whereby supplies are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the Water Revenue Fund enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets held in the general fund to repay cash bonds held are also classified as restricted assets.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D. Assets, liabilities, and net assets or equity (Continued)****5. 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. Capital assets are defined, by the City, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest expense was incurred on assets constructed using business-type activity funds, therefore, no interest has been capitalized on those projects.

General infrastructure, property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|--|--------------|
| General infrastructure - streets | 99 |
| General infrastructure - drainage | 99 |
| General infrastructure - water and sewer plant and lines | 50 |
| Buildings and structures | 40 |
| Other improvements | 20-40 |
| Heavy equipment | 7 |
| Light equipment - normal use | 7 |
| Light equipment - frequent use | 5 |
| Emergency vehicles | 5 |
| Other vehicles | 7 |
| Office furniture and equipment | 7 |
| Computer equipment | 7 |

Land, construction in process, historical treasures and works of art are non-exhaustible assets and are therefore not depreciated.

General infrastructure assets are defined by *Governmental Accounting Standards Board* Statement No. 34 as "long-lived assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets" and include the following: (1) roads; (2) bridges; (3) tunnels; (4) drainage systems; (5) water and sewer systems; (6) dams; and (7) lighting systems.

Governmental Accounting Standards Board Statement No. 34 states that governments with revenues between 10 and 100 million dollars (Phase II governments) are not required to retroactively report general infrastructure until the year ended September 30, 2007. Therefore, in accordance with *Governmental Accounting Standards Board* Statement No. 34, the City has elected to exclude prior year general infrastructure assets from these financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D. Assets, liabilities, and net assets or equity (Continued)****6. *Compensated absences***

Employees are paid by prescribed formula for absence due to vacation. The eligibility for such benefits lapses at year end, and pay in lieu of vacation is not given except in case of termination. Accordingly, accumulated unpaid vacation pay is expensed in Governmental and Proprietary Funds when paid. At September 30, 2006, there were no material accumulated unpaid vacation benefits.

Every employee of the City accumulates sick leave at full pay at the rate of fifteen days per year, not to exceed a total of ninety days accumulated unpaid sick leave. Upon termination, policemen and firemen receive payment for their accumulated sick leave. All other City employees are paid for the total amount accumulated, up to a maximum of forty-five days, only upon retirement or death. Only the estimated current portion of unpaid sick pay has been accrued in the General Fund. The non-current portion has been recorded directly in the general long-term debt group of accounts. At September 30, 2006, current sick leave payable amounted to \$98,200 and non-current sick leave payable amounted to \$1,379,416.

7. *Long-term obligations*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *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.

9. *Statement of cash flows*

In accordance with Governmental Accounting Standards Board Statement No. 34, a Statement of Cash Flows is required as part of a full set of financial statements for all Proprietary Funds. For purposes of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

10. *Comparative data/reclassifications*

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City Commission follows these procedures as prescribed by the City Charter in establishing the budgets reflected in the accompanying combined financial statements:

The City Commission adopts an annual operating budget, which can be amended by the City Commission throughout the year. Formal budgetary accounting is employed as a management control for all funds of the City; however, legal budgets are adopted only for the general fund, special revenue funds, debt service fund, and capital projects funds. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The City Commission follows these procedures as prescribed by the City Charter in establishing the budgets reflected in the accompanying combined financial statements:

1. At least thirty days prior to the Commission makes its tax levy for the fiscal year, the Finance Director shall file a copy of proposed budget with the City Secretary. The City Secretary shall make the proposed budget available for the inspection of any taxpayer.
2. The City Commission shall provide for a public hearing, which shall take place on some date not less than fifteen days subsequent to the time the budget is filed, to obtain taxpayers comments. At the conclusion of such hearing, the budget shall be acted upon by the City Commission.

The legal level of budgetary control in the general fund is the department level. In the special revenue funds, debt service fund, and the capital projects funds, budgetary control is at the fund level. However, the City Commission may, upon the recommendation of the Mayor, transfer any appropriation balance or any portion thereof from one department to another. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments.

With the Mayor's approval, the budget may be amended within a department without seeking the approval of the City Commission.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. As of September 30, 2006, encumbrances outstanding were as follows:

| | |
|-------------------------------|---------------------|
| Major funds: | |
| General fund | \$ 784,850 |
| 2005 Series Construction Fund | 647,630 |
| Other governmental funds | <u>115,092</u> |
| | <u>\$ 1,547,572</u> |

B. Excess of expenditures over appropriations

For the year ended September 30, 2006, expenditures exceeded appropriations as follows:

| | |
|--------------------|-------------------|
| General fund: | |
| Public safety | \$ 398,700 |
| Health and welfare | 41,850 |
| Debt service | <u>37,377</u> |
| | <u>\$ 477,927</u> |

General fund deficits were funded by excess budget amounts in other departments of the general fund.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**C. Deficit fund equity**

The 1995 Series Construction fund, 25th Avenue Construction fund, 2003 Series Construction fund, and the Group Insurance internal service fund had deficit fund equities as of September 30, 2006. The government plans to transfer funds in the future to cover these fund equity deficits.

III. DETAILED NOTES ON ALL FUNDS**A. Deposits and investments**City Policies and Legal and Contractual Provisions Governing Deposits

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2006, the carrying amount of the City's deposits, (cash, certificates of deposit and interest-bearing savings accounts) was \$18,122,425 and the bank balances were \$13,141,838.

Money market accounts totaling \$9,856,253 are included as cash and cash equivalents.

Custodial Credit Risk

The City's deposits are subject to custodial credit risk as \$12,941,838 of total deposits were uninsured and were secured by securities held by the pledging financial institutions agent in the City's name. The City's deposits were fully collateralized at year-end but were not fully collateralized throughout the year. The market value of securities pledged as of the date of the highest combined balances on deposit was \$36,776,625 and the highest combined balances of cash, savings, and time deposit accounts amounted to \$44,937,955.

Carrying Amount as of September 30, 2006

| | Cash on Hand | Equity in Pooled Cash | Other Deposits | Total |
|--|---------------------|------------------------------|-----------------------|----------------------|
| Primary Government | | | | |
| Governmental activities: | | | | |
| General fund | \$ 6,205 | \$ (2,953,499) | \$ 9,857,916 | \$ 6,910,622 |
| Special revenue funds | 1,500 | 776,608 | - | 778,108 |
| Debt service fund | - | 1,182,324 | - | 1,182,324 |
| Capital projects funds | - | 651,190 | 1,041,222 | 1,692,412 |
| Internal service funds | - | 2,270,785 | - | 2,270,785 |
| Total governmental activities | <u>7,705</u> | <u>1,927,408</u> | <u>10,899,138</u> | <u>12,834,251</u> |
| Business-type activities: | | | | |
| Enterprise funds (restricted and unrestricted) | - | 1,454,138 | - | 1,454,138 |
| Total business-type activities | <u>-</u> | <u>1,454,138</u> | <u>-</u> | <u>1,454,138</u> |
| Total primary government | <u>\$ 7,705</u> | <u>\$ 3,381,546</u> | <u>\$ 10,899,138</u> | <u>\$ 14,288,389</u> |
| Discretely Presented Component Units | | | | |
| Governmental activities | <u>\$ 100</u> | <u>\$ 1,477,543</u> | <u>\$ 2,043,049</u> | <u>\$ 3,520,692</u> |
| Fiduciary Funds | <u>\$ -</u> | <u>\$ 54,345</u> | <u>\$ 258,999</u> | <u>\$ 313,344</u> |

III. DETAILED NOTES ON ALL FUNDS (Continued)**A. Deposits and investments (Continued)****Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City of Texas City is not in substantial compliance with the requirements of the Act and with local policies as follows:

- a. More than the maximum amount invested in any one issuer or security type was invested in certificates of deposit.
- b. The Act requires that the City invest in money market funds that are continually rated as to investment quality by at least one nationally recognized investment rating firm of not than AAA or its equivalent. The City invested \$675,058 in an unrated money market fund.

As of September 30, 2006, the City had the following.

Primary government

| Investment | Maturities | Short-term | Long-term | Total |
|---|------------|--------------|---------------|---------------|
| Certificates of deposit | 2006 | 1,041,222 | - | 1,041,222 |
| Certificates of deposit | 2007 | 1,041,325 | - | 1,041,325 |
| Certificates of deposit | 2008 | - | 9,000,000 | 9,000,000 |
| Federal Home Loan Mtg. Corp. | 2007 | 986,815 | 978,200 | 1,965,015 |
| Federal National Mtg. Assoc. | 2006 | 2,237,773 | - | 2,237,773 |
| Federal National Mtg. Assoc. | 2007 | 1,730,545 | - | 1,730,545 |
| Federal National Mtg. Assoc. | 2008 | - | 490,450 | 490,450 |
| Money market accounts | N/A | 702,110 | - | 702,110 |
| Texas First Savings Account | N/A | 9,154,143 | - | 9,154,143 |
| U.S. Treasury | 2006 | 746,133 | - | 746,133 |
| U.S. Treasury | 2007 | 990,000 | - | 990,000 |
| U.S. Treasury | 2008 | - | 392,375 | 392,375 |
| | | 18,630,066 | 10,861,025 | 29,491,091 |
| Less investments with an original maturity of ninety days or less reported as cash and cash equivalents | | (9,856,253) | - | (9,856,253) |
| | | \$ 8,773,813 | \$ 10,861,025 | \$ 19,634,838 |

III. DETAILED NOTES ON ALL FUNDS (Continued)**A. Deposits and investments (Continued)****Discreetly presented component units**

| <u>Investment</u> | <u>Maturities</u> | <u>Short-term</u> | <u>Long-term</u> | <u>Total</u> |
|------------------------------|-------------------|-------------------|------------------|------------------|
| Certificates of deposit | 2006 | \$ 1,000,000 | \$ - | \$ 1,000,000 |
| Certificates of deposit | 2007 | 1,043,049 | - | 1,043,049 |
| Federal Home Loan Bank | 2007 | 978,462 | - | 978,462 |
| Federal National Mtg. Assoc. | 2007 | 1,490,885 | - | 1,490,885 |
| U.S. Treasury | 2007 | - | 496,250 | 496,250 |
| U.S. Treasury | 2008 | - | 98,094 | 98,094 |
| | | <u>4,512,396</u> | <u>594,344</u> | <u>5,106,740</u> |

The carrying amount of all investments approximate fair value as follows:

| <u>Investment</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
|------------------------------|------------------------|----------------------|
| Certificates of deposit | \$ 13,125,596 | \$ 13,125,596 |
| Corporate bonds | 2,485,912 | 2,485,912 |
| Corporate stocks | 7,841,396 | 7,841,396 |
| Federal Home Loan Bank | 978,462 | 978,462 |
| Federal Home Loan Mtg. Corp. | 2,005,090 | 2,005,090 |
| Federal National Mtg. Assoc. | 6,559,178 | 6,559,178 |
| International bonds | 29,223 | 29,223 |
| Money market accounts | 10,023,865 | 10,023,865 |
| U.S. Treasury bonds | 132,442 | 132,442 |
| U.S. Treasury notes | 3,202,057 | 3,202,057 |
| | <u>\$ 46,383,221</u> | <u>\$ 46,383,221</u> |

Fiduciary investments

| <u>Investment</u> | <u>Maturities</u> | <u>Short-term</u> | <u>Long-term</u> | <u>Total</u> |
|-------------------|-------------------|-------------------|------------------|--------------|
| Corporate bonds | 2010 | \$ - | \$ 62,766 | \$ 62,766 |
| Corporate bonds | 2011 | - | 105,439 | 105,439 |
| Corporate bonds | 2012 | - | 310,212 | 310,212 |
| Corporate bonds | 2013 | - | 141,834 | 141,834 |
| Corporate bonds | 2014 | - | 26,450 | 26,450 |
| Corporate bonds | 2015 | - | 12,955 | 12,955 |
| Corporate bonds | 2016 | - | 33,218 | 33,218 |
| Corporate bonds | 2017 | - | 18,957 | 18,957 |
| Corporate bonds | 2020 | - | 54,678 | 54,678 |
| Corporate bonds | 2021 | - | 226,880 | 226,880 |
| Corporate bonds | 2030 | - | 5,732 | 5,732 |
| Corporate bonds | 2032 | - | 6,858 | 6,858 |
| Corporate bonds | 2033 | - | 24,740 | 24,740 |
| Corporate bonds | 2034 | - | 43,896 | 43,896 |
| Corporate bonds | 2035 | - | 442,781 | 442,781 |
| Corporate bonds | 2036 | - | 586,512 | 586,512 |
| Corporate bonds | 2037 | - | 24,870 | 24,870 |
| Corporate bonds | 2039 | - | 17,458 | 17,458 |
| Corporate bonds | 2041 | - | 56,919 | 56,919 |
| Corporate bonds | 2042 | - | 134,946 | 134,946 |

III. DETAILED NOTES ON ALL FUNDS (Continued)**A. Deposits and investments (Continued)****Fiduciary investments (Continued)**

| <u>Investment</u> | <u>Maturities</u> | <u>Short-term</u> | <u>Long-term</u> | <u>Total</u> |
|------------------------------|-------------------|---------------------|---------------------|----------------------|
| Corporate bonds | 2044 | \$ - | \$ 38,400 | \$ 38,400 |
| Corporate bonds | 2046 | - | 80,588 | 80,588 |
| Corporate bonds | 2047 | - | 28,823 | 28,823 |
| Corporate stocks | N/A | 7,841,396 | - | 7,841,396 |
| Federal Home Loan Mtg. Corp. | 2014 | - | 40,075 | 40,075 |
| Federal National Mtg. Assoc. | 2006 | 155,936 | - | 155,936 |
| Federal National Mtg. Assoc. | 2010 | - | 171,250 | 171,250 |
| Federal National Mtg. Assoc. | 2012 | - | 147,726 | 147,726 |
| Federal National Mtg. Assoc. | 2013 | - | 134,613 | 134,613 |
| International bonds | 2015 | - | 3,948 | 3,948 |
| International bonds | 2016 | - | 25,275 | 25,275 |
| Money market accounts | N/A | 167,612 | - | 167,612 |
| U.S. Treasury bonds | 2025 | - | 132,442 | 132,442 |
| U.S. Treasury notes | 2010 | - | 193,100 | 193,100 |
| U.S. Treasury notes | 2011 | - | 178,020 | 178,020 |
| U.S. Treasury notes | 2012 | - | 37,516 | 37,516 |
| U.S. Treasury notes | 2015 | - | 70,569 | 70,569 |
| | | <u>\$ 8,164,944</u> | <u>\$ 3,620,446</u> | <u>\$ 11,785,390</u> |

Credit risk

State law limits investments in commercial paper, corporate bonds, and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has a formal investment policy that further limits its investment choices. As of September 30, 2006, the City's investment in U.S. Agency securities were rated AAA by Standard and Poors. The City's investment in Money Market accounts were not rated.

Concentration of credit risk

The City has a formal investment policy that places limits on the amount the City may invest in any one issuer and security type. The following is a recap of City investments by type with maximum percentages per the formal investment policy.

| <u>Investment</u> | <u>Maximum</u> | <u>Percentage Invested</u> |
|--------------------------|----------------|----------------------------|
| Certificates of deposit | 100% | 38% |
| Money market accounts | Not limited | 28% |
| U.S. Agency Securities | 50% | 26% |
| U.S. Treasury Securities | 100% | 8% |
| | | <u>100%</u> |

Note: Fiduciary investments are not subject to the City's investment policies and therefore are not reflected in the calculation above.

Custodial Credit Risk for Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This includes securities in securities lending transactions. All of the securities are in the City's name and held by the City or the City's designated agent.

III. DETAILED NOTES ON ALL FUNDS (Continued)**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Major Funds | | | | | | | Total |
|------------------------------------|--------------|--------------|---------------------|------------------|------------------|-----------|---------------------------|--------------|
| | General | Debt Service | Capital Projects | Water Revenue | Sewer Revenue | GCWA | Nonmajor & Other Funds | |
| Receivables: | | | | | | | | |
| Property taxes | \$ 1,653,229 | \$ 372,046 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,025,275 |
| Utility Customers | - | - | - | 450,034 | 611,879 | 58,620 | - | 1,120,533 |
| Garbage collection | 332,671 | - | - | - | - | - | - | 332,671 |
| Gross receipts taxes | 1,213,146 | - | - | - | - | - | - | 1,213,146 |
| Sales & mixed drink taxes | 1,919,644 | - | - | - | - | - | - | 1,919,644 |
| EMS transport | - | - | - | - | - | - | 1,483,586 | 1,483,586 |
| Other governments | 22,288 | - | - | - | - | - | 438,439 | 460,727 |
| Interest | 15,234 | - | 45,507 | 39,433 | 12,129 | 36,564 | 73,774 | 222,641 |
| Other | 110,877 | - | - | - | - | - | 391,357 | 502,234 |
| Gross receivables | 5,267,089 | 372,046 | 45,507 | 489,467 | 624,008 | 95,184 | 2,387,156 | 9,280,457 |
| Less: allowance for uncollectibles | (155,851) | (18,602) | - | (123,948) | (139,603) | - | (1,298,827) | (1,736,831) |
| Net total receivables | \$ 5,111,238 | \$ 353,444 | \$ 45,507 | \$ 365,519 | \$ 484,405 | \$ 95,184 | \$ 1,088,329 | \$ 7,543,626 |

Certain revenues are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

| | Major Funds | | | | | Total |
|------------------------------------|-------------|--------------|------------------|------------------|---------------------------|--------------|
| | General | Debt Service | Water Revenue | Sewer Revenue | Nonmajor & Other Funds | |
| Uncollectibles related to: | | | | | | |
| Property taxes | \$ 82,661 | \$ 18,602 | \$ - | \$ - | \$ - | \$ 101,263 |
| Water sales | - | - | 123,948 | - | - | 123,948 |
| Sewer sales | - | - | - | 139,603 | - | 139,603 |
| EMS billings | - | - | - | - | 1,298,827 | 1,298,827 |
| Garbage collection | 73,190 | - | - | - | - | 73,190 |
| Total allowance for uncollectibles | \$ 155,851 | \$ 18,602 | \$ 123,948 | \$ 139,603 | \$ 1,298,827 | \$ 1,736,831 |

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|--------------|------------|
| Delinquent property taxes receivable: | | |
| General fund | \$ 1,529,134 | \$ - |
| Debt service fund | 342,966 | - |
| Grant drawdowns prior to meeting all eligibility requirements | - | 213,475 |
| Total deferred/unearned revenue for governmental funds | \$ 1,872,100 | \$ 213,475 |

III. DETAILED NOTES ON ALL FUNDS (Continued)**B. Receivables (Continued)****Discretely presented component units**

| | Texas City | | |
|---------------------------|-------------------------|--|--------------------------|
| | Economic Development | Public Facilities Development Corp. | Other Component Units |
| Receivables: | | | |
| Sales & mixed drink taxes | \$ 635,123 | \$ - | \$ - |
| Other governments | 11,635 | - | - |
| Interest | 24,524 | - | 7,505 |
| Other | (13,039) | 20,987 | 17,500 |
| Net total receivables | <u>\$ 658,243</u> | <u>\$ 20,987</u> | <u>\$ 25,005</u> |

C. Capital assets

Capital asset activity for the year ended September 30, 2006 was as follows:

| | Beginning | Additions | Deletions/ | | Ending Balance |
|---|----------------------|---------------------|---------------------|-------------|----------------------|
| | Balance | | Transfers | | |
| <i>Governmental activities:</i> | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 2,726,978 | \$ 48,340 | \$ - | \$ - | \$ 2,775,318 |
| Historical treasures and works of art | 868,833 | - | - | - | 868,833 |
| Construction in progress | 6,872,904 | 6,771,742 | (13,534,790) | - | 109,856 |
| Total capital assets, not being depreciated | <u>10,468,715</u> | <u>6,820,082</u> | <u>(13,534,790)</u> | <u>-</u> | <u>3,754,007</u> |
| Capital assets, being depreciated | | | | | |
| Streets and drainage | 5,421,013 | - | 13,172,990 | - | 18,594,003 |
| Buildings and structures | 7,859,543 | - | 361,800 | - | 8,221,343 |
| Improvements other than buildings | 3,981,831 | - | - | - | 3,981,831 |
| Machinery and equipment | 13,105,962 | 3,630,820 | (709,901) | - | 16,026,881 |
| Total capital assets, being depreciated | <u>30,368,349</u> | <u>3,630,820</u> | <u>12,824,889</u> | <u>-</u> | <u>46,824,058</u> |
| Less accumulated depreciation for: | | | | | |
| Streets and drainage | (112,872) | (120,075) | - | - | (232,947) |
| Buildings and structures | (3,427,744) | (193,575) | - | - | (3,621,319) |
| Improvements other than buildings | (2,225,139) | (140,807) | - | - | (2,365,946) |
| Machinery and equipment | (8,964,981) | (1,104,870) | 709,901 | - | (9,359,950) |
| Total accumulated depreciation | <u>(14,730,736)</u> | <u>(1,559,327)</u> | <u>709,901</u> | <u>-</u> | <u>(15,580,162)</u> |
| Governmental capital assets, net | <u>\$ 26,106,328</u> | <u>\$ 8,891,575</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,997,903</u> |

**Reconciliation of capital outlay - governmental activities
to additions to fixed assets:**

| | |
|---|----------------------|
| Capital outlay per Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds | \$ 9,794,773 |
| Additions - Internal Service Funds (governmental activities) | 1,275,143 |
| Total additions to fixed assets | 11,069,916 |
| Less capital assets contributed to business-type activities | (619,014) |
| | <u>\$ 10,450,902</u> |

Addition to fixed assets - governmental activities per

| | |
|---------------------------------------|----------------------|
| Notes to Financial Statements: | |
| Capital assets, not being depreciated | \$ 6,820,082 |
| Capital assets, being depreciated | 3,630,820 |
| | <u>\$ 10,450,902</u> |

III. DETAILED NOTES ON ALL FUNDS (Continued)**C. Capital assets (Continued)**

| | Beginning Balance | Additions | Deletions/ Transfers | Ending Balance |
|---|------------------------------|---------------------|---------------------------------|-----------------------|
| <i>Business-type activities:</i> | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 142,062 | \$ - | \$ - | \$ 142,062 |
| Construction in progress | 7,072,130 | 7,359,488 | (7,116,252) | 5,678,370 |
| Total capital assets, not being depreciated | <u>7,214,192</u> | <u>7,359,488</u> | <u>(7,116,252)</u> | <u>5,820,432</u> |
| Capital assets, being depreciated | | | | |
| Buildings and structures | 1,867,676 | - | - | 1,867,676 |
| Improvements other than buildings | 59,489,020 | - | 7,116,252 | 68,242,268 |
| Machinery and equipment | 3,309,783 | 208,510 | - | 3,518,293 |
| Total capital assets, being depreciated | <u>64,666,479</u> | <u>208,510</u> | <u>7,116,252</u> | <u>73,628,237</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | (1,860,985) | (304) | - | (1,861,289) |
| Improvements other than buildings | (24,449,285) | (1,857,591) | - | (26,315,623) |
| Machinery and equipment | (2,950,199) | (143,492) | - | (3,093,691) |
| Total accumulated depreciation | <u>(29,260,469)</u> | <u>(2,001,387)</u> | <u>-</u> | <u>(31,270,603)</u> |
| Business-type capital assets, net | <u>\$ 42,620,202</u> | <u>\$ 5,566,611</u> | <u>\$ -</u> | <u>\$ 48,178,066</u> |

Discretely presented component units**Texas City Economic Development Corporation***Governmental activities:*

| | Beginning Balance | Additions | Deletions/ Transfers | Ending Balance |
|---|------------------------------|---------------------|---------------------------------|-----------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 221,445 | \$ - | \$ - | \$ 221,445 |
| Construction in progress | 656,467 | 2,684,123 | (2,180) | 3,338,410 |
| Total capital assets, not being depreciated | <u>877,912</u> | <u>2,684,123</u> | <u>(2,180)</u> | <u>3,559,855</u> |
| Capital assets, being depreciated | | | | |
| Buildings and structures | 14,259,292 | - | (46,150) | 14,213,142 |
| Improvements other than buildings | 202,470 | - | 2,180 | 204,650 |
| Total capital assets, being depreciated | <u>14,461,762</u> | <u>-</u> | <u>(43,970)</u> | <u>14,417,792</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | (2,178,212) | (355,329) | 6,346 | (2,527,195) |
| Improvements other than buildings | (31,830) | (10,123) | - | (41,953) |
| Total accumulated depreciation | <u>(2,210,042)</u> | <u>(365,452)</u> | <u>6,346</u> | <u>(2,569,148)</u> |
| Governmental capital assets | <u>\$ 13,129,632</u> | <u>\$ 2,318,671</u> | <u>\$ (39,804)</u> | <u>\$ 15,408,499</u> |

III. DETAILED NOTES ON ALL FUNDS (Continued)**C. Capital assets (Continued)****Public Facilities Development Corporation***Governmental activities:*

| | Beginning Balance | Additions | Deletions/ Transfers | Ending Balance |
|---|------------------------------|--------------------|---------------------------------|-----------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 439,677 | \$ - | \$ - | \$ 439,677 |
| Total capital assets, not being depreciated | 439,677 | - | - | 439,677 |
| Capital assets, being depreciated | | | | |
| Buildings and structures | 3,927,144 | - | - | 3,927,144 |
| Improvements other than buildings | 61,619 | - | - | 61,619 |
| Total capital assets, being depreciated | <u>3,988,763</u> | <u>-</u> | <u>-</u> | <u>3,988,763</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | (1,070,724) | (97,572) | - | (1,168,296) |
| Improvements other than buildings | (45,907) | (1,164) | - | (47,071) |
| Total accumulated depreciation | <u>(1,116,631)</u> | <u>(98,736)</u> | <u>-</u> | <u>(1,215,367)</u> |
| Governmental capital assets | <u>\$ 3,311,809</u> | <u>\$ (98,736)</u> | <u>\$ -</u> | <u>\$ 3,213,073</u> |

Depreciation expense was charged to functions/programs as follows:

| | Depreciation Expense |
|---|---------------------------------|
| Primary government | |
| <i>Governmental activities:</i> | |
| General government | \$ 49,525 |
| Culture and recreation | 369,714 |
| Health and welfare | 11,680 |
| Public safety | 343,575 |
| Public works | 311,091 |
| Capital assets used by the City's internal service funds are charged to various functions based on asset usage | <u>473,742</u> |
| Total Governmental activities | <u>1,559,327</u> |
| <i>Business-type activities:</i> | |
| Water | 501,046 |
| Sewer | <u>1,517,028</u> |
| Total Business-type activities: | <u>2,018,074</u> |
| Total primary government | <u>\$ 3,577,401</u> |
| Discretely presented component units | |
| <i>Governmental activities:</i> | |
| Texas City Economic Development Corporation | \$ 365,452 |
| Public Facilities Development Corporation | <u>98,736</u> |
| Total discretely presented component units | <u>\$ 464,188</u> |

III. DETAILED NOTES ON ALL FUNDS (Continued)**C. Capital assets (Continued)****Construction commitments**

The City has active construction projects as of September 30, 2006. The projects include street improvements and sanitary sewer rehabilitation in various areas of the City. At year end, the City's commitments with contractors are as follows:

| Project | Approved | Construction in | Estimated |
|---|----------------------|---------------------|----------------------|
| | Construction Budget | Progress | Remaining Commitment |
| Waterline replacement - Phase 6 | \$ 1,407,366 | \$ 1,293,382 | \$ 113,984 |
| Lowry Center expansion | 8,427,562 | 3,338,410 | 5,089,152 |
| Fine screen replacements | 404,315 | 47,144 | 357,171 |
| Street improvements - 9th Street and 9th Avenue | 757,489 | 109,859 | 647,630 |
| Sewer rehabilitation - Phase 8 | 366,890 | 310,989 | 55,901 |
| Sewer rehabilitation and street improvements- 13th Avenue | 5,116,996 | 2,829,707 | 2,287,289 |
| Sewer rehabilitation - Phase 9 | 1,282,655 | 1,159,979 | 122,676 |
| Waterline replacements - Various | 91,951 | 37,166 | 54,785 |
| | <u>\$ 17,855,224</u> | <u>\$ 9,126,636</u> | <u>\$ 8,728,588</u> |

D. Interfund receivables, payables, and transfers

Interfund receivables and payables are utilized as an offset to a fund's deficit cash with another fund's positive cash. As of September 30, 2006, there were no interfund balances.

Interfund transfers:

| | Transfers In | | | | Total |
|-----------------------|----------------|-----------------------|------------------------|------------------------|------------------|
| | General Fund | Special Revenue Funds | Capital Projects Funds | Internal Service Funds | |
| Transfers out: | | | | | |
| General fund | - | 120,000 | 200,000 | 343,000 | 663,000 |
| Special revenue | 50,000 | - | - | - | 50,000 |
| Enterprise funds | 500,000 | - | - | - | 500,000 |
| Total transfers | <u>550,000</u> | <u>120,000</u> | <u>200,000</u> | <u>343,000</u> | <u>1,213,000</u> |

The principal purpose of interfund transfers is to report the effects of capital project funds' construction of assets that are subsequently contributed to enterprise funds.

III. DETAILED NOTES ON ALL FUNDS (Continued)**E. Operating Leases**

Commitments under operating (noncapitalized) lease agreements for facilities and equipment are cancelable contingent upon budget funding approval. The City is therefore not obligated for any future minimum rental payments at September 30, 2006. The imputed interest on the leases is not readily determinable. Expenditures for operating leases totaled \$150,314 for the year.

F. Long-term debt**1. Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2006, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Primary Government | | | | | |
| Governmental activities: | | | | | |
| Certificates of obligation | \$ 14,505,000 | \$ - | \$ 1,025,000 | \$ 13,480,000 | \$ 1,080,000 |
| General obligation bonds | 33,560,000 | - | 1,805,000 | 31,755,000 | 1,945,000 |
| Compensated absences | 1,742,161 | 23,014 | 287,559 | 1,477,616 | 98,200 |
| Capital leases | 1,060,060 | - | 407,345 | 652,715 | 291,505 |
| Due to other governments | 3,251,655 | - | 171,747 | 3,079,908 | 171,747 |
| BP tax settlement payable | 1,534,140 | - | 511,380 | 1,022,760 | 511,380 |
| Net pension obligation-Trust func | 282,720 | - | - | 282,720 | - |
| Governmental activity Long-term liabilities | <u>\$ 55,935,736</u> | <u>\$ 23,014</u> | <u>\$ 4,208,031</u> | <u>\$ 51,750,719</u> | <u>\$ 4,097,832</u> |
| Business-type activities: | | | | | |
| Contract revenue bonds | \$ 8,460,000 | \$ - | \$ 300,000 | \$ 8,160,000 | \$ 310,000 |
| Unamortized discount on bonds | (115,022) | - | (7,294) | (107,728) | - |
| Business-type activity Long-term liabilities | <u>\$ 8,344,978</u> | <u>\$ -</u> | <u>\$ 292,706</u> | <u>\$ 8,052,272</u> | <u>\$ 310,000</u> |

III. DETAILED NOTES ON ALL FUNDS (Continued)**F. Long-term debt (Continued)****1. Changes in long-term liabilities (Continued)****Discretely presented component units****Texas City Economic Development Corporation**

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|-----------|------------|----------------|------------------------|
| Governmental activities: | | | | | |
| Due to other governments | \$ 1,083,885 | \$ - | \$ 57,249 | \$ 1,026,636 | \$ 57,249 |
| Governmental activity | | | | | |
| Long-term liabilities | \$ 1,083,885 | \$ - | \$ 57,249 | \$ 1,026,636 | \$ 57,249 |

Public Facilities Development Corporation

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|-----------|------------|----------------|------------------------|
| Governmental activities: | | | | | |
| Notes payable | \$ 494,505 | \$ - | \$ 415,741 | \$ 78,764 | \$ 78,764 |
| Governmental activity | | | | | |
| Long-term liabilities | \$ 494,505 | \$ - | \$ 415,741 | \$ 78,764 | \$ 78,764 |

For the governmental activities, compensated absences and due to other governments are generally liquidated by the general fund.

2. General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding as of September 30, 2006:

| Series | Interest Rates | Final Maturity Date | Outstanding 09/30/06 | Early Redemption Features |
|---------------|-----------------------|----------------------------|-----------------------------|----------------------------------|
| Series 1994 | 2.8-4.5% | 02/15/15 | \$ 3,310,000 | * |
| Series 1995 | 3.3-4.95% | 02/15/15 | 10,045,000 | ** |
| Series 2001 | 3.0-4.85% | 02/15/22 | 6,925,000 | *** |
| Series 2003 | 3.5-4.25% | 02/15/24 | 4,800,000 | **** |
| Series 2005 | 3.8-4.3% | 02/15/25 | 6,675,000 | **** |
| | | | <u>\$ 31,755,000</u> | |

*The City reserves the right, at its option, to redeem the 1994 Bonds having stated maturities on and after February 15, 2004, in whole or from time to time in part, on February 15, 2003, or any date thereafter at the par value thereof plus accrued interest to the date fixed for redemption.

**On February 15, 2005, or any date thereafter, the City has the option of calling the Bonds maturing on and after February 15, 2006 for redemption prior to maturity at the par value plus accrued interest to the date fixed for redemption.

***The City reserves the right, at its option, to redeem the 2001 Bonds having stated maturities on and after February 15, 2012, in whole or from time to time in part, on February 15, 2011, or any date thereafter at the par value thereof plus accrued interest to the date fixed for redemption.

III. DETAILED NOTES ON ALL FUNDS (Continued)**F. Long-term debt (Continued)****2. General obligation bonds (Continued)**

****The City reserves the right, at its option, to redeem the 2003 Bonds having stated maturities on and after February 15, 2014, in whole or from time to time in part, on February 15, 2013, or any date thereafter at the par value thereof plus accrued interest to the date fixed for redemption.

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Fiscal Year Ended | Principal | Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| September 30 | Principal | Interest | Total |
| 2007 | 1,945,000 | 1,339,300 | 3,284,300 |
| 2008 | 2,025,000 | 1,259,008 | 3,284,008 |
| 2009 | 2,115,000 | 1,173,193 | 3,288,193 |
| 2010 | 2,215,000 | 1,080,013 | 3,295,013 |
| 2011 | 2,315,000 | 978,010 | 3,293,010 |
| 2012-2016 | 11,440,000 | 3,231,643 | 14,671,643 |
| 2017-2021 | 6,050,000 | 1,465,475 | 7,515,475 |
| 2022-2025 | 3,650,000 | 257,967 | 3,907,967 |
| | <u>\$ 31,755,000</u> | <u>\$ 10,784,609</u> | <u>\$ 42,539,609</u> |

3. Long-term contract revenue bonds

On July 1, 1998, the City of Texas City entered into a long-term contract with the Gulf Coast Water Authority (GCWA) to build and improve facilities for potable water transportation to the City of Texas City. The GCWA is a conservation and reclamation district created by Chapter 712, Acts of the 59th Texas Legislature, 1965, as amended (compiled as Article 8280-339, Vernon's Texas Civil Statutes, as amended). The GCWA issued bonds totaling \$9,535,000 in 1998 under the title "Gulf Coast Water Authority Water System Contract Revenue Bonds, Series 1998 C - City of Texas City Project". Under the contract, the City agreed to provide sufficient sums to retire the bonds.

Revenue bonds outstanding as of September 30, 2006:

| Long-term contract revenue bonds | | | | Early |
|----------------------------------|----------------|---------------------|-----------------------|---------------------|
| Series | Interest Rates | Final Maturity Date | Outstanding 9/30/2006 | Redemption Features |
| Series 1998 | 4.15-5.00% | 08/15/22 | \$ 8,160,000 | ***** |

***** Bonds having stated maturities on or after August 15, 2009 may be redeemed in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2008, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

III. DETAILED NOTES ON ALL FUNDS (Continued)**F. Long-term debt (Continued)****3. Long-term contract revenue bonds (Continued)**

Revenue bond debt service requirements to maturity are as follows:

| <u>Enterprise Funds</u> | | | |
|-------------------------|---------------------|---------------------|----------------------|
| Fiscal Year Ended | Principal | Interest | Total |
| <u>September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2007 | 310,000 | 402,120 | 712,120 |
| 2008 | 325,000 | 388,170 | 713,170 |
| 2009 | 340,000 | 373,220 | 713,220 |
| 2010 | 355,000 | 357,410 | 712,410 |
| 2011 | 375,000 | 340,548 | 715,548 |
| 2012-2016 | 2,160,000 | 1,408,110 | 3,568,110 |
| 2017-2021 | 2,760,000 | 811,000 | 3,571,000 |
| 2022 | 1,535,000 | 76,750 | 1,611,750 |
| | <u>\$ 8,160,000</u> | <u>\$ 4,157,328</u> | <u>\$ 12,317,328</u> |

Contract Revenue Bonds Reserve Fund

Reserve requirements for the Contract Revenue Bonds Series 1998 are as follows:

On the date of issuance of the Bonds, funds were transferred into the Reserve Fund from the proceeds of the Bonds the amount of \$899,286 to satisfy the "Reserve Fund Requirement". The Reserve Fund Requirement means there shall remain on deposit in the Reserve Fund an amount which is the least of (i) the maximum annual debt service on the Bonds, (ii) 125% of the average annual debt service on the Bonds, or (iii) 10% of the original principal amount of the Bonds. At September 30, 2006, the required reserve was and the Reserve Fund amounted to \$1,611,750.

4. Certificates of obligation**Series 2000**

On August 15, 2000, the City issued combination tax and revenue certificates of obligation to provide funds for sewer system projects. The certificates were issued as \$13,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2000.

The certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax and (ii) a subordinate pledge of the net revenues of the City's water and sewer system. Since it is anticipated that the debt will be retired from debt service fund revenues, the certificates are recorded in the general long-term debt account group.

On August 16, 2000, the City entered into an agreement with the Texas City Economic Development Corporation (the "Corporation") whereby the Corporation will pay to the City from sales tax revenues, amounts sufficient to retire the debt for the certificates. The Corporation receives one-half of one percent of sales tax remitted to the City; in May 1999, the voters approved the use of this sales tax revenue for sewer system projects.

III. DETAILED NOTES ON ALL FUNDS (Continued)**F. Long-term debt (Continued)****4. Certificates of obligation (Continued)**Series 2005

On July 1, 2005 the City issued certificates of obligation to provide funds to purchase various pieces of equipment. The certificates were issued as \$3,090,000 Certificates of Obligation, Series 2005. The certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax. Since it is anticipated that the debt will be retired from debt service fund revenues, the certificates are recorded in the general long-term debt account group.

Certificates of obligation outstanding as of September 30, 2006 were as follows:

| <u>Series</u> | <u>Interest Rates</u> | <u>Final Maturity Date</u> | <u>Outstanding 9/30/06</u> | <u>Early Redemption Features</u> |
|---------------|-----------------------|----------------------------|----------------------------|----------------------------------|
| Series 2000 | 5.0-7.0% | 02/15/21 | \$ 10,965,000 | ***** |
| Series 2005 | 3.8-4.3% | 02/15/25 | 2,515,000 | ***** |
| | | | <u>\$ 13,480,000</u> | |

***** The City reserves the right, at its option, to redeem the 2000 certificates having stated maturities on and after February 15, 2011, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2010, or any date thereafter at the par value thereof plus accrued interest to the date of redemption.

Annual debt service requirements to maturity for certificates of obligation are as follows:

| <u>Fiscal Year Ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------|----------------------|---------------------|----------------------|
| <u>September 30</u> | | | |
| 2007 | 1,080,000 | 658,190 | 1,738,190 |
| 2008 | 1,120,000 | 611,430 | 1,731,430 |
| 2009 | 1,170,000 | 558,521 | 1,728,521 |
| 2010 | 1,210,000 | 500,455 | 1,710,455 |
| 2011 | 595,000 | 455,823 | 1,050,823 |
| 2012-2016 | 3,535,000 | 1,771,704 | 5,306,704 |
| 2017-2021 | 4,770,000 | 672,413 | 5,442,413 |
| 2022 | - | - | - |
| | <u>\$ 13,480,000</u> | <u>\$ 5,228,536</u> | <u>\$ 18,708,536</u> |

5. Compensated Absences**Primary government**

A summary of changes in compensated absences follows:

| | |
|--|---------------------|
| Beginning balance | \$ 1,742,161 |
| Additions - new entrants and salary increments | 23,014 |
| Deductions - payments to participants | (287,559) |
| Ending balance | <u>\$ 1,477,616</u> |

Annual debt service requirements to maturity for compensated absences are not reported, as the amount cannot be reasonably estimated.

III. DETAILED NOTES ON ALL FUNDS (Continued)**F. Long-term debt (Continued)****6. Capital leases****Primary government**

The City is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the statement of net assets. Assets under capital leases totaled \$2,022,242 at September 30, 2006. The following is a schedule of future minimum lease payments under capital leases:

| <u>Year Ending September 30,</u> | |
|---|-------------------|
| 2007 | \$ 308,024 |
| 2008 | 201,989 |
| 2009 | 159,099 |
| 2010 | <u>11,958</u> |
| Minimum lease payments for all capital leases | 681,070 |
| Imputed interest | <u>(28,691)</u> |
| Present value - minimum lease payments | <u>\$ 652,379</u> |

The following is a summary of capital lease transactions for the year ended September 30, 2006:

| | |
|-----------------------------|-------------------|
| Beginning balance | \$ 1,060,060 |
| New capital leases executed | - |
| Principal retired | <u>(407,681)</u> |
| Ending balance | <u>\$ 652,379</u> |

A lease-purchase agreement dated December 15, 2004 for the acquisition of golf carts is payable from general fund revenues. The payment amounts are \$3,114.80 monthly beginning March 2005 and ending January 2008. The stated interest rate is 4.49%.

On December 21, 2001, the City entered into a lease purchase agreement for the acquisition of equipment. The lease purchase agreement requires the levy of an ad valorem tax that is sufficient to pay the lease payments coming due in each year. The City must establish an interest and sinking fund which shall be maintained as long as any lease payments remain unpaid. The interest and sinking fund shall be pledged for the exclusive purpose of securing the payment of the lease payments and shall apply these funds to the payment of lease payments as such payments come due. The payment amounts are \$14,222.45 monthly beginning January 2002 and ending December 2006. The interest rate is 3.49%.

On December 13, 2002, the City entered into a lease purchase agreement for the acquisition of equipment. The lease purchase agreement requires the levy of an ad valorem tax that is sufficient to pay the lease payments coming due in each year. The City must establish an interest and sinking fund which shall be maintained as long as any lease payments remain unpaid. The interest and sinking fund shall be pledged for the exclusive purpose of securing the payment of the lease payments and shall apply these funds to the payment of lease payments as such payments come due. The payment amounts are \$7,040.73 monthly beginning January 2003 and ending December 2007. The interest rate is 2.675%.

On September 24, 2004, the City entered into a lease purchase agreement for the acquisition of equipment. The lease purchase agreement requires the levy of an ad valorem tax that is sufficient to pay the lease payments coming due in each year. The lease purchase agreement terminates on September 30, 2005 and is automatically renewed each year until September 30, 2009 unless funds are not appropriated. The payment amounts are \$11,957.49 monthly beginning November 2004 and ending October 2009. The interest rate is 3.150%.

III. DETAILED NOTES ON ALL FUNDS (Continued)**F. Long-term debt (Continued)****7. Due to other governments**

As a result of audits performed by the Comptroller of Public Accounts for the State of Texas, a determination was made that sales tax allocations to the City and the Texas City Economic Development Corporation (the "TCEDC", a component unit of the City) were excessive. The total amount overpaid approximated \$5.8 million. Sales tax allocations to both entities are reduced in order to repay the overpayment; these reductions began in August 1997. The amount being withheld is \$19,083 per month and no interest is being charged on the unpaid balance. The distribution of the payment is \$14,312 for the City and \$4,771 for the TCEDC.

Primary government

The following is a summary of transactions for the year ended September 30, 2006:

| | |
|---------------------------|---------------------|
| Beginning balance | \$ 3,251,655 |
| Additional assessments | - |
| Amounts withheld by State | <u>(171,747)</u> |
| Ending balance | <u>\$ 3,079,908</u> |

The annual requirements to amortize the remaining overpayment as of September 30, 2006:

| <u>Year Ending September 30,</u> | |
|----------------------------------|---------------------|
| 2007 | \$ 171,747 |
| 2008 | 171,747 |
| 2009 | 171,747 |
| 2010 | 171,747 |
| 2011 | 171,747 |
| 2012-2016 | 858,735 |
| 2017-2021 | 858,735 |
| 2022-2025 | <u>503,703</u> |
| | <u>\$ 3,079,908</u> |

Discretely presented component units

The following is a summary of transactions for the year ended September 30, 2006:

| | |
|---------------------------|---------------------|
| Beginning balance | \$ 1,083,882 |
| Additional assessments | - |
| Amounts withheld by State | <u>(57,252)</u> |
| Ending balance | <u>\$ 1,026,630</u> |

The annual requirements to amortize the remaining overpayment as of September 30, 2006:

| <u>Year Ending September 30,</u> | |
|----------------------------------|---------------------|
| 2007 | \$ 57,252 |
| 2008 | 57,252 |
| 2009 | 57,252 |
| 2010 | 57,252 |
| 2011 | 57,252 |
| 2012-2016 | 286,260 |
| 2017-2021 | 286,260 |
| 2022-2025 | <u>167,850</u> |
| | <u>\$ 1,026,630</u> |

III. DETAILED NOTES ON ALL FUNDS (Continued)**F. Long-term debt (Continued)****8. Notes payable****Primary government**

In January 2004, the City entered into an agreement with BP America, Inc. to repay a settlement against the City for the overpayment of ad valorem taxes for tax years 2001, 2002, and 2003 by BP Amoco Oil Company and BP Amoco Chemical Company. The settlement in the amount of \$2,045,520 includes the repayment of \$377,877 of current ad valorem taxes and \$1,667,644 of prior year ad valorem taxes. All interest accrued on the overpaid taxes was waived by this agreement.

A summary of changes in notes payable for the year ended September 30, 2006 follows:

| | |
|-------------------|---------------------|
| Beginning balance | \$ 1,534,140 |
| New notes issued | - |
| Principal retired | <u>(511,380)</u> |
| Ending balance | <u>\$ 1,022,760</u> |

The annual requirements to retire notes payable as of September 30, 2006, are as follows:

| Ended | Principal | Interest | Total |
|---------------------|---------------------|-----------------|---------------------|
| September 30 | | | |
| 2007 | \$ 511,380 | \$ - | \$ 511,380 |
| 2008 | <u>511,380</u> | <u>-</u> | <u>511,380</u> |
| | <u>\$ 1,022,760</u> | <u>\$ -</u> | <u>\$ 1,022,760</u> |

Discretely presented component units

In January 1999, the Public Facilities Development Corporation issued notes with an original principal amount of \$2,815,496 with an adjustable interest rate. The proceeds were used for the construction of a public safety complex. Principal and interest on the notes are payable solely from revenues derived from tenant leases. The note is neither a legal nor a moral obligation to the City, and neither the taxing power nor the faith and credit of the City is pledged to the payment of the note.

A summary of changes in notes payable for the year ended September 30, 2006 follows:

| | |
|-------------------|------------------|
| Beginning balance | \$ 494,505 |
| New notes issued | - |
| Principal retired | <u>(418,952)</u> |
| Ending balance | <u>\$ 75,553</u> |

The annual requirements to retire notes payable as of September 30, 2006 are as follows:

| Fiscal Year | Principal | Interest | Total |
|---------------------|------------------|-----------------|------------------|
| Ended | | | |
| September 30 | | | |
| 2007 | \$ 75,553 | \$ 466 | \$ 76,019 |
| | <u>\$ 75,553</u> | <u>\$ 466</u> | <u>\$ 76,019</u> |

IV. OTHER INFORMATION**A. Risk management**General liabilities

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2006, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Employee health care coverage

The City sponsors a modified self-insurance plan to provide health care benefits to employees and their dependents. Transactions related to the plan are accounted in the Health Insurance internal service fund of the City. Partial employee contributions are required for coverage. The City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage. Stop loss coverage was in effect for annual individual claims exceeding \$60,000, and annual aggregate losses exceeding \$1,000,000.

Payments are made to the fund based on estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses. The claims liability of \$1,259,663 reported in the fund at September 30, 2006, is based on the requirements of Governmental Accounting Standards Board 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated.

The following is a summary of the changes in the balances of claims liabilities for the year ended September 30, 2006:

| | <u>2006</u> | <u>2005</u> |
|--|---------------------|---------------------|
| Liability, beginning of period | \$ 1,159,024 | \$ 1,023,694 |
| Current year claims and changes in estimates | 2,603,025 | 2,955,029 |
| Claim payments | <u>(2,502,386)</u> | <u>(2,819,699)</u> |
| Liability, end of period | <u>\$ 1,259,663</u> | <u>\$ 1,159,024</u> |

B. Contingent liabilities

Amounts received or receivable from grant 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 amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

IV. OTHER INFORMATION (Continued)**C. Other postemployment benefits**

The City does not provide postemployment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the City.

D. Employee retirement systems and pension plans

The City maintains a single-employer, defined benefit plan that covers all its firefighters, and participates in the statewide Texas Municipal Retirement System, an agent multiple-employer defined benefit public employee pension plan that covers all of the government's employees except firefighters.

Firemen's Relief and Retirement Fund

Plan Description:

The Board of Trustees of the Texas City Firemen's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund and is reported in the accompanying general purpose financial statements as a pension trust fund and a blended component unit. Separate financial reports are not issued by the Texas City Firemen's Relief and Retirement Fund.

Firefighters in the Texas City Fire Department are covered by the Texas City Firemen's Relief and Retirement Fund. The table below summarizes the membership of the fund at December 31, 2004.

| | <u>December 31, 2004</u> |
|---|--------------------------|
| a. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 37 |
| b. Current employees: | |
| i. Fully vested | 6 |
| ii. Partially vested | 34 |
| iii. Nonvested | <u>20</u> |
| c. Total | <u>97</u> |

The Texas City Firemen's Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Employees may retire at age 50 with 20 years of service. A partially vested benefit is provided for employees who terminate employment with at least 10 but less than 20 years of service. The Plan Effective December 1, 1999 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 70.0% of Highest 5-Year Average Salary plus \$116.00 per month for each year of service in excess of 20 years. There is no provision for automatic post-retirement benefit increases. In addition, the fund has the authority to provide, and has periodically in the past provided for, ad hoc post-retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

IV. OTHER INFORMATION (Continued)**D. Employee retirement systems and pension plans (Continued)**Contributions Required and Contributions Made:

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The funding policy for the firefighters is determined by a majority vote per TLFFRA. TLFFRA provides that the employer must contribute at least the same rate as the firefighters or a minimum of 9%.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.

The costs of administering the plan are financed from the trust.

The current funding commitment by the firefighters is 14%. The current funding commitment by the City of Texas City is 15% of payroll.

Schedule of Actuarial Liabilities and Funding Progress

| | |
|---|--------------------------|
| Actuarial Valuation Date | <u>12/31/2004</u> |
| Actuarial Value of Assets | \$ 11,526,770 |
| Actuarial Accrued Liability | \$ 18,216,288 |
| Percentage Funded | 63.3% |
| Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) | \$ 6,689,518 |
| Annual Covered Payroll | \$ 2,541,173 |
| UAAL as a percentage of Covered Payroll | 263.2% |
| Net Pension Obligation (NPO) at the Beginning of Period | \$ 96,954 |
| | <u>12/31/2004</u> |
| Annual Pension Cost: | |
| Annual required contribution (ARC) | \$ 465,162 |
| Interest on NPO | 7,756 |
| Adjustment to the ARC | - |
| | <u>472,918</u> |
| Contributions made | <u>287,152</u> |
| Increase in NPO | 185,766 |
| NPO at the beginning of the period | <u>96,954</u> |
| NPO at the end of the period | <u>\$ 282,720</u> |

IV. OTHER INFORMATION (Continued)**D. Employee retirement systems and pension plans (Continued)**

The Annual Required Contributions (ARC), the Annual Pension Cost (APC) and the Net Pension Obligation (NPO) are developed in such a manner to satisfy the parameters of the Governmental Accounting Board (GASB) Statement No. 27. The ARC for the period ending December 31, 2004 was based on the June 30, 2004 actuarial valuation and was equal to 18.305% of payroll.

The ARC equals the fund's employer normal cost plus an additional amount needed to amortize the fund's unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over a 40-year period in the December 2004 actuarial valuation using a level percentage of payroll method. The payroll was assumed to increase an average of 5.85% per year.

A variation of the aggregate entry age normal actuarial cost method was used with the unfunded actuarial accrued liability being amortized as a level percentage of pay. The actuarial value of assets is based on a five-year smoothing for all years. The actuarial assumptions included an investment return assumption of 8% per year (net of expenses), projected salary increases averaging 5.85% per year over a 25-year career, and no postretirement cost-of-living adjustments. An inflation assumption of 3.75% per year is included in the investment return and salary increase assumptions.

| Three Year Trend Information | | | | |
|------------------------------|---------------------------|-----------------------------|-------------------------------|--|
| Fiscal Year Funding | Annual Pension Cost (APC) | Amount of Contribution Made | Percentage of APC Contributed | |
| 9/30/04 | \$ 472,918 | \$ 287,152 | 60.7% | |
| 9/30/03 | \$ 400,515 | \$ 303,561 | 75.8% | |
| 9/30/02 | \$ 373,687 | \$ 276,733 | 74.1% | |

| Schedule of Funding Progress | | | | | | |
|------------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll {(b-a)/c} |
| 6/30/00 | \$ 11,403,908 | \$ 13,470,181 | \$ 2,066,273 | 84.7% | \$ 2,434,011 | 84.9% |
| 6/30/02 | \$ 10,217,647 | \$ 15,904,210 | \$ 5,686,563 | 64.2% | \$ 2,526,299 | 225.1% |
| 12/31/04 | 11,526,770 | 18,216,288 | 6,689,518 | 63.3% | 2,541,173 | 263.2% |

IV. OTHER INFORMATION (Continued)**D. Employee retirement systems and pension plans (Continued)****Texas Municipal Retirement System**Plan Description

The City provides pension benefits for all of its full-time employees except firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 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.

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. Plan provisions for the City were as follows (as of 4/19/06):

| | |
|-----------------------------------|---------|
| Deposit rate: | 7% |
| Matching ratio (City to employee) | 2 to 1 |
| Member is vested after | 5 years |

Members can retire at certain ages, based on the years of service with the City.
The Service Retirement Eligibilities for the City are: 5 yrs/age 60, 20 yrs/any age

* To ensure the most accurate future rates are determined for the City, TMRS provided plan provisions as of 4/19/06 to the actuary in calculating the 12/31/05 valuation.

IV. OTHER INFORMATION (Continued)**D. Employee retirement systems and pension plans (Continued)**Contributions

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 cost 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. 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 serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2005 valuation is effective for rates beginning January 2007).

Schedule of Actuarial Liabilities and Funding Progress

| Actuarial valuation date | 12/31/05 | 12/31/04 | 12/31/03 |
|---|---------------|---------------|---------------|
| Actuarial value of assets (A) | \$ 38,446,244 | \$ 37,056,338 | \$ 39,016,238 |
| Actuarial accrued liability (B) | \$ 52,019,632 | \$ 50,010,645 | \$ 51,077,785 |
| Percentage Funded (C)=(A)/(B) | 73.9% | 74.1% | 76.4% |
| Unfunded (over-funded) actuarial accrued liability (UAAL) (D)=(B)-(A) | \$ 13,573,388 | \$ 12,954,307 | \$ 12,061,547 |
| Annual covered payroll (E) | \$ 14,521,445 | \$ 13,484,279 | \$ 12,724,000 |
| UAAL as a percentage of covered payroll (D)/(E) | 93.5% | 96.1% | 94.8% |
| Net pension obligation (NPO) at the beginning of the period | \$ - | \$ - | \$ - |
| Annual pension cost: | | | |
| Annual required contribution (ARC) (F) | \$ 2,349,236 | \$ 1,887,799 | \$ 1,870,541 |
| Contributions made | \$ 2,349,236 | \$ 1,887,799 | \$ 1,870,541 |
| NPO at the end of the period | \$ - | \$ - | \$ - |
| Percentage of APC contributed | 100% | 100% | 100% |

Actuarial Assumptions

| | Unit credit | Unit credit | Unit credit |
|-------------------------------|--|--|--|
| | Level percent of | Level percent of | Level percent of |
| | payroll | payroll | payroll |
| | 25 years - open | 25 years - open | 25 years - open |
| | period | period | period |
| | Amortized cost | Amortized cost | Amortized cost |
| Actuarial cost method | Unit credit | Unit credit | Unit credit |
| Amortization method | Level percent of payroll | Level percent of payroll | Level percent of payroll |
| Remaining amortization period | 25 years - open period | 25 years - open period | 25 years - open period |
| Asset valuation method | Amortized cost | Amortized cost | Amortized cost |
| | (to accurately reflect the requirements of GASB statement, No. 25, paragraphs 36e and 138) | (to accurately reflect the requirements of GASB statement, No. 25, paragraphs 36e and 138) | (to accurately reflect the requirements of GASB statement, No. 25, paragraphs 36e and 138) |
| Investment rate of return | 7% | 7% | 7% |
| Projected salary increases | None | None | None |
| Includes inflation at | 3.5% | 3.5% | None |
| Cost-of-living adjustments | None | None | None |

E. Deferred Compensation Plan

The City offers its employees the opportunity to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The City provides neither administrative services nor investment advice for the plan. Accordingly, no assets or liabilities are reported in the financial statements of the City.

REQUIRED SUPPLEMENTARY INFORMATION

**Required Supplementary Information
Texas Municipal Retirement System
Schedule of Funding Progress**

| | (1) | (2) | (1)/(2) | (1)-(2) | (3) | (2)-(1)/(3) | (4) | (4)/(3) |
|---------------------------------|----------------------------------|--|---------------------|----------------------------|------------------------|--|---|--------------------------|
| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Funded Ratio</u> | <u>Unfunded AAL (UAAL)</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> | <u>Annual Pension Cost (September 30)</u> | <u>Average City Rate</u> |
| 12/31/1994 | 21,909,693 | 26,976,209 | 81.2% | 5,066,516 | 10,208,604 | 49.6% | 1,032,381 | 10.1% |
| 12/31/1995 | 23,748,041 | 29,209,179 | 81.3% | 5,461,138 | 10,888,364 | 50.2% | 1,204,701 | 11.1% |
| 12/31/1996 | 26,468,501 | 32,730,931 | 80.9% | 6,262,430 | 11,592,115 | 54.0% | 1,376,536 | 11.9% |
| 12/31/1997 | 30,265,420 | 36,840,986 | 82.2% | 6,575,566 | 11,653,514 | 56.4% | 1,453,907 | 12.5% |
| 12/31/1998 | 32,253,308 | 38,965,341 | 82.8% | 6,712,033 | 12,082,048 | 55.6% | 1,536,801 | 12.7% |
| 12/31/1999 | 33,752,419 | 40,878,895 | 82.6% | 7,126,476 | 11,950,225 | 59.6% | 1,631,286 | 13.7% |
| 12/31/2000 | 37,125,527 | 45,389,588 | 81.8% | 8,264,061 | 12,082,048 | 68.4% | 1,754,480 | 14.5% |
| 12/31/2001 | 39,978,068 | 48,590,656 | 82.3% | 8,612,588 | 13,400,314 | 64.3% | 1,887,767 | 14.1% |
| 12/31/2002 | 42,329,545 | 52,368,951 | 80.8% | 10,039,406 | 13,794,701 | 72.8% | 1,905,396 | 13.8% |
| 12/31/2003 | 39,016,238 | 51,077,785 | 76.4% | 12,061,547 | 12,724,000 | 94.8% | 1,870,541 | 14.7% |
| 12/31/2004 | 37,056,338 | 50,010,645 | 74.1% | 12,954,307 | 13,484,279 | 96.1% | 1,887,799 | 14.0% |
| 12/31/2005 | 38,446,244 | 52,019,632 | 73.9% | 13,573,388 | 14,521,445 | 93.5% | 2,349,236 | 16.2% |

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of Texas Municipal Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability and covered payroll approximately adjusts for the effects of inflation and aids analysis of Texas Municipal Retirement System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Public Employee Retirement System.

**Required Supplementary Information
Firemen's Relief and Retirement Fund
Schedule of Funding Progress**

| | (1) | (2) | (1)/(2) | (1)-(2) | (3) | (2)-(1)/(3) | |
|---------------------------------|----------------------------------|--|---------------------|----------------------------|----------------------------------|--|---|
| Actuarial Valuation Year | Actuarial Value of Assets | Actuarial Liability (AAL) Entry Age | Funded Ratio | Unfunded AAL (UAAL) | Annual Covered Payroll(1) | UAAL as a Percentage of Covered Payroll | Employer Contribution (September 30) |
| 1995 ⁽²⁾ | | | | | | | 234,010 |
| 1996 | 7,003,774 | 9,641,663 | 72.6% | 2,637,889 | 2,204,017 | 119.7% | 243,158 |
| 1997 ⁽²⁾ | | | | | | | 245,830 |
| 1998 | 10,097,147 | 11,315,765 | 89.2% | 1,218,618 | 2,368,507 | 51.5% | 267,720 |
| 1999 ⁽²⁾ | | | | | | | 262,349 |
| 2000 | 11,403,908 | 13,470,181 | 84.7% | 2,066,273 | 2,434,011 | 84.9% | 267,720 |
| 2001 ⁽²⁾ | | | | | | | 269,830 |
| 2002 | 10,217,647 | 15,904,210 | 64.2% | 5,686,563 | 2,526,299 | 225.1% | 276,733 |
| 2003 ⁽²⁾ | | | | | | | 303,561 |
| 2004 | 11,526,770 | 18,216,288 | 63.3% | 6,689,518 | 2,541,173 | 263.2% | 301,195 |
| 2005 ⁽²⁾ | | | | | | | 337,002 |

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Firemen's Relief & Retirement Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement System. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability and covered payroll approximately adjusts for the effects of inflation and aids analysis of the Firemen's Relief & Retirement Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Retirement System.

- (1) Based on estimated annualized salaries used in the valuation.
- (2) In accordance with Section 23B of the Texas Local Fire Fighters Retirement Act, the Board of Trustees of the Firemen's Relief and Retirement Fund may employ an actuary no more than once every two years. Previous law allowed for an actuarial valuation no more than once every three years; therefore, no update was performed for the years indicated. The most recent actuarial valuation was as of December 31, 2004.

City of Texas City, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (with Variances)
General Fund
For the year ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|---------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>GAAP Basis</u> | <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u> |
| REVENUES | | | | |
| Property Taxes | \$ 15,515,000 | \$ 15,515,000 | \$ 15,573,353 | \$ 58,353 |
| Sales and miscellaneous taxes | 11,841,000 | 11,841,000 | 15,413,730 | 3,572,730 |
| Fees and fines | 1,000,000 | 1,000,000 | 961,103 | (38,897) |
| Licenses and permits | 353,000 | 353,000 | 285,664 | (67,336) |
| Intergovernmental | 85,000 | 85,000 | 71,568 | (13,432) |
| Charges for services | 2,525,000 | 2,525,000 | 2,756,342 | 231,342 |
| Investment earnings | 280,200 | 280,200 | 444,066 | 163,866 |
| Miscellaneous | 1,109,289 | 1,209,289 | 1,489,307 | 280,018 |
| Total revenues | <u>32,708,489</u> | <u>32,808,489</u> | <u>36,995,133</u> | <u>4,186,644</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 4,045,970 | 4,156,887 | 3,343,366 | 813,521 |
| Public safety | 13,708,450 | 13,798,905 | 14,140,948 | (342,043) |
| Public works | 9,411,750 | 9,580,317 | 8,668,399 | 911,918 |
| Health and welfare | 255,858 | 259,358 | 301,208 | (41,850) |
| Culture and recreation | 6,211,415 | 6,231,000 | 5,761,663 | 469,337 |
| Debt Service: | | | | |
| Principal | - | - | 646,265 | (646,265) |
| Interest and other charges | - | - | 4,974 | (4,974) |
| Capital Outlay | 2,222,500 | 2,495,235 | 1,609,014 | 886,221 |
| Total Expenditures | <u>35,855,943</u> | <u>36,521,702</u> | <u>34,475,837</u> | <u>2,045,865</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,147,454)</u> | <u>(3,713,213)</u> | <u>2,519,296</u> | <u>6,232,509</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 550,000 | 550,000 | 550,000 | - |
| Transfers out | (718,374) | (768,374) | (663,000) | 105,374 |
| Total other financing sources and uses | <u>(168,374)</u> | <u>(218,374)</u> | <u>(113,000)</u> | <u>105,374</u> |
| SPECIAL ITEM | | | | |
| Proceeds from sale capital assets | - | - | 71,493 | (71,493) |
| Net change in fund balances | (3,315,828) | (3,931,587) | 2,477,789 | 6,409,376 |
| Fund balances - beginning | 10,434,745 | 10,434,745 | 10,434,745 | - |
| Fund balances - ending | <u>\$ 7,118,917</u> | <u>\$ 6,503,158</u> | <u>\$ 12,912,534</u> | <u>\$ 6,409,376</u> |

OTHER SUPPLEMENTARY INFORMATION

**City of Texas City, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006**

| | Special Revenue Funds | Other Capital Projects Funds | Total Governmental Funds |
|--|----------------------------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 524,074 | \$ (219,044) | \$ 305,030 |
| Investments | 981,800 | 3,098,094 | 4,079,894 |
| Receivable from other governments | 438,438 | - | 438,438 |
| Accrued interest receivable | 10,618 | 35,319 | 45,937 |
| Other receivables | 293,945 | - | 293,945 |
| Total assets | \$ 2,248,875 | \$ 2,914,369 | \$ 5,163,244 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 83,457 | \$ 29,042 | \$ 112,499 |
| Deferred revenue | 213,475 | - | 213,475 |
| Other payables | 3,610 | - | 3,610 |
| Total liabilities | 300,542 | 29,042 | 329,584 |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 115,092 | - | 115,092 |
| Other purposes | 1,833,241 | 2,885,327 | 4,718,568 |
| Total fund balances | 1,948,333 | 2,885,327 | 4,833,660 |
| Total liabilities and fund balances | \$ 2,248,875 | \$ 2,914,369 | \$ 5,163,244 |

City of Texas City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2006

| | Special Revenue Funds | Other Capital Projects Funds | Total-Other Governmental Funds |
|---|----------------------------------|---|---|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Sales and miscellaneous taxes | \$ 389,389 | \$ - | \$ 389,389 |
| Fees and fines | 82,078 | - | 82,078 |
| Intergovernmental | 1,119,015 | - | 1,119,015 |
| Charges for services | 1,388,991 | - | 1,388,991 |
| Investment earnings | 29,311 | 100,659 | 129,970 |
| Miscellaneous | 185,985 | 3,721,075 | 3,907,060 |
| Total revenues | <u>3,194,769</u> | <u>3,821,734</u> | <u>7,016,503</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 216,908 | - | 216,908 |
| Public Safety | 1,251,506 | - | 1,251,506 |
| Culture and recreation | 163,406 | - | 163,406 |
| Economic and community development | 413,362 | - | 413,362 |
| Capital Outlay | 922,950 | 7,152,950 | 8,075,900 |
| Total Expenditures | <u>2,968,132</u> | <u>7,152,950</u> | <u>10,121,082</u> |
| Excess (deficiency) of revenues over expenditures | <u>226,637</u> | <u>(3,331,216)</u> | <u>(3,104,579)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 120,000 | 200,000 | 320,000 |
| Transfers out | (50,000) | - | (50,000) |
| Total other financing sources and uses | <u>70,000</u> | <u>200,000</u> | <u>270,000</u> |
| Net change in fund balances | 296,637 | (3,131,216) | (2,834,579) |
| Fund balances - beginning | 1,651,696 | 6,016,543 | 7,668,239 |
| Fund balances - ending | <u>\$ 1,948,333</u> | <u>\$ 2,885,327</u> | <u>\$ 4,833,660</u> |

City of Texas City, Texas
Combining Balance Sheet
Special Revenue Funds
September 30, 2006

| | | Municipal | Municipal | Court | Drug | DEA | Water Capital |
|--------------------------------------|----|----------------------|-----------------------|-------------------|---------------------|---------------------|----------------------|
| | | Hotel/Motel | Municipal | Court | Drug | DEA | Water Capital |
| | | Tax Fund | Court Building | Technology | Confiscation | Confiscation | Recovery Fund |
| | | Security Fund | Fund | Fund | Fund | Fund | Fund |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ | 227,464 | \$ 40,585 | \$ 71,371 | \$ 109,348 | \$ 16,907 | \$ 121,611 |
| Investments | | 491,350 | 147,135 | - | - | - | 98,090 |
| Receivable from other governments | | - | - | - | - | - | - |
| Accrued interest receivable | | 7,535 | 925 | - | - | - | 617 |
| Other receivables | | 109,186 | - | - | - | - | - |
| Total assets | | <u>\$ 835,535</u> | <u>\$ 188,645</u> | <u>\$ 71,371</u> | <u>\$ 109,348</u> | <u>\$ 16,907</u> | <u>\$ 220,318</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ | 7,219 | \$ 251 | \$ 398 | \$ - | \$ - | \$ 4,006 |
| Deferred revenue | | - | - | - | - | - | - |
| Other payables | | - | - | - | - | - | - |
| Total liabilities | | <u>7,219</u> | <u>251</u> | <u>398</u> | <u>-</u> | <u>-</u> | <u>4,006</u> |
| Fund balances: | | | | | | | |
| Reserved for: | | | | | | | |
| Encumbrances | | 37,943 | - | 22,364 | - | - | 54,785 |
| Other purposes | | 790,373 | 188,394 | 48,609 | 109,348 | 16,907 | 161,527 |
| Total fund balances | | <u>828,316</u> | <u>188,394</u> | <u>70,973</u> | <u>109,348</u> | <u>16,907</u> | <u>216,312</u> |
| Total liabilities and fund balances | | <u>\$ 835,535</u> | <u>\$ 188,645</u> | <u>\$ 71,371</u> | <u>\$ 109,348</u> | <u>\$ 16,907</u> | <u>\$ 220,318</u> |

City of Texas City, Texas
Combining Balance Sheet
Special Revenue Funds
September 30, 2006

| | Sewer Capital Recovery Fund | BJA Grant Fund | HGAC Grants Fund | Texas Parks & Wildlife Fund | Municipal Court Efficiency Fees Fund | Lone Star Libraries Grant Fund |
|--------------------------------------|--|---------------------------|-----------------------------|--|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 308,358 | \$ 25,919 | \$ - | \$ 46,220 | \$ 52,657 | \$ - |
| Investments | 245,225 | - | - | - | - | - |
| Receivable from other governments | - | - | - | - | - | - |
| Accrued interest receivable | 1,541 | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| Total assets | <u>\$ 555,124</u> | <u>\$ 25,919</u> | <u>\$ -</u> | <u>\$ 46,220</u> | <u>\$ 52,657</u> | <u>\$ -</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ 25,919 | \$ - | \$ - | \$ - | \$ - |
| Deferred revenue | - | - | - | - | - | - |
| Other payables | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>25,919</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | - | - | - | - | - | - |
| Other purposes | 555,125 | - | - | 46,220 | 52,657 | - |
| Total fund balances | <u>555,125</u> | <u>-</u> | <u>-</u> | <u>46,220</u> | <u>52,657</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 555,125</u> | <u>\$ 25,919</u> | <u>\$ -</u> | <u>\$ 46,220</u> | <u>\$ 52,657</u> | <u>\$ -</u> |

City of Texas City, Texas
Combining Balance Sheet
Special Revenue Funds
September 30, 2006

| | <u>LEOSE Grant Fund</u> | <u>TCEQ Supplemental Enviro</u> | <u>TEEX HGAC Grant 2003 II Fund</u> | <u>Gates Staying Connected Grant Fund</u> | <u>Project Safe - Anti-Gang</u> | <u>Buffer Zone Protection</u> |
|--------------------------------------|-----------------------------|---|---|---|-------------------------------------|-----------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | \$ 10,269 | \$ - | \$ - | \$ (8,844) | \$ - |
| Investments | - | - | - | - | - | - |
| Receivable from other governments | - | - | - | - | 8,844 | - |
| Accrued interest receivable | - | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| Total assets | <u>\$ -</u> | <u>\$ 10,269</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deferred revenue | - | - | - | - | - | - |
| Other payables | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | - | - | - | - | - | - |
| Other purposes | - | 10,269 | - | - | - | - |
| Total fund balances | <u>-</u> | <u>10,269</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ 10,269</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Texas City, Texas
Combining Balance Sheet
Special Revenue Funds
September 30, 2006

| | CDBG | Special Districts Funds | Emergency Medical Services | Total Special Revenue Funds |
|--------------------------------------|-------------------|--|---|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ (211,396) | \$ 25,838 | \$ (312,234) | \$ 524,074 |
| Investments | - | - | - | 981,800 |
| Receivable from other governments | 429,594 | - | - | 438,438 |
| Accrued interest receivable | - | - | - | 10,618 |
| Other receivables | - | - | 184,759 | 293,945 |
| Total assets | <u>\$ 218,198</u> | <u>\$ 25,838</u> | <u>\$ (127,475)</u> | <u>\$ 2,248,875</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 4,723 | \$ 8,713 | \$ 32,228 | \$ 83,457 |
| Deferred revenue | 213,475 | - | - | 213,475 |
| Other payables | - | - | 3,610 | 3,610 |
| Total liabilities | <u>218,198</u> | <u>8,713</u> | <u>35,838</u> | <u>300,542</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | - | - | - | 115,092 |
| Other purposes | - | 17,125 | (163,313) | 1,833,241 |
| Total fund balances | <u>-</u> | <u>17,125</u> | <u>(163,313)</u> | <u>1,948,333</u> |
| Total liabilities and fund balances | <u>\$ 218,198</u> | <u>\$ 25,838</u> | <u>\$ (127,475)</u> | <u>\$ 2,248,875</u> |

City of Texas City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended September 30, 2006

| | Hotel/Motel Tax Fund | Municipal Court Building Security Fund | Municipal Court Technology Fund | Drug Confiscation Fund | DEA Confiscation Fund | Water Capital Recovery Fund |
|---|---------------------------------|---|--|---------------------------------------|--------------------------------------|--|
| REVENUES | | | | | | |
| Sales and miscellaneous taxes | \$ 389,389 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees and fines | - | 22,674 | 29,111 | 17,434 | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | 104,000 |
| Investment earnings | 13,461 | 3,995 | 458 | 739 | 139 | 3,214 |
| Miscellaneous | - | - | - | - | - | - |
| Total revenues | <u>402,850</u> | <u>26,669</u> | <u>29,569</u> | <u>18,173</u> | <u>139</u> | <u>107,214</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public Safety | - | 8,975 | 3,478 | 12,473 | 8,812 | - |
| Culture and recreation | 150,998 | - | - | - | - | - |
| Economic and community development | - | - | - | - | - | - |
| Capital Outlay | 23,038 | - | 5,583 | - | - | 37,166 |
| Total Expenditures | <u>174,036</u> | <u>8,975</u> | <u>9,061</u> | <u>12,473</u> | <u>8,812</u> | <u>37,166</u> |
| Excess (deficiency) of revenues over expenditures | <u>228,814</u> | <u>17,694</u> | <u>20,508</u> | <u>5,700</u> | <u>(8,673)</u> | <u>70,048</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (50,000) | - | - | - | - | - |
| Total other financing sources and uses | <u>(50,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 178,814 | 17,694 | 20,508 | 5,700 | (8,673) | 70,048 |
| Fund balances - beginning | 649,502 | 170,700 | 50,465 | 103,648 | 25,580 | 146,264 |
| Fund balances - ending | <u>\$ 828,316</u> | <u>\$ 188,394</u> | <u>\$ 70,973</u> | <u>\$ 109,348</u> | <u>\$ 16,907</u> | <u>\$ 216,312</u> |

City of Texas City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended September 30, 2006

| | <u>Sewer Capital Recovery Fund</u> | <u>BJA Grant Fund</u> | <u>HGAC Grants Fund</u> | <u>Texas Parks & Wildlife Fund</u> | <u>Municipal Court Efficiency Fees Fund</u> | <u>Lone Star Libraries Grant Fund</u> |
|---|--|---------------------------|-----------------------------|--|---|---|
| REVENUES | | | | | | |
| Sales and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees and fines | - | - | - | - | 12,859 | - |
| Intergovernmental | - | 75,260 | 7,311 | - | - | 6,158 |
| Charges for services | 187,600 | - | - | - | - | - |
| Investment earnings | 7,305 | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total revenues | <u>194,905</u> | <u>75,260</u> | <u>7,311</u> | <u>-</u> | <u>12,859</u> | <u>6,158</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public Safety | - | 35,369 | 7,311 | - | 981 | - |
| Culture and recreation | - | - | - | - | - | 6,158 |
| Economic and community development | - | - | - | - | - | - |
| Capital Outlay | - | 39,892 | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>75,261</u> | <u>7,311</u> | <u>-</u> | <u>981</u> | <u>6,158</u> |
| Excess (deficiency) of revenues over expenditures | <u>194,905</u> | <u>(1)</u> | <u>-</u> | <u>-</u> | <u>11,878</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 194,905 | (1) | - | - | 11,878 | - |
| Fund balances - beginning | 360,220 | 1 | - | 46,220 | 40,779 | - |
| Fund balances - ending | <u>\$ 555,125</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 46,220</u> | <u>\$ 52,657</u> | <u>\$ -</u> |

City of Texas City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended September 30, 2006

| | LEOSE Grant Fund | TCEQ Supplemental Enviro | TEEX HGAC Grant 2003 II Fund | Gates Staying Connected Grant Fund | Project Safe - Anti-Gang | Buffer Zone Protection |
|---|-----------------------------|---|---|---|-------------------------------------|-----------------------------------|
| REVENUES | | | | | | |
| Sales and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees and fines | - | - | - | - | - | - |
| Intergovernmental | 6,579 | - | 435,322 | 6,250 | 8,844 | 148,842 |
| Charges for services | - | - | - | - | - | - |
| Investment earnings | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total revenues | <u>6,579</u> | <u>-</u> | <u>435,322</u> | <u>6,250</u> | <u>8,844</u> | <u>148,842</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public Safety | 6,579 | - | - | - | 8,844 | - |
| Culture and recreation | - | - | - | 6,250 | - | - |
| Economic and community development | - | - | - | - | - | - |
| Capital Outlay | - | - | 435,322 | - | - | 148,842 |
| Total Expenditures | <u>6,579</u> | <u>-</u> | <u>435,322</u> | <u>6,250</u> | <u>8,844</u> | <u>148,842</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | - | - | - | - | - |
| Fund balances - beginning | - | 10,269 | - | - | - | - |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 10,269</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Texas City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended September 30, 2006

| | <u>CDBG</u> | <u>Special Districts Funds</u> | <u>Emergency Medical Services</u> | <u>Total Special Revenue Funds</u> |
|---|----------------|--|---|--|
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ - | \$ - | \$ - | \$ 389,389 |
| Fees and fines | - | - | - | 82,078 |
| Intergovernmental | 424,449 | - | - | 1,119,015 |
| Charges for services | - | - | 1,097,391 | 1,388,991 |
| Investment earnings | - | - | - | 29,311 |
| Miscellaneous | - | 185,985 | - | 185,985 |
| Total revenues | <u>424,449</u> | <u>185,985</u> | <u>1,097,391</u> | <u>3,194,769</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | 216,908 | - | 216,908 |
| Public Safety | - | - | 1,158,684 | 1,251,506 |
| Culture and recreation | - | - | - | 163,406 |
| Economic and community development | 413,362 | - | - | 413,362 |
| Capital Outlay | 11,087 | - | 222,020 | 922,950 |
| Total Expenditures | <u>424,449</u> | <u>216,908</u> | <u>1,380,704</u> | <u>2,968,132</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(30,923)</u> | <u>(283,313)</u> | <u>226,637</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 120,000 | 120,000 |
| Transfers out | - | - | - | (50,000) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>120,000</u> | <u>70,000</u> |
| Net change in fund balances | - | (30,923) | (163,313) | 296,637 |
| Fund balances - beginning | - | 48,048 | - | 1,651,696 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 17,125</u> | <u>\$ (163,313)</u> | <u>\$ 1,948,333</u> |

**City of Texas City, Texas
Combining Balance Sheet
Nonmajor Capital Projects Governmental Funds
For the Year Ended September 30, 2006**

| | Construction | 1995 Series Construction | 2000 Series Construction | 2001 Series Construction | 2003 Series Construction | 25th Avenue Construction | Total Nonmajor Capital Projects Funds |
|--|---------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| | Fund | Fund | Fund | Fund | Fund | Fund | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 111,985 | \$ (98,485) | \$ 1,174,983 | \$ 264,034 | \$ (582,679) | \$ (1,088,882) | \$ (219,044) |
| Investments | 98,094 | - | 1,000,000 | 2,000,000 | - | - | 3,098,094 |
| Accrued interest receivable | 422 | - | 11,689 | 23,208 | - | - | 35,319 |
| Total assets | <u>\$ 210,501</u> | <u>\$ (98,485)</u> | <u>\$ 2,186,672</u> | <u>\$ 2,287,242</u> | <u>\$ (582,679)</u> | <u>\$ (1,088,882)</u> | <u>\$ 2,914,369</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 29,042 | \$ 29,042 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>29,042</u> | <u>29,042</u> |
| Fund balances: | | | | | | | |
| Reserved for: | | | | | | | |
| Other purposes | <u>210,501</u> | <u>(98,485)</u> | <u>2,186,672</u> | <u>2,287,242</u> | <u>(582,679)</u> | <u>(1,117,924)</u> | <u>2,885,327</u> |
| Total fund balances | <u>210,501</u> | <u>(98,485)</u> | <u>2,186,672</u> | <u>2,287,242</u> | <u>(582,679)</u> | <u>(1,117,924)</u> | <u>2,885,327</u> |
| Total liabilities and fund balances | <u>\$ 210,501</u> | <u>\$ (98,485)</u> | <u>\$ 2,186,672</u> | <u>\$ 2,287,242</u> | <u>\$ (582,679)</u> | <u>\$ (1,088,882)</u> | <u>\$ 2,914,369</u> |

**City of Texas City, Texas
Combining Balance Sheet
Nonmajor Capital Projects Governmental Funds
For the Year Ended September 30, 2006**

| | Construction Fund | 1995 Series Construction Fund | 2000 Series Construction Fund | 2001 Series Construction Fund | 2003 Series Construction Fund | 25th Avenue Construction Fund | Total Nonmajor Capital Projects Funds |
|---|------------------------------|--|--|--|--|--|--|
| REVENUES | | | | | | | |
| Investment earnings | \$ 4,189 | \$ - | \$ 57,980 | \$ 38,490 | \$ - | \$ - | \$ 100,659 |
| Miscellaneous | - | - | - | - | - | 3,721,075 | 3,721,075 |
| Total revenues | <u>4,189</u> | <u>-</u> | <u>57,980</u> | <u>38,490</u> | <u>-</u> | <u>3,721,075</u> | <u>3,821,734</u> |
| EXPENDITURES | | | | | | | |
| Capital Outlay | 331,398 | - | 1,455 | 2,380,834 | 189,194 | 4,250,069 | 7,152,950 |
| Total Expenditures | <u>331,398</u> | <u>-</u> | <u>1,455</u> | <u>2,380,834</u> | <u>189,194</u> | <u>4,250,069</u> | <u>7,152,950</u> |
| Excess (deficiency) of revenues over expenditures | (327,209) | - | 56,525 | (2,342,344) | (189,194) | (528,994) | (3,331,216) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 200,000 | - | - | - | - | - | 200,000 |
| Total other financing sources and uses | <u>200,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>200,000</u> |
| Net change in fund balances | (127,209) | - | 56,525 | (2,342,344) | (189,194) | (528,994) | (3,131,216) |
| Fund balances - beginning | 337,710 | (98,485) | 2,130,147 | 4,629,586 | (393,485) | (588,930) | 6,016,543 |
| Fund balances - ending | <u>\$ 210,501</u> | <u>\$ (98,485)</u> | <u>\$ 2,186,672</u> | <u>\$ 2,287,242</u> | <u>\$ (582,679)</u> | <u>\$ (1,117,924)</u> | <u>\$ 2,885,327</u> |

City of Texas City, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2006

| | Group Insurance Fund | Capital Equipment Replacement Fund | Total |
|---|---------------------------------|---|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ (317,522) | \$ 2,588,308 | \$ 2,270,786 |
| Investments | - | 500,000 | 500,000 |
| Accrued interest receivable | - | 5,823 | 5,823 |
| Other receivables | 264,083 | 18,089 | 282,172 |
| Total current assets | <u>(53,439)</u> | <u>3,112,220</u> | <u>3,058,781</u> |
| Non-current assets: | | | |
| Capital Assets: | | | |
| Equipment and Furniture | - | 5,153,876 | 5,153,876 |
| Less Accumulated depreciation | - | (3,295,946) | (3,295,946) |
| Total non-current assets | <u>-</u> | <u>1,857,930</u> | <u>1,857,930</u> |
| Total assets | <u>\$ (53,439)</u> | <u>\$ 4,970,150</u> | <u>\$ 4,916,711</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Claims and judgments | <u>1,259,663</u> | <u>-</u> | <u>1,259,663</u> |
| Total current liabilities | <u>1,259,663</u> | <u>-</u> | <u>1,259,663</u> |
| Total liabilities | <u>1,259,663</u> | <u>-</u> | <u>1,259,663</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | - | 1,857,930 | 1,857,930 |
| Restricted for other purposes | (1,313,102) | 3,112,220 | 1,799,118 |
| Total net assets | <u>\$ (1,313,102)</u> | <u>\$ 4,970,150</u> | <u>\$ 3,657,048</u> |

City of Texas City, Texas
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended September 30, 2006

| | Group Insurance Fund | Capital Equipment Replacement Fund | Total |
|--|---------------------------------|---|---------------------|
| REVENUES | | | |
| Charges for services | \$ 3,706,525 | \$ 731,693 | \$ 4,438,218 |
| Total operating revenues | <u>3,706,525</u> | <u>731,693</u> | <u>4,438,218</u> |
| OPERATING EXPENSES | | | |
| Contractual services | 871,144 | - | 871,144 |
| Insurance claims and expenses | 2,603,025 | - | 2,603,025 |
| Depreciation | - | 473,742 | 473,742 |
| Total operating expenses | <u>3,474,169</u> | <u>473,742</u> | <u>3,947,911</u> |
| Operating income (loss) | <u>232,356</u> | <u>257,951</u> | <u>490,307</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest and investment revenue | - | 80,436 | 80,436 |
| Miscellaneous revenue | 5,084 | - | 5,084 |
| Total non-operating revenue (expenses) | <u>5,084</u> | <u>80,436</u> | <u>85,520</u> |
| Income (loss) before contributions and transfers | 237,440 | 338,387 | 575,827 |
| Capital contributions | - | 343,000 | 343,000 |
| Special item - gain (loss) on sale of fixed assets | - | 22,274 | 22,274 |
| Change in net assets | <u>237,440</u> | <u>703,661</u> | <u>941,101</u> |
| Total net assets - beginning | (1,550,542) | 4,266,489 | 2,715,947 |
| Total net assets - ending | <u>\$ (1,313,102)</u> | <u>\$ 4,970,150</u> | <u>\$ 3,657,048</u> |

City of Texas City, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2005

| | <u>Group Insurance Fund</u> | <u>Capital Equipment Replacement Fund</u> | <u>Totals</u> |
|--|-------------------------------------|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customers | \$ 3,706,525 | \$ 713,604 | \$ 4,420,129 |
| Cash Paid to Suppliers | (871,144) | - | (871,144) |
| Cash Paid for Claims | <u>(2,761,385)</u> | <u>-</u> | <u>(2,761,385)</u> |
| Net cash provided (used) by operating activities | <u>73,996</u> | <u>713,604</u> | <u>787,600</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | - | (1,276,934) | (1,276,934) |
| Capital contributions from other funds | - | 343,000 | 343,000 |
| Proceeds from sales of capital assets | <u>-</u> | <u>22,274</u> | <u>22,274</u> |
| Net cash provided (used) by capital and related financing activities | <u>-</u> | <u>(911,660)</u> | <u>(911,660)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sales and maturities of investments | - | 2,034,238 | 2,034,238 |
| Purchase of investments | - | (500,000) | (500,000) |
| Interest and dividends received | <u>-</u> | <u>74,613</u> | <u>74,613</u> |
| Net cash provided (used) by investing activities | <u>-</u> | <u>1,608,851</u> | <u>1,608,851</u> |
| Net increase in cash and cash equivalents | 73,996 | 1,410,795 | 1,484,791 |
| Cash and cash equivalents, beginning | <u>(391,518)</u> | <u>1,177,513</u> | <u>785,995</u> |
| Cash and cash equivalents, ending | <u>\$ (317,522)</u> | <u>\$ 2,588,308</u> | <u>\$ 2,270,786</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | <u>\$ 237,440</u> | <u>\$ 257,951</u> | <u>\$ 495,391</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | \$ - | \$ 473,742 | \$ 473,742 |
| (Increase) decrease in accounts receivable | (264,083) | (18,089) | (282,172) |
| Increase (decrease) in accrued claims payable | <u>100,639</u> | <u>-</u> | <u>100,639</u> |
| Total adjustments | <u>(163,444)</u> | <u>455,653</u> | <u>292,209</u> |
| Net cash provided by operating activities | <u>\$ 73,996</u> | <u>\$ 713,604</u> | <u>\$ 787,600</u> |

City of Texas City, Texas
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|--------------|--------------|-------------------------------|
| | Original | Final | GAAP BASIS | Positive (Negative) |
| REVENUES | | | | |
| Property Taxes | \$ 4,260,000 | \$ 4,260,000 | \$ 4,262,937 | \$ 2,937 |
| Investment earnings | 30,000 | 30,000 | 58,207 | 28,207 |
| Miscellaneous | 1,060,500 | 1,060,500 | 1,060,500 | - |
| Total revenues | 5,350,500 | 5,350,500 | 5,381,644 | 31,144 |
| EXPENDITURES | | | | |
| Debt Service | | | | |
| Principal | 3,204,976 | 3,204,976 | 3,274,207 | (69,231) |
| Interest and other charges | 2,019,498 | 2,188,952 | 2,187,383 | 1,569 |
| Total expenditures | 5,224,474 | 5,393,928 | 5,461,590 | (67,662) |
| Excess (deficiency) of revenues over expenditures | 126,026 | (43,428) | (79,946) | (36,518) |
| Net change in fund balances | 126,026 | (43,428) | (79,946) | (36,518) |
| Fund balances - beginning | 1,181,784 | 1,181,784 | 1,181,784 | - |
| Fund balances - ending | \$ 1,307,810 | \$ 1,138,356 | \$ 1,101,838 | \$ (36,518) |

TBLink #VALUE! Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|--------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Positive (Negative)</u> |
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ 300,000 | #VALUE! | #VALUE! | #VALUE! |
| Investment earnings | 2,500 | #VALUE! | #VALUE! | #VALUE! |
| Total revenues | #VALUE! | #VALUE! | #VALUE! | #VALUE! |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 367,703 | 369,493 | #VALUE! | #VALUE! |
| Capital Outlay | 112,000 | 182,184 | #VALUE! | #VALUE! |
| Total Expenditures | #VALUE! | #VALUE! | #VALUE! | #VALUE! |
| Excess (deficiency) of revenues over expenditures | #VALUE! | #VALUE! | #VALUE! | #VALUE! |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (50,000) | #VALUE! | #VALUE! | #VALUE! |
| Total other financing sources and uses | #VALUE! | #VALUE! | #VALUE! | #VALUE! |
| Net change in fund balances | #VALUE! | #VALUE! | #VALUE! | #VALUE! |
| Fund balances - beginning | #VALUE! | #VALUE! | #VALUE! | #VALUE! |
| Fund balances - ending | #VALUE! | #VALUE! | #VALUE! | #VALUE! |

City of Texas City, Texas
Municipal Court Building Security Fund Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Positive (Negative)</u> |
| REVENUES | | | | |
| Fees and fines | \$ 25,000 | \$ 25,000 | \$ 22,674 | \$ (2,326) |
| Investment earnings | 1,000 | 1,000 | 3,995 | 2,995 |
| Total revenues | <u>26,000</u> | <u>26,000</u> | <u>26,669</u> | <u>669</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | <u>10,500</u> | <u>14,500</u> | <u>8,975</u> | <u>5,525</u> |
| Total Expenditures | <u>10,500</u> | <u>14,500</u> | <u>8,975</u> | <u>5,525</u> |
| Excess (deficiency) of revenues over expenditures | <u>15,500</u> | <u>11,500</u> | <u>17,694</u> | <u>6,194</u> |
| Net change in fund balances | 15,500 | 11,500 | 17,694 | 6,194 |
| Fund balances - beginning | <u>170,700</u> | <u>170,700</u> | <u>170,700</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 186,200</u> | <u>\$ 182,200</u> | <u>\$ 188,394</u> | <u>\$ 6,194</u> |

City of Texas City, Texas
Municipal Court Technology Fund Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| REVENUES | | | | (Negative) |
| Fees and fines | \$ 31,000 | \$ 31,000 | \$ 29,111 | \$ (1,889) |
| Investment earnings | 350 | 350 | 458 | 108 |
| Total revenues | <u>31,350</u> | <u>31,350</u> | <u>29,569</u> | <u>(1,781)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | 16,400 | 15,400 | 3,478 | 11,922 |
| Capital Outlay | <u>26,000</u> | <u>30,000</u> | <u>5,583</u> | <u>24,417</u> |
| Total Expenditures | <u>42,400</u> | <u>45,400</u> | <u>9,061</u> | <u>36,339</u> |
| Excess (deficiency) of revenues over expenditures | <u>(11,050)</u> | <u>(14,050)</u> | <u>20,508</u> | <u>34,558</u> |
| Net change in fund balances | (11,050) | (14,050) | 20,508 | 34,558 |
| Fund balances - beginning | <u>50,465</u> | <u>50,465</u> | <u>50,465</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 39,415</u> | <u>\$ 36,415</u> | <u>\$ 70,973</u> | <u>\$ 34,558</u> |

City of Texas City, Texas
Drug Confiscation Fund Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| REVENUES | | | | (Negative) |
| Fees and fines | \$ 10,000 | \$ 10,000 | \$ 17,434 | \$ 7,434 |
| Investment earnings | 350 | 350 | 739 | 389 |
| Total revenues | <u>10,350</u> | <u>10,350</u> | <u>18,173</u> | <u>7,823</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | 22,500 | 22,500 | 12,473 | 10,027 |
| Capital Outlay | <u>50,000</u> | <u>50,000</u> | <u>-</u> | <u>50,000</u> |
| Total Expenditures | <u>72,500</u> | <u>72,500</u> | <u>12,473</u> | <u>60,027</u> |
| Excess (deficiency) of revenues over expenditures | <u>(62,150)</u> | <u>(62,150)</u> | <u>5,700</u> | <u>67,850</u> |
| Net change in fund balances | (62,150) | (62,150) | 5,700 | 67,850 |
| Fund balances - beginning | <u>103,648</u> | <u>103,648</u> | <u>103,648</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 41,498</u> | <u>\$ 41,498</u> | <u>\$ 109,348</u> | <u>\$ 67,850</u> |

City of Texas City, Texas
DEA Confiscation Fund Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| REVENUES | | | | <u>(Negative)</u> |
| Fees and fines | \$ 5,000 | \$ 5,000 | \$ - | \$ (5,000) |
| Investment earnings | 150 | 150 | 139 | (11) |
| Total revenues | <u>5,150</u> | <u>5,150</u> | <u>139</u> | <u>(5,011)</u> |
| | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | <u>17,000</u> | <u>17,000</u> | <u>8,812</u> | <u>8,188</u> |
| Total Expenditures | <u>17,000</u> | <u>17,000</u> | <u>8,812</u> | <u>8,188</u> |
| Excess (deficiency) of revenues over expenditures | <u>(11,850)</u> | <u>(11,850)</u> | <u>(8,673)</u> | <u>3,177</u> |
| Net change in fund balances | (11,850) | (11,850) | (8,673) | 3,177 |
| Fund balances - beginning | 25,580 | 25,580 | 25,580 | - |
| Fund balances - ending | <u>\$ 13,730</u> | <u>\$ 13,730</u> | <u>\$ 16,907</u> | <u>\$ 3,177</u> |

City of Texas City, Texas
Water Capital Recovery Fund Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|--------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| REVENUES | | | | <u>(Negative)</u> |
| Charges for services | \$ - | \$ - | \$ 104,000 | \$ 104,000 |
| Investment earnings | 150 | 150 | 3,214 | 3,064 |
| Total revenues | <u>150</u> | <u>150</u> | <u>107,214</u> | <u>107,064</u> |
| | | | | |
| EXPENDITURES | | | | |
| Capital Outlay | <u>100,100</u> | <u>172,168</u> | <u>37,166</u> | <u>135,002</u> |
| Total Expenditures | <u>100,100</u> | <u>172,168</u> | <u>37,166</u> | <u>135,002</u> |
| Excess (deficiency) of revenues over expenditures | <u>(99,950)</u> | <u>(172,018)</u> | <u>70,048</u> | <u>242,066</u> |
| Net change in fund balances | (99,950) | (172,018) | 70,048 | 242,066 |
| Fund balances - beginning | 146,264 | 146,264 | 146,264 | - |
| Fund balances - ending | <u>\$ 46,314</u> | <u>\$ (25,754)</u> | <u>\$ 216,312</u> | <u>\$ 242,066</u> |

City of Texas City, Texas
Sewer Capital Recovery Fund Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Positive (Negative)</u> |
| | | | | |
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ 187,600 | \$ 187,600 |
| Investment earnings | 1,200 | 1,200 | 7,305 | 6,105 |
| Total revenues | <u>1,200</u> | <u>1,200</u> | <u>194,905</u> | <u>193,705</u> |
| Capital Outlay | 139,000 | 139,000 | - | 139,000 |
| Total Expenditures | <u>139,000</u> | <u>139,000</u> | <u>-</u> | <u>139,000</u> |
| Excess (deficiency) of revenues over expenditures | (137,800) | (137,800) | 194,905 | 332,705 |
| Net change in fund balances | (137,800) | (137,800) | 194,905 | 332,705 |
| Fund balances - beginning | 360,220 | 360,220 | 360,220 | - |
| Fund balances - ending | <u>\$ 222,420</u> | <u>\$ 222,420</u> | <u>\$ 555,125</u> | <u>\$ 332,705</u> |

City of Texas City, Texas
BJA Grant Fund Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Positive (Negative)</u> |
| | | | | |
| REVENUES | | | | |
| Intergovernmental | \$ 72,330 | \$ 72,330 | \$ 75,260 | \$ 2,930 |
| Total revenues | <u>72,330</u> | <u>72,330</u> | <u>75,260</u> | <u>2,930</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | 55,000 | 55,000 | 35,369 | 19,631 |
| Capital Outlay | 17,330 | 21,958 | 39,892 | (17,934) |
| Total Expenditures | <u>72,330</u> | <u>76,958</u> | <u>75,261</u> | <u>1,697</u> |
| Excess (deficiency) of revenues over expenditures | - | (4,628) | (1) | 4,627 |
| Net change in fund balances | - | (4,628) | (1) | 4,627 |
| Fund balances - beginning | 1 | 1 | 1 | - |
| Fund balances - ending | <u>\$ 1</u> | <u>\$ (4,627)</u> | <u>\$ -</u> | <u>\$ 4,627</u> |

City of Texas City, Texas
Municipal Court Efficiency Fees Fund Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|-----------|------------|-------------------------------|
| | Original | Final | GAAP BASIS | Positive (Negative) |
| | REVENUES | | | |
| Fees and fines | \$ 6,000 | \$ 6,000 | \$ 12,859 | \$ 6,859 |
| Investment earnings | 100 | 100 | - | (100) |
| Total revenues | 6,100 | 6,100 | 12,859 | 6,759 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | 2,700 | 2,700 | 981 | 1,719 |
| Total Expenditures | 2,700 | 2,700 | 981 | 1,719 |
| Excess (deficiency) of revenues over expenditures | 3,400 | 3,400 | 11,878 | 8,478 |
| Net change in fund balances | 3,400 | 3,400 | 11,878 | 8,478 |
| Fund balances - beginning | 40,779 | 40,779 | 40,779 | - |
| Fund balances - ending | \$ 44,179 | \$ 44,179 | \$ 52,657 | \$ 8,478 |

City of Texas City, Texas
Lone Star Libraries Grant Fund Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|-----------------------------|------------------|----------|------------|-------------------------------|
| | Original | Final | GAAP BASIS | Positive (Negative) |
| | REVENUES | | | |
| Intergovernmental | \$ 7,000 | \$ 7,000 | \$ 6,158 | \$ (842) |
| Total revenues | 7,000 | 7,000 | 6,158 | (842) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 7,000 | 7,000 | 6,158 | 842 |
| Total Expenditures | 7,000 | 7,000 | 6,158 | 842 |
| Net change in fund balances | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

City of Texas City, Texas
Project Safe - Anti-Gang Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|--------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Positive (Negative)</u> |
| | | | | |
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ 42,849 | \$ 8,844 | \$ (34,005) |
| Total revenues | - | 42,849 | 8,844 | (34,005) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | - | 42,849 | 8,844 | 34,005 |
| Total Expenditures | - | 42,849 | 8,844 | 34,005 |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Net change in fund balances | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

City of Texas City, Texas
CDBG Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|--------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Positive (Negative)</u> |
| | | | | |
| REVENUES | | | | |
| Intergovernmental | \$ 843,565 | \$ 843,565 | \$ 424,449 | \$ (419,116) |
| Total revenues | 843,565 | 843,565 | 424,449 | (419,116) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic and community development | 725,401 | 725,401 | 413,362 | 312,039 |
| Capital Outlay | 118,164 | 118,164 | 11,087 | 107,077 |
| Total Expenditures | 843,565 | 843,565 | 424,449 | 419,116 |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Net change in fund balances | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

City of Texas City, Texas
Special Districts Funds Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Positive (Negative)</u> |
| REVENUES | | | | |
| Miscellaneous | \$ 25,000 | \$ 75,000 | \$ 185,985 | \$ 110,985 |
| Total revenues | <u>25,000</u> | <u>75,000</u> | <u>185,985</u> | <u>110,985</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | <u>48,745</u> | <u>73,745</u> | <u>216,908</u> | <u>(143,163)</u> |
| Total Expenditures | <u>48,745</u> | <u>73,745</u> | <u>216,908</u> | <u>(143,163)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(23,745)</u> | <u>1,255</u> | <u>(30,923)</u> | <u>(32,178)</u> |
| Transfers in | <u>-</u> | <u>50,000</u> | <u>-</u> | <u>(50,000)</u> |
| Total other financing sources and uses | <u>-</u> | <u>50,000</u> | <u>-</u> | <u>(50,000)</u> |
| Net change in fund balances | (23,745) | 51,255 | (30,923) | (82,178) |
| Fund balances - beginning | <u>48,048</u> | <u>48,048</u> | <u>48,048</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 24,303</u> | <u>\$ 99,303</u> | <u>\$ 17,125</u> | <u>\$ (82,178)</u> |

City of Texas City, Texas
Emergency Medical Services Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>GAAP BASIS</u> | <u>Positive (Negative)</u> |
| REVENUES | | | | |
| Charges for services | \$ 1,399,992 | \$ 1,399,992 | \$ 1,097,391 | \$ (302,601) |
| Investment earnings | 78,600 | 78,600 | - | (78,600) |
| Total revenues | <u>1,478,592</u> | <u>1,478,592</u> | <u>1,097,391</u> | <u>(381,201)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | 966,100 | 966,100 | 1,158,684 | (192,584) |
| Capital Outlay | - | - | <u>222,020</u> | <u>(222,020)</u> |
| Total Expenditures | <u>966,100</u> | <u>966,100</u> | <u>1,380,704</u> | <u>(414,604)</u> |
| Excess (deficiency) of revenues over expenditures | <u>512,492</u> | <u>512,492</u> | <u>(283,313)</u> | <u>(795,805)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>120,000</u> | <u>120,000</u> | <u>120,000</u> | <u>-</u> |
| Total other financing sources and uses | <u>120,000</u> | <u>120,000</u> | <u>120,000</u> | <u>-</u> |
| Net change in fund balances | 632,492 | 632,492 | (163,313) | (795,805) |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | <u>\$ 632,492</u> | <u>\$ 632,492</u> | <u>\$ (163,313)</u> | <u>\$ (795,805)</u> |

**City of Texas City, Texas
Combining Balance Sheet
Component Units
September 30, 2006**

| | Texas City Economic Development Corp. | TCEDC - Fourth Monday | Public Facilities Development Fund | Texas City Industrial Development Corp. | Texas City Foreign Trade Zone | Danforth Health Facilities Corp. | Texas City Cultural Arts Foundation | Texas City Museum | Totals |
|--------------------------------------|--|-----------------------------|---|--|-------------------------------------|---|---|----------------------|---------------------|
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ 893,724 | \$ 3,778 | \$ 354,275 | \$ 45,438 | \$ 12,889 | \$ 1,752 | \$ 53,192 | \$ 112,594 | \$ 1,477,642 |
| Investments | 4,512,396 | - | - | 99,250 | 248,125 | - | 148,875 | 98,094 | 5,106,740 |
| Receivable from other governments | 646,758 | - | 16,100 | - | - | - | - | - | 662,858 |
| Accrued interest receivable | 24,524 | - | - | 1,417 | 3,541 | - | 2,125 | 422 | 32,029 |
| Other receivables | (13,039) | - | 4,887 | - | 17,500 | - | - | - | 9,348 |
| Total assets | <u>\$ 6,064,363</u> | <u>\$ 3,778</u> | <u>\$ 375,262</u> | <u>\$ 146,105</u> | <u>\$ 282,055</u> | <u>\$ 1,752</u> | <u>\$ 204,192</u> | <u>\$ 211,110</u> | <u>\$ 7,288,617</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 286,977 | \$ - | \$ 2,637 | \$ - | \$ 350 | \$ - | \$ 325 | \$ 7,391 | \$ 297,680 |
| Payable to other governments | 57,252 | - | - | - | - | - | - | - | 57,252 |
| Total liabilities | <u>344,229</u> | <u>-</u> | <u>2,637</u> | <u>-</u> | <u>350</u> | <u>-</u> | <u>325</u> | <u>7,391</u> | <u>354,932</u> |
| Fund balances: | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Encumbrances | 5,089,152 | - | - | - | - | - | 1,436 | 6,163 | 5,096,751 |
| Other purposes | 630,982 | 3,778 | 372,625 | 146,105 | 281,705 | 1,752 | 202,431 | 197,556 | 1,836,934 |
| Total fund balances | <u>5,720,134</u> | <u>3,778</u> | <u>372,625</u> | <u>146,105</u> | <u>281,705</u> | <u>1,752</u> | <u>203,867</u> | <u>203,719</u> | <u>6,933,685</u> |
| Total liabilities and fund balances | <u>\$ 6,064,363</u> | <u>\$ 3,778</u> | <u>\$ 375,262</u> | <u>\$ 146,105</u> | <u>\$ 282,055</u> | <u>\$ 1,752</u> | <u>\$ 204,192</u> | <u>\$ 211,110</u> | <u>\$ 7,288,617</u> |

City of Texas City, Texas
Reconciliation of the Component Units Balance Sheet to the Statement of Net Assets
September 30, 2006

| | | |
|--|----|-------------------|
| Total fund balance, component units | \$ | 6,933,685 |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different because: Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p> | | |
| | | 18,621,572 |
| <p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p> | | |
| | | (1,048,150) |
| Rounding | | <u>6</u> |
| Net Assets of Component Units in the Statement of Net Assets | \$ | <u>24,507,113</u> |

City of Texas City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Component Units
For the Year Ended September 30, 2006

| | Texas City Economic Development Corp. | TCEDC - Fourth Monday | Public Facilities Development Fund | Texas City Industrial Development Corp. | Texas City Foreign Trade Zone | Danforth Health Facilities Corp. | Texas City Cultural Arts Foundation | Texas City Museum | Totals |
|--|--|-----------------------------|---|--|-------------------------------------|---|---|----------------------|---------------------|
| REVENUES | | | | | | | | | |
| Sales and miscellaneous taxes | \$ 3,943,512 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,943,512 |
| Investment earnings | 138,127 | - | 1,639 | 3,745 | 5,991 | 12 | 3,890 | 3,251 | 156,655 |
| Miscellaneous | 1,256,638 | 5,313 | 612,618 | - | 107,500 | - | 58,105 | 123,271 | 2,163,445 |
| Total revenues | <u>5,338,277</u> | <u>5,313</u> | <u>614,257</u> | <u>3,745</u> | <u>113,491</u> | <u>12</u> | <u>61,995</u> | <u>126,522</u> | <u>6,263,612</u> |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | 1,062,500 | - | 169,978 | 25 | - | - | - | - | 1,232,503 |
| Culture and recreation | - | - | - | - | - | - | 29,851 | 86,050 | 115,901 |
| Economic & community development | 429,450 | - | - | - | 62,683 | - | - | - | 492,133 |
| Principal | - | - | 415,741 | - | - | - | - | - | 415,741 |
| Interest and other charges | - | - | 17,963 | - | - | - | - | - | 17,963 |
| Capital Outlay | 2,681,943 | - | - | - | - | - | - | - | 2,681,943 |
| Total Expenditures | <u>4,173,893</u> | <u>-</u> | <u>603,682</u> | <u>25</u> | <u>62,683</u> | <u>-</u> | <u>29,851</u> | <u>86,050</u> | <u>4,956,184</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,164,384</u> | <u>5,313</u> | <u>10,575</u> | <u>3,720</u> | <u>50,808</u> | <u>12</u> | <u>32,144</u> | <u>40,472</u> | <u>1,307,428</u> |
| SPECIAL ITEM | | | | | | | | | |
| Proceeds from sale of land | 57,360 | - | - | - | - | - | - | - | 57,360 |
| Net change in fund balances | 1,221,744 | 5,313 | 10,575 | 3,720 | 50,808 | 12 | 32,144 | 40,472 | 1,364,788 |
| Fund balances - beginning | 4,498,390 | (1,535) | 362,050 | 142,385 | 230,897 | 1,740 | 171,723 | 163,247 | 5,568,897 |
| Fund balances - ending | <u>\$ 5,720,134</u> | <u>\$ 3,778</u> | <u>\$ 372,625</u> | <u>\$ 146,105</u> | <u>\$ 281,705</u> | <u>\$ 1,752</u> | <u>\$ 203,867</u> | <u>\$ 203,719</u> | <u>\$ 6,933,685</u> |

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

| | |
|---|---------------------|
| Net change in fund balances - total component units | \$ 1,364,788 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is | 2,217,755 |
| This is the amount by which capital outlays \$2,681,943 exceeded depreciation \$464,188 in the current period. | |
| Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. | (39,804) |
| such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, in contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. | 475,177 |
| Change in net assets of component units | <u>\$ 4,017,916</u> |

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UNAUDITED STATISTICAL SECTION

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City of Texas City, Texas
NET ASSETS BY COMPONENT
Last Four Fiscal Years*
(Accrual Basis of Accounting)

| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|----------------------|----------------------|-----------------------|-----------------------|
| <u>Governmental Activities</u> | | | | |
| Invested in capital assets, net of related debt | \$ (11,083,630) | \$ (18,361,297) | \$ (11,029,437) | \$ 13,415,029 |
| Restricted | 13,156,747 | 14,331,743 | 12,599,745 | 17,231,780 |
| Unrestricted | <u>11,132,587</u> | <u>4,564,826</u> | <u>(5,685,899)</u> | <u>(36,477,711)</u> |
| Total governmental activities net assets | <u>\$ 13,205,704</u> | <u>\$ 535,272</u> | <u>\$ (4,115,591)</u> | <u>\$ (5,830,902)</u> |
| <u>Business-type activities</u> | | | | |
| Invested in capital assets, net of related debt | \$ 40,254,565 | \$ 34,338,033 | \$ 37,160,243 | \$ 25,553,271 |
| Restricted | - | - | - | - |
| Unrestricted | <u>9,026,593</u> | <u>12,902,255</u> | <u>7,574,421</u> | <u>16,041,171</u> |
| Total business-type activities net assets | <u>\$ 49,281,158</u> | <u>\$ 47,240,288</u> | <u>\$ 44,734,664</u> | <u>\$ 41,594,442</u> |
| <u>Primary government</u> | | | | |
| Invested in capital assets | \$ 29,170,935 | \$ 15,976,736 | \$ 26,130,806 | \$ 38,968,300 |
| Restricted | 13,156,747 | 14,331,743 | 12,599,745 | 17,231,780 |
| Unrestricted | <u>20,159,180</u> | <u>17,467,081</u> | <u>1,888,522</u> | <u>(20,436,540)</u> |
| Total Primary government net assets | <u>\$ 62,486,862</u> | <u>\$ 47,775,560</u> | <u>\$ 40,619,073</u> | <u>\$ 35,763,540</u> |

*GASB 34 was implemented in fiscal 2003, therefore 10 years of data is unavailable.

City of Texas City, Texas
CHANGES IN NET ASSETS
Last Four Fiscal Years*
(Accrual Basis of Accounting)

| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|------------------------|------------------------|------------------------|------------------------|
| EXPENSES | | | | |
| Governmental activities | | | | |
| General government | \$ 3,627,245 | \$ 3,188,650 | \$ 3,262,990 | \$ 3,906,499 |
| Public safety | 15,194,357 | 13,526,579 | 12,626,115 | 12,973,265 |
| Public works | 8,760,691 | 8,148,502 | 7,984,362 | 7,712,902 |
| Health and welfare | 304,240 | 234,948 | 227,545 | 416,406 |
| Culture and recreation | 6,227,018 | 6,239,907 | 5,741,235 | 5,770,839 |
| Economic and community development | 412,396 | 497,273 | 614,720 | 214,770 |
| Interest on long-term debt | 2,169,494 | 1,951,917 | 1,931,427 | 1,896,899 |
| Total governmental activities expenses | <u>36,695,441</u> | <u>33,787,776</u> | <u>32,388,394</u> | <u>32,891,580</u> |
| Business-type activities | | | | |
| Water and sewer | 8,986,753 | 8,794,933 | 7,760,108 | 7,910,801 |
| Total primary government expenses | <u>\$ 45,682,194</u> | <u>\$ 42,582,709</u> | <u>\$ 40,148,502</u> | <u>\$ 40,802,381</u> |
| PROGRAM REVENUES | | | | |
| Governmental activities | | | | |
| Charges for services: | | | | |
| General government | \$ 275,170 | \$ 170,165 | \$ - | \$ 49,966 |
| Public safety | 2,426,236 | 1,682,670 | 1,568,597 | 1,552,037 |
| Public works | 2,036,767 | 1,845,747 | 2,261,529 | 1,677,951 |
| Health and welfare | 63,858 | 64,437 | - | - |
| Culture and recreation | 1,241,842 | 1,096,747 | 1,028,573 | 1,089,289 |
| Operating grants and contributions: | | | | |
| General government | - | - | - | 98,849 |
| Public safety | 753,727 | 571,205 | 350,732 | 198,328 |
| Public works | 3,721,075 | 5,720 | 12,740 | 251,781 |
| Health and welfare | - | - | 38,220 | - |
| Culture and recreation | 12,408 | 107,631 | 55,207 | 166,363 |
| Economic and community development | 424,449 | 596,943 | 879,059 | 214,770 |
| Capital grants and contributions: | | | | |
| Public works | - | - | - | 1,980,267 |
| Culture and recreation | - | 85,922 | - | - |
| Total governmental activities program revenues | <u>10,955,532</u> | <u>6,227,187</u> | <u>6,194,657</u> | <u>7,279,601</u> |
| Business-type activities | | | | |
| Charges for services | 9,810,299 | 9,377,002 | 7,687,572 | 8,618,324 |
| Capital grants and contributions | 619,014 | 949,602 | - | - |
| Total business-type activities program revenues | <u>10,429,313</u> | <u>10,326,604</u> | <u>7,687,572</u> | <u>8,618,324</u> |
| Total primary government program revenues | <u>\$ 21,384,845</u> | <u>\$ 16,553,791</u> | <u>\$ 13,882,229</u> | <u>\$ 15,897,925</u> |
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (25,739,909) | \$ (27,560,589) | \$ (26,193,737) | \$ (25,611,979) |
| Business-type activities | 1,442,560 | 1,531,671 | (72,536) | 707,523 |
| Total primary government net expense | <u>\$ (24,297,349)</u> | <u>\$ (26,028,918)</u> | <u>\$ (26,266,273)</u> | <u>\$ (24,904,456)</u> |

City of Texas City, Texas
CHANGES IN NET ASSETS
Last Four Fiscal Years*
(Accrual Basis of Accounting)

| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| GENERAL REVENUES | | | | |
| Governmental activities | | | | |
| Taxes | | | | |
| Property taxes | \$ 19,621,721 | \$ 18,314,072 | \$ 15,643,515 | \$ 10,421,076 |
| Other taxes | 15,803,119 | 12,543,704 | 12,370,377 | 11,544,471 |
| Unrestricted investment earnings | 866,921 | 234,153 | 159,820 | 393,384 |
| Miscellaneous | 2,166,095 | 2,044,254 | 2,051,367 | 2,101,755 |
| Special item - gain (loss) on sale of assets | 71,493 | 24,871 | - | (4,063) |
| Transfers | 500,000 | - | (2,219,151) | (1,017,171) |
| Capital contributions | <u>(619,015)</u> | <u>(949,602)</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>38,410,334</u> | <u>32,211,452</u> | <u>28,005,928</u> | <u>23,439,452</u> |
| Business-type activities | | | | |
| Unrestricted investment earnings | 257,220 | 209,238 | 67,247 | 134,738 |
| Miscellaneous | 841,091 | 845,921 | 763,197 | - |
| Special item - gain (loss) on sale of assets | - | (81,203) | - | - |
| Transfers | <u>(500,000)</u> | <u>-</u> | <u>2,219,151</u> | <u>1,017,171</u> |
| Total business-type activities | <u>598,311</u> | <u>973,956</u> | <u>3,049,595</u> | <u>1,151,909</u> |
| Total primary government | <u>\$ 39,008,645</u> | <u>\$ 33,185,408</u> | <u>\$ 31,055,523</u> | <u>\$ 24,591,361</u> |
| CHANGES IN NET ASSETS | | | | |
| Governmental activities | \$ 12,670,425 | \$ 4,650,863 | \$ 1,812,191 | \$ (2,172,527) |
| Business-type activities | <u>2,040,871</u> | <u>2,505,627</u> | <u>2,977,059</u> | <u>1,859,432</u> |
| Total primary government | <u>\$ 14,711,296</u> | <u>\$ 7,156,490</u> | <u>\$ 4,789,250</u> | <u>\$ (313,095)</u> |

Page 2 of 2

*GASB 34 was implemented in fiscal 2003, therefore 10 years of data is unavailable.

City of Texas City, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>General fund</u> | | | | | |
| Reserved | \$ 2,031,449 | \$ 2,628,204 | \$ 386,456 | \$ 318,676 | \$ 225,843 |
| Unreserved | 10,881,084 | 7,806,539 | 6,562,437 | 4,970,999 | 7,014,811 |
| Total General Fund | <u>12,912,533</u> | <u>10,434,743</u> | <u>6,948,893</u> | <u>5,289,675</u> | <u>7,240,654</u> |
| <u>All other governmental funds</u> | | | | | |
| Reserved for: | | | | | |
| Debt Service | 1,101,838 | 1,181,783 | 1,542,030 | 1,392,216 | 1,824,718 |
| Special revenue funds | 1,948,333 | 1,651,695 | 1,608,769 | 1,124,107 | 1,131,375 |
| Capital projects funds | 9,763,610 | 12,812,250 | 9,062,490 | 14,715,457 | 14,033,109 |
| Total other governmental funds | <u>12,813,781</u> | <u>15,645,728</u> | <u>12,213,289</u> | <u>17,231,780</u> | <u>16,989,202</u> |
| Total fund balances of governmental funds | <u>\$ 25,726,314</u> | <u>\$ 26,080,471</u> | <u>\$ 19,162,182</u> | <u>\$ 22,521,455</u> | <u>\$ 24,229,856</u> |
| | | | | | |
| | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| <u>General fund</u> | | | | | |
| Reserved | \$ 531,875 | \$ 107,757 | \$ 259,087 | \$ 569,660 | \$ 662,307 |
| Unreserved | 6,021,864 | 5,817,775 | 6,628,330 | 7,469,252 | 6,434,558 |
| Total General Fund | <u>6,553,739</u> | <u>5,925,532</u> | <u>6,887,417</u> | <u>8,038,912</u> | <u>7,096,865</u> |
| <u>All other governmental funds</u> | | | | | |
| Reserved for: | | | | | |
| Debt Service | 1,876,237 | 1,772,687 | 1,778,452 | 1,780,706 | 1,671,781 |
| Special revenue funds | 992,223 | 834,960 | 428,421 | 429,424 | 400,750 |
| Capital projects funds | 6,343,894 | 14,201,710 | 1,759,097 | 1,762,015 | 3,807,207 |
| Total other governmental funds | <u>9,212,354</u> | <u>16,809,357</u> | <u>3,965,970</u> | <u>3,972,145</u> | <u>5,879,738</u> |
| Total fund balances of governmental funds | <u>\$ 15,766,093</u> | <u>\$ 22,734,889</u> | <u>\$ 10,853,387</u> | <u>\$ 12,011,057</u> | <u>\$ 12,976,603</u> |

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City of Texas City, Texas
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|---------------------|---------------------|-----------------------|-----------------------|---------------------|
| Revenues | | | | | |
| Property taxes | \$ 19,836,290 | \$ 16,928,610 | 15,811,893 | \$ 12,002,337 | \$ 13,394,023 |
| Sales and miscellaneous taxes | 15,803,119 | 12,543,704 | 13,088,977 | 11,374,169 | 11,885,187 |
| Licenses and permits | 285,664 | 390,490 | 396,298 | 267,790 | 209,104 |
| Intergovernmental | 1,190,583 | 1,258,705 | 1,335,957 | 930,091 | 1,070,187 |
| Charges for services | 4,145,333 | 2,935,930 | 3,261,846 | 2,533,280 | 2,664,833 |
| Fees and fines | 1,043,181 | 1,057,054 | 1,198,671 | 1,284,247 | 791,407 |
| Investment earnings | 866,919 | 234,153 | 147,932 | 373,432 | 906,052 |
| Other | 6,456,867 | 2,371,200 | 2,053,252 | 2,384,236 | 1,071,629 |
| Total revenues | <u>49,627,956</u> | <u>37,719,846</u> | <u>37,294,826</u> | <u>31,149,582</u> | <u>31,992,422</u> |
| Expenditures | | | | | |
| General government | 3,602,514 | 3,131,569 | 3,405,571 | 3,881,691 | 2,994,983 |
| Public safety | 15,392,454 | 13,236,374 | 12,678,963 | 12,860,009 | 12,226,512 |
| Public works | 8,668,399 | 7,756,140 | 7,802,600 | 7,464,177 | 7,236,385 |
| Health and welfare | 301,208 | 223,268 | 219,010 | 406,387 | 319,711 |
| Culture and recreation | 5,925,069 | 5,884,907 | 5,432,749 | 5,397,770 | 5,286,884 |
| Economic and community development | 413,362 | 497,273 | 609,091 | 214,770 | 190,902 |
| Capital outlay | 9,794,773 | 5,154,442 | 7,377,048 | 5,688,581 | 2,771,084 |
| Debt service: | | | | | |
| Principal | 3,920,472 | 3,074,198 | 2,022,059 | 1,933,682 | 1,620,642 |
| Interest and other charges | 2,192,357 | 1,895,576 | 1,987,081 | 1,831,166 | 1,777,426 |
| Total expenditures | <u>50,210,608</u> | <u>40,853,747</u> | <u>41,534,172</u> | <u>39,678,233</u> | <u>34,424,529</u> |
| Excess of revenues over (under) expenditures | (582,652) | (3,133,901) | (4,239,346) | (8,528,651) | (2,432,107) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 870,000 | 55,374 | 293,681 | 300,379 | 2,398,559 |
| Transfers out | (713,000) | (55,374) | (76,681) | (40,379) | (264,559) |
| Proceeds from issuance of bonds | - | 9,890,700 | - | 5,175,000 | 8,000,000 |
| Proceeds from loans/capital leases | - | 136,620 | 663,000 | 395,000 | 782,000 |
| Other | - | - | - | - | - |
| Total other financing sources (uses) | <u>157,000</u> | <u>10,027,320</u> | <u>880,000</u> | <u>5,830,000</u> | <u>10,916,000</u> |
| Special Item | | | | | |
| Proceeds from sale of fixed assets | <u>71,493</u> | <u>24,871</u> | <u>-</u> | <u>63,317</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (354,159)</u> | <u>\$ 6,918,290</u> | <u>\$ (3,359,346)</u> | <u>\$ (2,635,334)</u> | <u>\$ 8,483,893</u> |
| Debt service as a percentage of noncapital expenditures | 12% | 12% | 10% | 9% | 10% |

City of Texas City, Texas
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|---|-----------------------|----------------------|---------------------|---------------------|-----------------------|
| Revenues | | | | | |
| Property taxes | \$ 12,095,736 | \$ 10,896,705 | \$ 10,853,597 | \$ 10,316,407 | \$ 9,930,060 |
| Sales and miscellaneous taxes | 11,746,747 | 11,409,592 | 10,234,009 | 10,685,823 | 9,481,477 |
| Licenses and permits | 178,689 | 274,141 | 210,591 | 209,938 | 231,178 |
| Intergovernmental | 1,281,932 | 1,092,473 | 1,837,456 | 1,253,362 | 1,130,756 |
| Charges for services | 2,369,808 | 2,414,977 | 2,121,911 | 2,136,348 | 2,117,697 |
| Fees and fines | 921,101 | 889,327 | 784,047 | 832,819 | 752,944 |
| Investment earnings | 1,383,171 | 750,792 | 587,053 | 790,481 | 873,880 |
| Other | 1,375,984 | 1,071,752 | 1,331,693 | 1,350,161 | 1,420,931 |
| Total revenues | <u>31,353,168</u> | <u>28,799,759</u> | <u>27,960,357</u> | <u>27,575,339</u> | <u>25,938,923</u> |
| Expenditures | | | | | |
| General government | 2,697,581 | 2,675,937 | 2,501,936 | 2,546,389 | 2,575,330 |
| Public safety | 11,226,562 | 10,950,031 | 10,151,563 | 9,849,381 | 9,415,701 |
| Public works | 7,223,719 | 7,123,244 | 6,831,897 | 6,590,589 | 6,310,575 |
| Health and welfare | 271,540 | 290,085 | 305,628 | 178,410 | 155,358 |
| Culture and recreation | 5,270,913 | 5,185,244 | 4,399,368 | 3,977,786 | 3,742,061 |
| Economic and community development | 266,029 | 200,339 | 371,300 | 246,147 | 261,015 |
| Capital outlay | 8,591,720 | 1,475,570 | 2,653,675 | 3,766,692 | 4,613,196 |
| Debt service: | | | | | |
| Principal | 1,092,847 | 1,060,663 | 1,015,184 | 989,206 | 1,084,337 |
| Interest and other charges | 1,501,049 | 910,492 | 940,310 | 964,783 | 1,683,689 |
| Total expenditures | <u>38,141,960</u> | <u>29,871,605</u> | <u>29,170,861</u> | <u>29,109,383</u> | <u>29,841,262</u> |
| Excess of revenues over (under) expenditures | (6,788,792) | (1,071,846) | (1,210,504) | (1,534,044) | (3,902,339) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 1,242,998 | 1,255,540 | 680,967 | 1,032,019 | 564,566 |
| Transfers out | (1,148,000) | (1,129,602) | (266,427) | (208,896) | (147,839) |
| Proceeds from issuance of bonds | - | 12,912,894 | - | - | - |
| Proceeds from loans/capital leases | - | 171,761 | 210,294 | 120,572 | 205,995 |
| Other | - | 138,535 | - | - | - |
| Total other financing sources (uses) | <u>94,998</u> | <u>13,349,128</u> | <u>624,834</u> | <u>943,695</u> | <u>622,722</u> |
| Special Item | | | | | |
| Proceeds from sale of fixed assets | - | 38,215 | - | - | 22,579 |
| Net change in fund balances | <u>\$ (6,693,794)</u> | <u>\$ 12,315,497</u> | <u>\$ (585,670)</u> | <u>\$ (590,349)</u> | <u>\$ (3,257,038)</u> |
| Debt service as a percentage of noncapital expenditures | 7% | 7% | 7% | 7% | 9% |

City of Texas City, Texas
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years
(dollars in thousands)

| Fiscal Year | Tax Year | Real Property | | Personal Property | Less Tax Exempt Real Property | Less Other Exemptions and Abatements | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a % of Actual Taxable Value |
|-------------|----------|---------------|---------------|-------------------|-------------------------------|--------------------------------------|------------------------------|-----------------------|--------------------------------|---|
| | | Residential | Commercial | | | | | | | |
| 2006 | 2005 | 1,017,166,616 | 2,548,252,930 | 1,196,108,506 | 241,647,668 | 468,363,981 | 4,293,164,071 | 0.456 | 4,293,164,071 | 100% |
| 2005 | 2004 | 927,376,314 | 1,466,847,912 | 770,457,545 | 252,427,038 | 400,198,859 | 2,764,482,912 | 0.456 | 2,764,482,912 | 100% |
| 2004 | 2003 | 882,315,979 | 2,308,934,422 | 858,643,925 | 250,204,188 | 538,691,119 | 3,511,203,207 | 0.456 | 3,511,203,207 | 100% |
| 2003 | 2002 | 829,466,239 | 2,722,990,788 | 848,376,158 | 248,598,760 | 52,402,007 | 4,348,431,178 | 0.456 | 4,348,431,178 | 100% |
| 2002 | 2001 | 776,455,789 | 2,907,706,726 | 966,322,363 | 249,211,235 | 694,138,136 | 3,956,346,742 | 0.358 | 3,956,346,742 | 100% |
| 2001 | 2000 | 716,343,949 | 2,832,638,136 | 790,244,006 | 382,952,145 | 663,050,967 | 3,676,175,124 | 0.334 | 3,676,175,124 | 100% |
| 2000 | 1999 | 679,872,773 | 2,568,549,579 | 769,296,912 | 278,798,489 | 486,955,960 | 3,530,763,304 | 0.329 | 3,530,763,304 | 100% |
| 1999 | 1998 | 661,332,593 | 2,925,782,251 | 833,821,831 | 231,286,889 | 629,648,441 | 3,791,288,234 | 0.299 | 3,791,288,234 | 100% |
| 1998 | 1997 | 649,287,796 | 2,920,225,921 | 755,231,992 | 347,348,634 | 552,571,693 | 3,772,174,016 | 0.285 | 3,772,174,016 | 100% |
| 1997 | 1998 | 638,442,221 | 2,896,268,991 | 785,897,922 | 316,850,780 | 456,985,696 | 3,863,623,438 | 0.269 | 3,863,623,438 | 100% |

The estimated actual taxable value equals the total taxable assessed value.
All properties are assessed at 100% of actual taxable value.

Source: Tax department of the City

City of Texas City, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)

| Fiscal Year | City Direct Rates | | | Overlapping Rates | | | | | |
|-------------|-------------------|------------|--------------|-------------------|--|---------------------------------------|---------------------------------------|-------------------------|-----------------------------------|
| | M & O Rate | I & S Rate | Total Direct | Galveston County | Texas City Independent School District | La Marque Independent School District | Dickinson Independent School District | College of the Mainland | Galv. Co. Drainage District No. 2 |
| 2006 | 0.368579 | 0.087661 | 0.456240 | 0.617350 | 1.587100 | 1.740000 | 1.751000 | 0.243020 | 0.055200 |
| 2005 | 0.358066 | 0.098174 | 0.456240 | 0.627950 | 1.613000 | 1.743000 | 1.738000 | 0.245250 | 0.058800 |
| 2004 | 0.377940 | 0.078300 | 0.456240 | 0.627600 | 1.623400 | 1.730000 | 1.743000 | 0.263060 | 0.058800 |
| 2003 | 0.369340 | 0.086900 | 0.456240 | 0.593900 | 1.604700 | 1.650000 | 1.764000 | 0.231870 | 0.058800 |
| 2002 | 0.291980 | 0.065520 | 0.357500 | 0.553000 | 1.611900 | 1.625005 | 1.747000 | 0.218000 | 0.058800 |
| 2001 | 0.278430 | 0.055070 | 0.333500 | 0.545000 | 1.611800 | 1.625010 | 1.754000 | 0.218000 | 0.056273 |
| 2000 | 0.277850 | 0.050900 | 0.328750 | 0.545000 | 1.608000 | 1.615959 | 1.751000 | 0.215760 | 0.054294 |
| 1999 | 0.248650 | 0.050100 | 0.298750 | 0.520000 | 1.520000 | 1.644100 | 1.710000 | 0.198815 | 0.054419 |
| 1998 | 0.236300 | 0.048700 | 0.285000 | 0.520000 | 1.490000 | 1.644100 | 1.710000 | 0.198815 | 0.052586 |
| 1997 | 0.218300 | 0.050700 | 0.269000 | 0.520000 | 1.490000 | 0.164440 | 1.711800 | 0.188175 | 0.050825 |

Source: Galveston County and Galveston Central Appraisal District.

Note: The city's basic property tax rate may be increased only by a majority vote of the city's residents. Rates for debt service are set based on each year's requirements.

Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all Texas City property owners; for example, although the county property tax rates apply to all.

**City of Texas City, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended Sept 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | | Amount Outstanding |
|---|---|---|----------------------|--|----------------------------------|----------------------|-------------------------------|
| | | Amount | % of Levy | | Amount | % of Levy | |
| 1997 | \$ 9,841,287 | \$ 9,724,254 | 99% | \$ 92,267 | \$ 9,816,521 | 100% | \$ 24,766 |
| 1998 | \$ 10,280,937 | \$ 10,150,484 | 99% | \$ 105,619 | \$ 10,256,103 | 100% | \$ 24,834 |
| 1999 | \$ 10,857,297 | \$ 10,716,136 | 99% | \$ 112,325 | \$ 10,828,461 | 100% | \$ 28,836 |
| 2000 | \$ 11,007,891 | \$ 10,735,137 | 98% | \$ 241,695 | \$ 10,976,832 | 100% | \$ 31,059 |
| 2001 | \$ 12,116,400 | \$ 11,919,779 | 98% | \$ 149,916 | \$ 12,069,695 | 100% | \$ 46,705 |
| 2002 | \$ 13,311,486 | \$ 13,087,456 | 98% | \$ 167,640 | \$ 13,255,096 | 100% | \$ 56,390 |
| 2003 | \$ 12,053,334 | \$ 11,573,719 | 96% | \$ 394,339 | \$ 11,968,058 | 99% | \$ 85,276 |
| 2004 | \$ 15,460,520 | \$ 15,133,491 | 98% | \$ 208,097 | \$ 15,341,588 | 99% | \$ 118,932 |
| 2005 | \$ 17,898,106 | \$ 16,527,501 | 92% | \$ 323,630 | \$ 16,851,131 | 94% | \$ 1,046,975 |
| 2006 | \$ 19,693,614 | \$ 19,404,611 | 99% | \$ - | \$ 19,404,611 | 99% | \$ 289,003 |

Source: City of Texas City Tax Office

**City of Texas City, Texas
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

| <u>Taxpayer</u> | <u>2006</u> | | | <u>1997</u> | | | | |
|-------------------------------|--------------------------------|-------------|--|--------------------------------|-------------|--|--|--|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | | |
| BP Products (NA) Inc | \$ 1,285,559,550 | 1 | 29.9 % | \$ 995,932,420 | 1 | 25.8 % | | |
| Valero Refining-Texas LP | 668,505,350 | 2 | 15.6 % | - | - | - % | | |
| Union Carbide Corp | 323,329,110 | 3 | 7.5 % | 502,637,020 | 2 | 13.0 % | | |
| South Houston Green Power, LP | 281,684,910 | 4 | 6.6 % | - | - | - % | | |
| Sterling Chemicals Inc | 155,096,891 | 5 | 3.6 % | 328,119,460 | 3 | 8.5 % | | |
| BP Amoco Chemical Co | 115,789,500 | 6 | 2.7 % | 256,823,030 | 5 | 6.6 % | | |
| Praxair Inc | 132,151,110 | 7 | 3.1 % | 35,004,100 | 9 | 0.9 % | | |
| Marathon Petroleum Company | 114,030,920 | 8 | 2.7 % | 92,177,920 | 7 | 2.4 % | | |
| Valero Marketing & Supply Co | 15,388,200 | 9 | 0.4 % | - | - | - % | | |
| ISP Technologies Inc | 55,017,580 | 10 | 1.3 % | 44,593,360 | 8 | 1.2 % | | |
| Basis Petroleum Inc | - | - | - % | 219,433,540 | 4 | 5.7 % | | |
| Cogenron Inc | - | - | - % | 114,151,800 | 6 | 3.0 % | | |
| Texas-New Mexico Power Co | - | - | - % | 33,760,470 | 10 | 0.9 % | | |
| Total | <u>\$ 3,146,553,121</u> | | <u>73.3</u> % | <u>\$ 2,622,633,120</u> | | <u>67.9</u> % | | |

Source: Galveston Central Appraisal District

**City of Texas City, Texas
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS**

| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Agriculture, Forestry, Fishing | \$ 274 | \$ 329 | \$ 302 | \$ 339 | \$ 351 |
| Mining | 77 | 67 | 152 | 76 | 16 |
| Construction | 7,233 | 4,282 | 3,340 | 4,013 | 4,762 |
| Manufacturing | 18,489 | 12,898 | 10,300 | 9,119 | 16,000 |
| Transportation, Communications, Utilities | 7,093 | 15,660 | 18,710 | 19,556 | 17,515 |
| Wholesale Trade | 43,122 | 37,126 | 35,833 | 35,724 | 37,976 |
| Retail Trade | 212,619 | 219,358 | 220,238 | 253,253 | 294,142 |
| Finance, Insurance, Real Estate | 4 | 41 | 10 | 31 | 72 |
| Services | 39,255 | 31,341 | 30,936 | 30,990 | 28,542 |
| Other | 11,842 | 2,207 | 171 | - | - |
| Total | \$ 340,007 | \$ 323,309 | \$ 319,991 | \$ 353,100 | \$ 399,376 |
| City direct sales tax rate | <u>\$ 0.015</u> | <u>\$ 0.015</u> | <u>\$ 0.015</u> | <u>\$ 0.015</u> | <u>\$ 0.015</u> |

| | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Agriculture, Forestry, Fishing | | | | | |
| Mining | \$ 213 | \$ 228 | \$ 163 | \$ 195 | \$ 129 |
| Construction | 273 | - | - | 71 | 61 |
| Manufacturing | 4,397 | 5,001 | 3,339 | 3,185 | 3,562 |
| Transportation, Communications, Utilities | 18,113 | 12,518 | 13,264 | 21,123 | 7,860 |
| Wholesale Trade | 21,016 | 17,708 | 17,153 | 17,777 | 18,074 |
| Retail Trade | 41,008 | 41,288 | 41,672 | 38,057 | 26,847 |
| Finance, Insurance, Real Estate | 307,374 | 310,426 | 296,667 | 262,374 | 271,800 |
| Services | 183 | 100 | 476 | 810 | 199 |
| Other | 28,753 | 26,437 | 29,826 | 28,718 | 24,974 |
| Total | \$ 421,330 | \$ 413,707 | \$ 402,561 | \$ 372,310 | \$ 353,506 |
| City direct sales tax rate | <u>\$ 0.015</u> | <u>\$ 0.015</u> | <u>\$ 0.015</u> | <u>\$ 0.015</u> | <u>\$ 0.015</u> |

Source: State Comptroller's Office.

The City direct sales tax rate includes the City only and not the Texas City Economic Development Corp. (4B).

City of Texas City, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

| <u>Fiscal Year</u> | <u>Governmental Activities</u> | | | <u>Business-Type Activities</u> | <u>Total Primary Government</u> | <u>Percentage of Personal Income</u> | <u>Per Capita</u> |
|--------------------|---------------------------------|---|----------------------------------|---------------------------------|---------------------------------|--------------------------------------|-------------------|
| | <u>General Obligation Bonds</u> | <u>Certificates of Obligation Bonds</u> | <u>Capital Lease Obligations</u> | <u>Revenue Bonds</u> | | | |
| 2006 | \$ 31,755 | \$ 13,480 | \$ 653 | \$ 8,053 | \$ 53,941 | 7.6% | \$ 1,299 |
| 2005 | \$ 33,560 | \$ 14,505 | \$ 1,060 | \$ 8,346 | \$ 57,471 | 8.1% | \$ 1,384 |
| 2004 | \$ 28,325 | \$ 11,845 | \$ 1,295 | \$ 8,624 | \$ 50,089 | 7.1% | \$ 1,206 |
| 2003 | \$ 29,670 | \$ 12,250 | \$ 904 | \$ 9,020 | \$ 51,844 | 7.3% | \$ 1,249 |
| 2002 | \$ 25,790 | \$ 12,635 | \$ 762 | \$ 9,150 | \$ 48,337 | 6.8% | \$ 1,164 |
| 2001 | \$ 18,800 | \$ 13,000 | \$ 226 | \$ 9,394 | \$ 41,420 | 5.8% | \$ 998 |
| 2000 | \$ 19,770 | \$ 12,030 | \$ 384 | \$ 9,387 | \$ 41,571 | 5.9% | \$ 1,001 |
| 1999 | \$ 20,705 | \$ - | \$ 338 | \$ 9,381 | \$ 30,424 | 5.3% | \$ 745 |
| 1998 | \$ 21,605 | \$ - | \$ 203 | \$ 9,374 | \$ 31,182 | 5.4% | \$ 764 |
| 1997 | \$ 22,480 | \$ - | \$ 237 | \$ - | \$ 22,717 | 3.9% | \$ 556 |

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

City of Texas City, Texas
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years
(dollars in thousands, except per capita)

| Fiscal Year | Tax Year | General Obligation Bonds | Less Debt Service Funds | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Percentage of Personal Income | Per Capita |
|--------------------|-----------------|---------------------------------|--------------------------------|------------------------|---|--------------------------------------|-------------------|
| 2006 | 2005 | \$ 45,235 | \$ 1,102 | \$ 44,133 | 1% | 6% | \$ 1,063 |
| 2005 | 2004 | \$ 48,065 | \$ 1,182 | \$ 46,883 | 2% | 7% | \$ 1,129 |
| 2004 | 2003 | \$ 40,170 | \$ 1,542 | \$ 38,628 | 1% | 5% | \$ 930 |
| 2003 | 2002 | \$ 41,920 | \$ 1,392 | \$ 40,528 | 1% | 6% | \$ 976 |
| 2002 | 2001 | \$ 38,425 | \$ 1,825 | \$ 36,600 | 1% | 5% | \$ 881 |
| 2001 | 2000 | \$ 31,800 | \$ 1,876 | \$ 29,924 | 1% | 4% | \$ 721 |
| 2000 | 1999 | \$ 31,800 | \$ 1,773 | \$ 30,027 | 1% | 4% | \$ 723 |
| 1999 | 1998 | \$ 20,705 | \$ 1,778 | \$ 18,927 | 0% | 3% | \$ 464 |
| 1998 | 1997 | \$ 21,605 | \$ 1,781 | \$ 19,824 | 1% | 3% | \$ 486 |
| 1997 | 1996 | \$ 22,480 | \$ 1,672 | \$ 20,808 | 1% | 4% | \$ 510 |

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

Population data can be found in demographic and economic statistics table.

City of Texas City, Texas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2006
(dollars in thousands, except per capita)

| <u>Taxing Jurisdiction</u> | <u>Gross Debt</u> | <u>Overlapping</u> | |
|---|-------------------|--------------------|---------------|
| | | <u>Percentage</u> | <u>Amount</u> |
| College of the Mainland | \$ 2,670 | 68.82% | \$ 1,837 |
| Dickinson Independent School District | 136,687 | 17.89% | 24,453 |
| Galveston County | 191,128 | 42.18% | 80,618 |
| La Marque Independent School District | 32,743 | 72.76% | 23,824 |
| Texas City Independent School District | 19,045 | 100.00% | <u>19,045</u> |
| Total Overlapping Debt | | | 149,777 |
| City Direct Debt | 53,941 | 100.00% | <u>53,941</u> |
| Total Direct and Overlapping Debt | | | \$ 203,718 |
| Population | | | 41,521 |
| Per Capita Debt-Direct and Overlapping Debt | | | \$ 4,906 |

Sources: Individual jurisdictions and/or Texas Municipal Reports.

**City of Texas City, Texas
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years**

Water & Sewer Revenue Bonds

| Fiscal Year | Gross Revenues | Less: Operating Expenses | Net Revenue Available for Debt Service | Debt Service | | | Coverage |
|--------------------|-----------------------|---------------------------------|---|---------------------|-----------------|--------------|-----------------|
| | | | | Principal | Interest | Total | |
| 2006 | \$ 10,651,390 | \$ 6,767,480 | \$ 3,883,910 | \$ 300,000 | \$ 415,470 | \$ 715,470 | 5 |
| 2005 | 10,222,923 | 6,930,994 | 3,291,929 | 285,000 | 428,010 | 713,010 | 5 |
| 2004 | 8,450,769 | 7,746,325 | 704,444 | 275,000 | 439,973 | 714,973 | 1 |
| 2003 | 8,628,899 | 7,895,079 | 733,820 | 265,000 | 451,235 | 716,235 | 1 |
| 2002 | 6,761,483 | 5,062,672 | 1,698,811 | 250,000 | 461,610 | 711,610 | 2 |
| 2001 | 6,227,314 | 5,328,381 | 898,933 | - | 461,610 | 461,610 | 2 |
| 2000 | 6,797,402 | 5,204,869 | 1,592,533 | - | 461,610 | 461,610 | 3 |
| 1999 | 6,389,406 | 5,084,576 | 1,304,830 | - | 474,990 | 474,990 | 3 |
| 1998 | 6,239,990 | 5,153,831 | 1,086,159 | - | - | - | N/A |
| 1997 | 6,045,393 | 5,450,696 | 594,697 | - | - | - | N/A |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

**City of Texas City, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

| Fiscal Year | Population (A) | Personal Income (in \$000's) | Per Capita Personal Income (A) | Median Age (A) | Education level in Years of Schooling (B) | School Enrollment (C) | Unemployment Rate (D) |
|--------------------|-----------------------|-------------------------------------|---------------------------------------|-----------------------|--|------------------------------|------------------------------|
| 2006 | 41,521 | \$ 708,224 | \$ 17,057 | 35.5 | 13.6 | 5,965 | 5.1% |
| 2005 | 41,521 | \$ 708,224 | \$ 17,057 | 35.5 | 13.6 | 5,860 | 5.4% |
| 2004 | 41,521 | \$ 708,224 | \$ 17,057 | 35.5 | 13.6 | 5,804 | 8.6% |
| 2003 | 41,521 | \$ 708,224 | \$ 17,057 | 35.5 | 13.6 | 5,842 | 7.6% |
| 2002 | 41,521 | \$ 708,224 | \$ 17,057 | 35.5 | 13.6 | 5,875 | 7.1% |
| 2001 | 41,521 | \$ 708,224 | \$ 17,057 | 35.5 | 13.6 | 5,942 | 7.5% |
| 2000 | 41,521 | \$ 708,224 | \$ 17,057 | 35.5 | 13.6 | 6,000 | 7.1% |
| 1999 | 40,822 | \$ 575,876 | \$ 14,107 | 32.6 | 13.0 | 5,979 | 6.8% |
| 1998 | 40,822 | \$ 575,876 | \$ 14,107 | 32.6 | 13.0 | 6,047 | 7.5% |
| 1997 | 40,822 | \$ 575,876 | \$ 14,107 | 32.6 | 13.0 | 6,114 | 8.8% |

- (A) U.S. Census Bureau - census is taken every 10 years
- (B) U.S. Census Bureau - population 25 years of age and over
- (C) Texas Education Agency
- (D) Texas City-La Marque Chamber of Commerce

**City of Texas City, Texas
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

| <u>Employer</u> | <u>2006</u> | | | <u>1997</u> | | |
|--|------------------|-------------|--|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| BP (formerly Amoco Chemical & Petroleum) | 2,000 | 1 | 10.0% | 2,538 | 1 | 12.6% |
| Texas City ISD | 879 | 2 | 4.4% | 754 | 4 | 3.8% |
| Mainland Medical Center | 750 | 3 | 3.7% | 630 | 5 | 3.1% |
| Valero Refining - Texas LP | 500 | 4 | 2.5% | 325 | 6 | 1.6% |
| Union Carbide Corp. | 450 | 5 | 2.2% | 1,200 | 2 | 6.0% |
| Sterling Chemicals | 450 | 6 | 2.2% | 930 | 3 | 4.6% |
| College of the Mainland | 280 | 7 | 1.4% | 280 | 8 | 1.4% |
| Marathon Petroleum Company | 250 | 8 | 1.2% | 261 | 9 | 1.3% |
| Macy's (formerly Foley's) | 203 | 9 | 1.0% | - | | 0.0% |
| Sam's Club | 180 | 10 | 0.9% | - | | 0.0% |
| Wal-Mart | - | | 0.0% | 325 | 7 | 1.6% |
| Catalytic Industrial Maintenance | - | | 0.0% | 238 | 10 | 1.2% |
| Total | 5,942 | | 30% | 7,481 | | 37% |

Source: Texas City-La Marque Chamber of Commerce

City of Texas City, Texas
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS

| Function/Program | Full-time Equivalent Employees as of September 30, | | | | | | | | | |
|--------------------------|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| Governmental Activities | | | | | | | | | | |
| General Government | 30 | 29 | 28 | 29 | 31 | 30 | 29 | 30 | 30 | 30 |
| Public Safety | 188 | 184 | 185 | 196 | 196 | 195 | 192 | 192 | 188 | 184 |
| Public Works | 105 | 105 | 105 | 106 | 104 | 104 | 106 | 106 | 106 | 106 |
| Community Services | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Parks and Recreation | 219 | 219 | 219 | 219 | 219 | 219 | 218 | 217 | 217 | 200 |
| Business Type Activities | | | | | | | | | | |
| Water & Sewer | 45 | 45 | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 51 |
| Component Unit | | | | | | | | | | |
| Economic Development | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| Total | <u>596</u> | <u>591</u> | <u>597</u> | <u>610</u> | <u>610</u> | <u>608</u> | <u>605</u> | <u>605</u> | <u>601</u> | <u>580</u> |

Source: City Budget

City of Texas City, Texas
OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST FOUR FISCAL YEARS

| Function/Program | Fiscal Year | | | | |
|-----------------------------|--|---------|--------|--------|--------|
| | 2006 | 2005 | 2004 | 2003 | |
| GENERAL GOVERNMENT | | | | | |
| Finance | | | | | |
| | Number of PO under \$500 | 9,303 | 9,777 | 10,650 | 11,506 |
| | Number of PO \$499.99-\$2,999.99 | 1,505 | 1,335 | 1,071 | 1,267 |
| | Number of PO over \$2,999.99 | 535 | 498 | 391 | 410 |
| | Number of budget transfers | 25 | 33 | 21 | 26 |
| Information Technology | | | | | |
| | Average monthly service requests | 30 | 55 | 20 | 19 |
| | Number of PC's supported | 357 | 319 | 315 | 235 |
| PUBLIC SAFETY | | | | | |
| Police | | | | | |
| | Number of police calls resulting in dispatch | 72,862 | 73,449 | 63,160 | 67,203 |
| | Number of offense reports filed | 12,874 | 12,731 | 12,884 | 14,131 |
| | Total police arrests made | 4,158 | 4,145 | 4,542 | 5,037 |
| | Dispatched calls per patrol officer | 899 | 907 | 780 | 830 |
| | Motor Vehicle Accidents | 2,188 | 1,657 | 1,642 | 1,774 |
| | Number of burglaries | 767 | 859 | 837 | 810 |
| | Number of motor vehicle thefts | 176 | 218 | 229 | 306 |
| Fire | | | | | |
| | Total number fire responses-residential | 157 | 211 | 172 | 159 |
| | Total number fire responses-other | 1,005 | 870 | 878 | 909 |
| | Fires investigated | 14 | 16 | 5 | 35 |
| | Total annual inspections | 607 | 661 | 1,344 | 1,565 |
| EMS | | | | | |
| | Calls for service | 5,004 | n/a | n/a | n/a |
| | Patients treated | 4,832 | n/a | n/a | n/a |
| PUBLIC WORKS | | | | | |
| Fleet Maintenance | | | | | |
| | Vehicle maintenance service requests | 3,850 | 3,950 | 4,100 | 803 |
| | Vehicle maintenance repair requests | 916 | 916 | 1,000 | 1,271 |
| Other public works | | | | | |
| | Tons of Residential refuse | n/a | 4,652 | 2,548 | 2,296 |
| | Tons of commercial refuse | n/a | 1,209 | 1,439 | 1,556 |
| | Linear feet of curbs cut | n/a | 68 | 436 | 231 |
| | Work orders completed | n/a | 1,422 | 1,679 | 2,027 |
| | Number of recycling participants | n/a | 3,359 | 3,329 | 3,207 |
| PARKS AND RECREATION | | | | | |
| All Parks and recreation | | | | | |
| | Total number of attendance at events | 267,835 | n/a | n/a | n/a |
| | Number of recreation classes offered | n/a | n/a | n/a | n/a |

**City of Texas City, Texas
OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST FOUR FISCAL YEARS**

| Function/Program | | Fiscal Year | | | |
|-----------------------------|--|-------------|------|------|------|
| | | 2006 | 2005 | 2004 | 2003 |
| COMMUNITY SERVICES | | | | | |
| Animal Control | | | | | |
| | Number of licenses issued | n/a | n/a | n/a | n/a |
| | Total number of calls for service | n/a | n/a | n/a | n/a |
| Community Development | | | | | |
| | Total building inspections | n/a | n/a | n/a | n/a |
| | Total code violation cases | n/a | n/a | n/a | n/a |
| WATER & SEWER | | | | | |
| Distribution and Collection | | | | | |
| | Fire hydrant maintenance and inspections | n/a | n/a | n/a | n/a |
| | Backed up sewer repairs | n/a | n/a | n/a | n/a |
| Water Production | | | | | |
| | Water produced - wells (well only in millions) | n/a | n/a | n/a | n/a |
| | Combined gallons of water produced (well and surface in millions) | n/a | n/a | n/a | n/a |
| | Water mains repaired | n/a | n/a | n/a | n/a |
| Billing & Collections | | | | | |
| | Annual meter reads | n/a | n/a | n/a | n/a |
| Wastewater Treatment | | | | | |
| | Wastewater treated (in millions of gallons) | n/a | n/a | n/a | n/a |

Sources: Various city departments.

**City of Texas City, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM,
LAST FOUR FISCAL YEARS**

| Function/Program | Fiscal Year | | | | |
|-----------------------------|----------------------------|-------|-------|-------|-------|
| | 2006 | 2005 | 2004 | 2003 | |
| PUBLIC SAFETY | | | | | |
| Police | | | | | |
| | Police stations | 1 | 1 | 1 | 1 |
| | Police vehicles | 112 | 112 | 112 | 112 |
| Fire stations | | | | | |
| | Fire stations | 3 | 3 | 3 | 3 |
| | Fire vehicles | 30 | 30 | 30 | 30 |
| PUBLIC WORKS | | | | | |
| Other public works | | | | | |
| | Streets (miles) a | 297 | 297 | 297 | 297 |
| | Highways (miles) a | n/a | n/a | n/a | n/a |
| | Streetlights | 3,628 | 3,628 | 3,628 | 3,628 |
| | Traffic signals | 51 | 51 | 51 | 51 |
| PARKS AND RECREATION | | | | | |
| Parks and recreation | | | | | |
| | Acreage | 125 | 125 | 125 | 125 |
| | Pools | 4 | 4 | 4 | 4 |
| | Outdoor basketball courts | n/a | n/a | n/a | n/a |
| | Soccer fields | n/a | n/a | n/a | n/a |
| | Activity building | 4 | 4 | 4 | 4 |
| WATER AND SEWER | | | | | |
| Water Production | | | | | |
| | Water wells | 11 | 11 | 11 | 11 |
| | Pressure reducing stations | 14 | 14 | 14 | 14 |
| | Ground storage tanks | 8 | 8 | 8 | 8 |
| | Elevated towers | 5 | 5 | 5 | 5 |
| Wastewater | | | | | |
| | Treatment Plants | 1 | 1 | 1 | 1 |
| | Lift Stations | 36 | 36 | 36 | 36 |
| Distribution and Collection | | | | | |
| | Water mains (miles) | 249 | 249 | 249 | 249 |
| | Sanitary sewers (miles) | 207 | 207 | 207 | 207 |

Sources: Various city departments.

a=Inside city limits