

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2006

**City of
Jersey
Village**



Mayor

Ed Heathcott

City Council

Joyce Berube

Greg Holden

Frances Wubbenhorst

Ernie English

Jill Klein

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF JERSEY VILLAGE, TEXAS

**For the fiscal year ended
September 30, 2006**

**Prepared by
Finance Department**

**Isabel Kato
Director of Finance**

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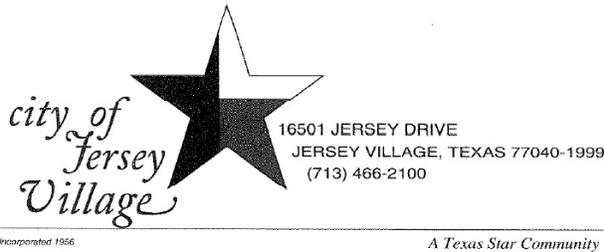
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INTRODUCTORY SECTION

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March 6, 2007

Honorable Mayor and City Council
City of Jersey Village
16501 Jersey Drive
Jersey Village, Texas 77040

Dear Mayor and Members of City Council:

The City of Jersey Village, Texas (the City), is required to publish each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principals (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Jersey Village for the fiscal year ended September 30, 2006.

This report consists of management's representations concerning the finances of the City and deems the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of all City activities and funds. Therefore, management assumes full responsibility for the completeness and reliability of all information presented in this report. The City also acknowledges all disclosures are necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by Null Lairson, P.C., a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for the year ended September 30, 2006 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.

As required by GAAP, management has provided a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Strategic Direction

The City's vision, mission, and strategy clearly define for the City staff and the community what issues are most important to Jersey Village.

Vision. Jersey Village is to carry on the challenge of providing an excellent level of City services by looking toward the future with a focus on sustaining a superior quality of life.

Mission. The City of Jersey Village is committed to working with citizens to preserve a sense of community and enhance the quality of life by providing friendly, personalized services for the safety and well-being of our City, its natural resources and environment in a fiscally responsible manner.

To accomplish our mission we will commit:

- **Fiscal Responsibility** - Establish a fiscally sound local government with budget control and focus on the strategic plans of the community. It will be a strong and diverse economic structure based on a friendly relationship and competitive tax environment.
- **Public Safety** - Provide a safe and secure environment resulting from a partnership between Jersey Village residents and the Police and Emergency Services Departments.
- **Flood Prevention and Mitigation** - The City will continue efforts to reduce flooding in the City and use its influence to encourage the Harris County Flood Control District to complete major flood mitigation programs affecting Jersey Village in a timely manner.
- **Economic Development** - The City will focus economic development efforts on increasing the commercial tax base through the attraction of companies and the expansion of existing businesses.
- **Quality Public Infrastructure and Recreational Facilities** - Provide continual cost effective maintenance and upgrades of streets, municipal utilities, and other municipal owned facilities to meet the service and capacity needs of the community. Improve recreation facilities, parks and programs to meet the needs of the community.

Profile of the Government

The City, which was formed in 1956, is located 15 miles northwest of downtown Houston. At September 30, 2006 the City had a land area of 3.58 square miles and an estimated population of approximately 7,143. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statutes to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Jersey Village has adopted a Council-Manager form of government. The Council is comprised of a Mayor and five Council members. The Mayor and Council members are all elected at large for a two-year term. Elections are staggered with the Mayor and two Council members elected together (year 2005) and the three remaining members in the following year. The City Manager is appointed by the Council and is responsible for implementation of council policy and all day-to-day operations of the City.

The City provides a full range of municipal services including public safety (police and fire protection); residential solid waste sanitation services, water and wastewater services, public improvements, repair and maintenance of infrastructure, recreational and community activities and general administrative services. The City also owns and operates a public golf course. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established

by the Governmental Accounting Standards Board, the City reports all funds and account groups for which the City, as the primary government, is accountable. The Jersey Village Crime Control and Prevention District (the District) is considered to meet the criteria of a component unit, and therefore, has been included in the report as a discretely presented component unit. The District was created by the City under Chapter 363 of the Texas Local Government Code for the purpose of providing additional crime control and prevention to the City. The district held a required election in May 2003 on the continuance of the District, which resulted in an overwhelming support to maintain the District for an additional ten years.

Local Economy. The Texas unemployment rate at 4.5 percent is now lower than the U.S. unemployment rate of 4.6 percent. Jersey Village is lower at 4.0 percent and has been steady for the last two years.

	2006	2005	2004
United States	4.6%	5.1%	5.5%
Texas	4.5%	5.3%	5.5%
Jersey Village	4.0%	4.0%	5.9%

Long-term Financial Planning. Capital improvement projects are funded with general governmental revenues and proceeds of general obligation and certificates of obligation debt issues. The City annually adopts a Five-Year Capital Improvement Plan and regularly prepares short term improvement plans for water, wastewater, drainage, municipal facilities and parks. These plans are prepared by staff or consultants and presented to the City Council for review and acceptance. The plans require funding sources to be identified for each project.

For the last several years, the policy of the City has been able to maintain its infrastructure base for streets, water and wastewater systems, and municipal facilities through an aggressive maintenance and improvement program. A portion of general fund revenues is allocated to the Capital Improvement Plan each year. Debt is issued when necessary to finance long-term capital improvements.

The City government is exploring new financial resources, including the issuance of street bonds to rehabilitate the paving, waterlines and storm sewer lines along the streets in the worst condition in the City.

Major initiatives

Fiscal Year (FY) 2005-2006 was a year of accomplishment for the City of Jersey Village. The list below highlights the achievements of the City and demonstrates the scope and complexity involved in improving the delivery of services to the citizens of Jersey Village.

- Provided superior operational and administrative response to Hurricane Rita. Jersey Village was one of a handful of communities in the region to attain closed-out status with FEMA by the year's end.
- The City placed a second ambulance in service upon receipt of a new unit early in the year. This greatly enhances our response capability and will prove to be a cost saving measure for residents in need of an EMS response.
- The City celebrated its 50th birthday with a well-planned and similarly well-executed Founder's Day celebration. The event brought out nearly 2,500 residents.
- The City received the Award for Excellence from the Building Officials Association of Texas for the Building Inspection Division. The City received this award for having the best building department in the State for a small community.
- The City began in earnest to address and develop programs in the area of document storage and records management.
- Despite experiencing turnover in key positions, staff continued to provide excellent customer service in these areas without any noticeable interruptions.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jersey Village for its comprehensive annual financial report for the year ended September 30, 2005. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This was the ninth consecutive year that the City has received this prestigious award. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for compliance review.

Acknowledgements

The preparation of the CAFR was made possible by the dedicated service of the entire administration. We appreciate the efforts of everyone involved. In closing, without the leadership and support of the Jersey Village Council, preparation of this report would not have been possible.

Respectfully submitted,



Isabel Kato
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Jersey Village
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



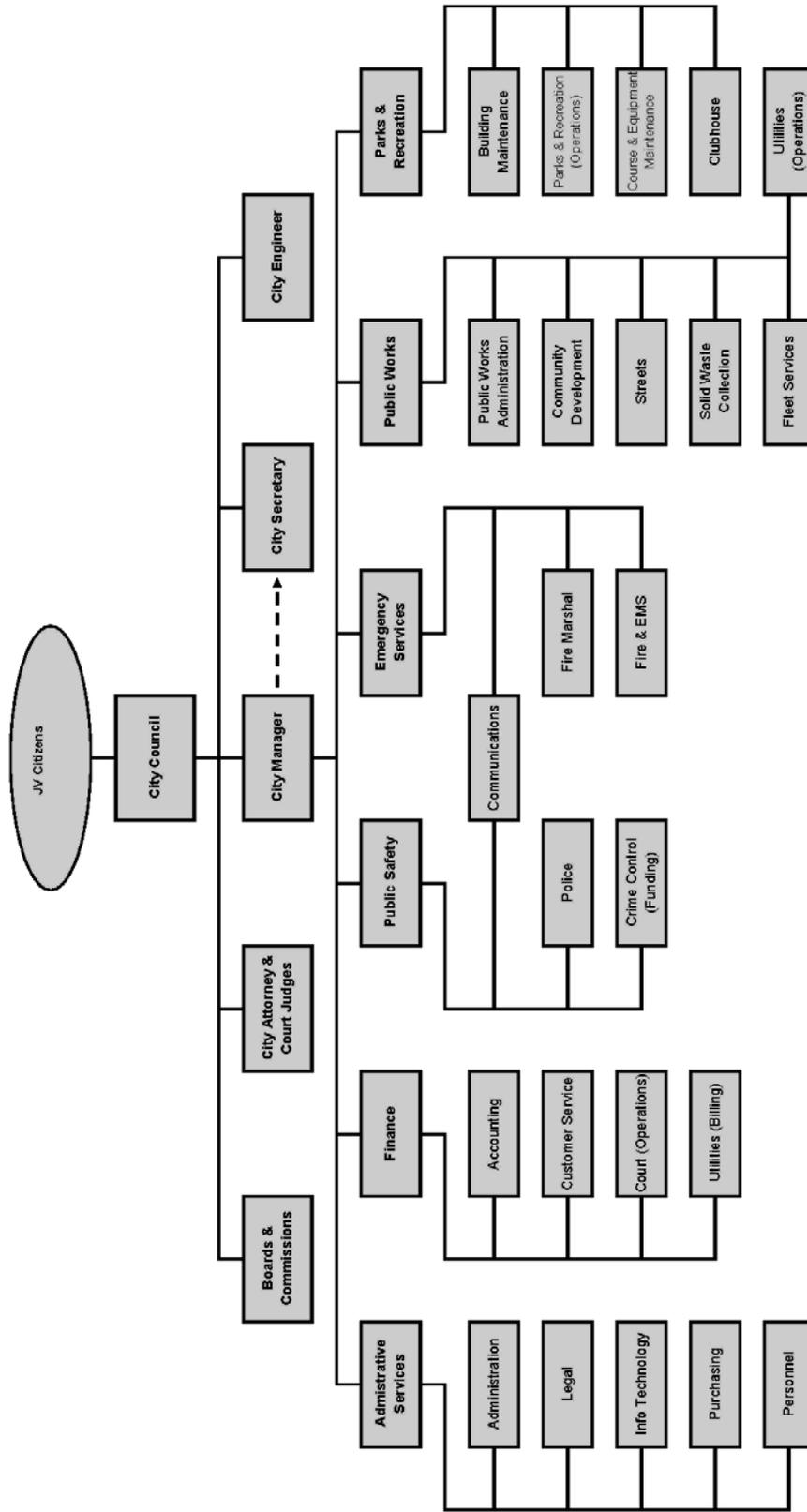
A handwritten signature in black ink, appearing to read "Ronald Plam".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CITY OF JERSEY VILLAGE ORGANIZATIONAL CHART



PRINCIPAL CITY OFFICIALS
CITY OF JERSEY VILLAGE, TEXAS
September 30, 2006

Elected Officials	Position
Ed Heathcott	Mayor
Joyce Berube	Council member – Position No. 1
Greg Holden	Council member – Position No. 2
Frances Wubbenhorst	Council member – Position No. 3 Mayor Pro-Tem
Ernie English	Council member – Position No. 4
Jill Klein	Council member – Position No. 5

Appointed Officials and Department Heads	Position
Mike Castro	City Manager
Lakeisha Cannon-Scott	City Secretary
Kenneth Wall	City Attorney
Ismael Segundo	Director of Public Works
Kathy Hutchens	Fire Chief
Isabel Kato	Director of Finance
Charles Wedemeyer	Police Chief
Michael Brown	Director of Parks and Recreation

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FINANCIAL SECTION

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2117 Post Office Street
Galveston, TX 77550
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Independent Auditors' Report

To the Honorable Mayor and
Members of City Council
City of Jersey Village, Texas

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jersey Village, 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 City management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely present component unit, each major fund and the aggregate remaining fund information of the City as 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.

The management's discussion and analysis on pages 13 through 22 as well as the budgetary comparison and pension system supplementary information on pages 56 through 58, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial 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.

A handwritten signature in black ink that reads "Mull & Laism, P.C." in a cursive, flowing script.

Houston, Texas
February 20, 2007

CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Jersey Village (the "City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2006. It should be read in conjunction with the accompanying letter of transmittal and the accompanying basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and required supplementary information. 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'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 is improving or deteriorating.

The statement of activities presents information showing how the City'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 their user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, community development and culture and recreation. The business-type activities of the City include a water and wastewater operating fund and a golf course.

The government-wide financial statements include not only the City of Jersey Village itself (known as the primary government), but also the legally separate crime control and prevention district for which the City of Jersey Village is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 25 through 27 of this report.

CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 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 two categories - governmental and proprietary – and utilize different accounting approaches.

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 maintains 7 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, debt service and capital projects funds, which are considered to be major funds. Data from the other 4 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 28 through 31 of this report.

CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds.

The 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 uses enterprise funds to account for its water and wastewater utility and Jersey Meadow Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for fleet replacement which is later charged to the individual funds.

The basic proprietary fund financial statements can be found on pages 32 through 34 of this report.

Notes to the Basic 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. The notes to the financial statements can be found on pages 35 through 54 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 56 through 58 of the City's Comprehensive Annual Financial Report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and supporting schedules can be found beginning on pages 62 through 70 of the City's Comprehensive Annual Financial Report.

CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$38.1 million (net assets). Of this amount, \$6.7 million (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

By far the largest portion of the City's net assets (77% percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED SCHEDULE OF NET ASSETS

Amounts in (000's)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 7,994	\$ 8,325	\$ 4,200	\$ 3,301	\$ 12,194	\$ 11,626
Capital assets	29,089	29,521	17,673	17,735	46,762	47,256
Total Assets	37,083	37,846	21,873	21,036	58,956	58,882
Current liabilities	653	1,681	634	379	1,287	2,060
Long-term liabilities	18,472	19,568	1,052	1,118	19,524	20,686
Total Liabilities	19,125	21,249	1,686	1,497	20,811	22,746
Net assets:						
Invested in capital assets, net of related debt	12,657	11,990	16,673	16,648	29,330	28,638
Restricted	1,352	1,414	803	632	2,155	2,046
Unrestricted	3,949	3,193	2,710	2,260	6,659	5,453
Total Net Assets	\$ 17,958	\$ 16,597	\$ 20,187	\$ 19,539	\$ 38,145	\$ 36,136

An additional portion of the City's net assets (6% percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The government's net assets increased by \$2.0 million during the current fiscal year primarily due to governmental activities revenues exceeding governmental expenses.

The following table summarizes the changes in net assets for the City for the years ended September 30, 2006 and 2005.

CONDENSED SCHEDULE OF CHANGES IN NET ASSETS

Amounts in (000's)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenue						
Charges for services	\$ 1,369	\$ 1,343	\$ 4,059	\$ 3,799	\$ 5,428	\$ 5,142
Operating grants and contributions	797	628			797	628
Capital grants				18		18
General revenues						
Property taxes	4,092	4,010			4,092	4,010
Franchise and other taxes	569	547			569	547
Sales tax	1,877	1,654			1,877	1,654
Unrestricted investment earnings	377	210	113	40	490	250
Miscellaneous	100	241			100	241
Total Revenues and Transfers	9,181	8,633	4,172	3,857	13,353	12,490
Expenses						
General Government	1,478	1,481			1,478	1,481
Public Safety	3,138	3,194			3,138	3,194
Public Works	1,929	1,221			1,929	1,221
Parks and Recreation	504	448			504	448
Interest on Long-term debt	1,071	1,083			1,071	1,083
Water and Wastewater			1,898	1,817	1,898	1,817
Golf Course			1,326	1,352	1,326	1,352
Total Expenses	8,120	7,427	3,224	3,169	11,344	10,596
Increase in net assets before transfers	1,061	906	948	688	2,009	1,594
Transfers	300	300	(300)	(300)		
Increase (decrease) in net assets	1,361	1,206	648	388	2,009	1,594
Beginning net assets	16,597	15,093	19,539	19,151	36,136	34,244
Ending Net Assets	\$ 17,958	\$ 16,597	\$ 20,187	\$ 19,539	\$ 38,145	\$ 36,136

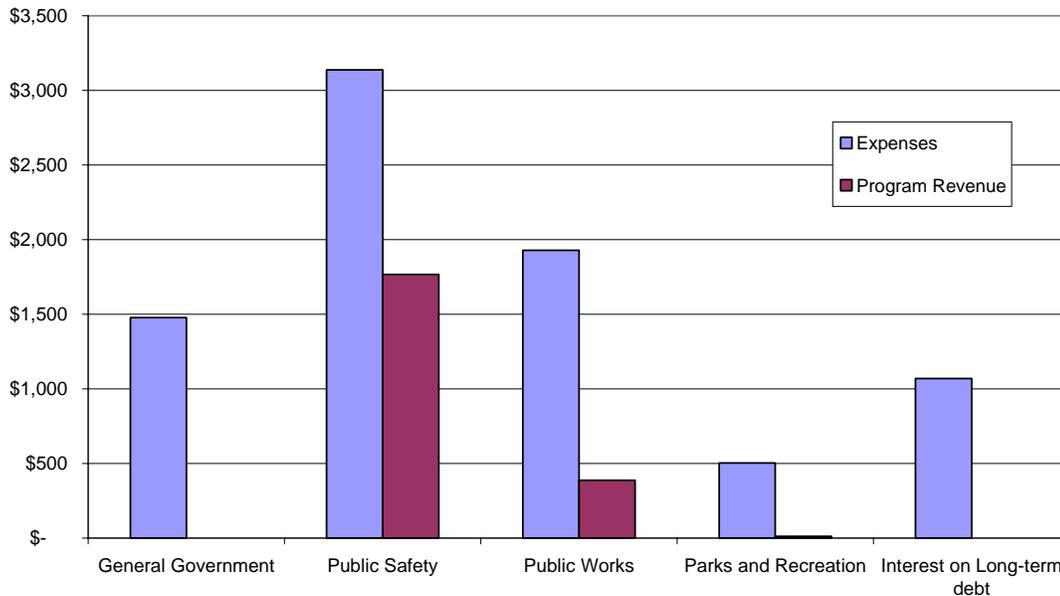
Sales tax revenues and investment earnings grew dramatically during the year ended September 30, 2006 due to the improving economy and increased interest rates.

The most notable changes in expenses for the year can be found in Public works. This increase was due to escalating fuel costs both nationally and locally as well as the outsourcing of building official duties.

CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

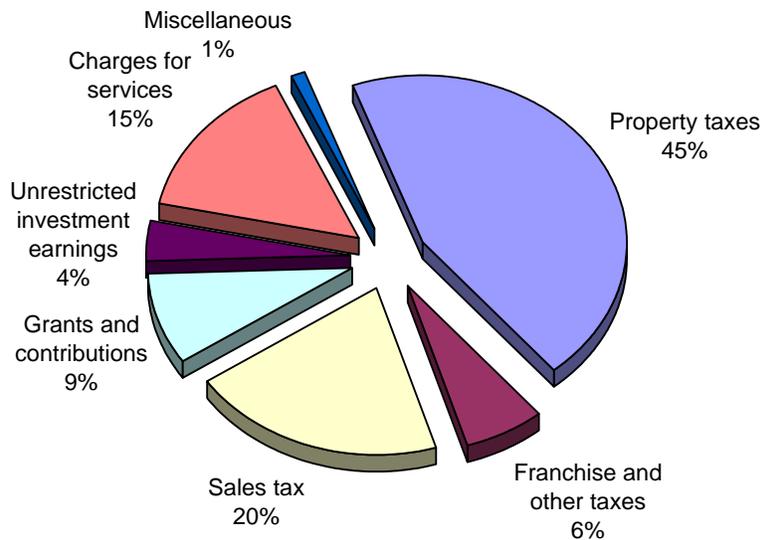
Governmental activities. Governmental activities increased the City's net assets by \$1.5 million. A comparisons of program expenses to program revenues and revenues by source for governmental activities follows:

Governmental Program Expenses and Revenues (in \$000's)



Revenue sources for governmental activities were distributed as follows:

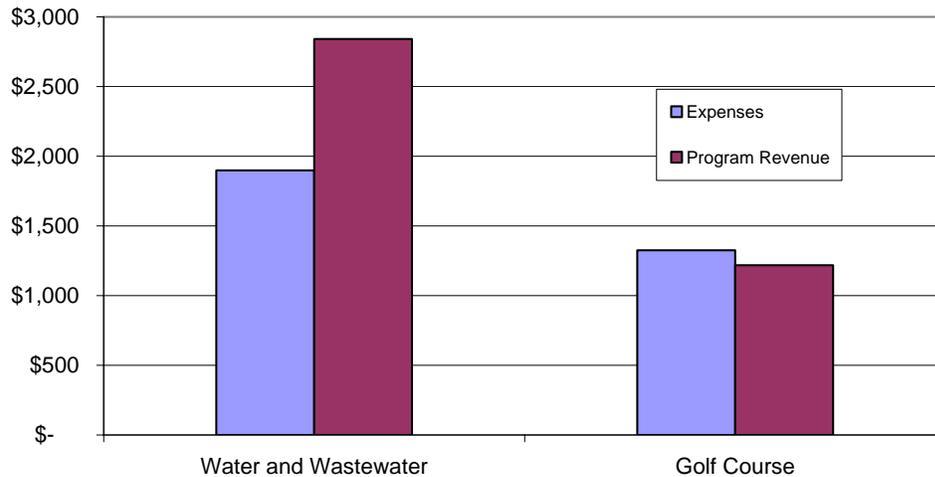
Revenue by Source - Governmental Activities



CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities. The net assets of the City's business-type activities increased by \$648,000. This increase was due to higher charges for services in the water and wastewater activity due to an unusually dry summer. A comparison between expenses and program revenues (charges for services) relating to water and wastewater and golf course operations follows.

Expenses and Program Revenues - Business-Type Activities (in \$000's)



Revenue sources for business-type activities consisted almost entirely of charges for services.

Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6.7 million, a increase of approximately \$460,000 from the prior year. This decrease is due primarily to planned expenditures in capital project funds containing unspent debt and grant proceeds.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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.

CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3.4 million. Both the unreserved fund balance and the total fund balance remained at virtually identical levels to that of last year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45% of total general fund expenditures.

The Debt Service fund had a total fund balance of approximately \$659,000, all of which is reserved for the payment of debt service. The net decrease in fund balance from the prior year of approximately \$63,000 was due to more in debt service payments than revenue collected by the fund.

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

Unrestricted net assets of the Water and Sewer Enterprise fund at the end of the year amounted to approximately \$1.6 million or 88% of annual operating and non-operating expenses for the fund.

Unrestricted net assets of the Golf Course fund at the end of the year amounted to approximately \$156,000 or 11% of annual operating and non-operating expenses for the fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to \$225,326, primarily in the following functions:

\$	72,942	-- Increase for Public Safety
	149,187	-- Increase for Public Works

These differences were mainly for Hurricane Rita reimbursement, fuel price increase, outsourcing building inspector duties and they were not contemplated in the original budget.

CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2006 amounted to \$46.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, water and wastewater plants and service lines, machinery and equipment, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was approximately 1.6 percent. The following table shows capital asset activity for the 2006 fiscal year (in 000's):

	Balance at September 30, 2005	Balance at September 30, 2006
Governmental activities:		
Capital assets, not being depreciated:		
Land	\$ 1,956	\$ 1,956
Construction in progress	4,893	36
Capital assets being depreciated:		
Infrastructure	16,315	21,019
Buildings and improvements	4,703	4,543
Machinery and equipment	1,653	1,248
Total Governmental Activities	\$ 29,520	\$ 28,802
Business-type activities:		
Capital assets, not being depreciated:		
Land	\$ 1,360	\$ 1,360
Construction in progress	286	381
Capital assets being depreciated:		
Infrastructure	11,957	12,096
Buildings and improvements	4,107	3,835
Machinery and equipment	24	1
Total business-type Activities	\$ 17,734	\$ 17,673

At the end of Fiscal year 2006, the City had invested in a broad range of Capital assets, including police equipment, information technology, streets and utilities. During the year, major capital additions included the construction of roadways within the City.

Additional information on capital asset activity can be found in note 5 to the financial statements.

CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$17.4 million. Of this amount, \$16.4 million is backed by the full faith and credit of the City, and the remainder represents revenue bonds secured solely by specified revenue sources.

The City's total debt decreased by approximately \$1.0 million or 6% during the fiscal year. The key factor in this decrease was regular debt service payments through out the year.

The City and its Water and Wastewater Enterprise both maintain a rating of A2 from Moody's Investor Services and an A from Standard & Poor's.

The City has no legal debt limit provision in its charter.

Additional information on long-term debt activity can be found in note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City Council provided staff with their vision for the future of the City and specific policy guidance with which to propose the fiscal year 2007 Budget. The City's general fund revenue is principally made up of property taxes, sales taxes and franchise fees. The revenues projections for the budget are based on historical data, estimates from the finance department and individual department heads, but they have been projected conservatively.

Overall revenues for the fiscal year 2007 are projected at 9.89% increase over fiscal year 2006. Much of this increase can be attributed to an increased in the ad valorem rate from 67.5 cents per hundred dollar assessed valuation to 74.25 cents. Of this tax rate, 43.264 cents is utilized for maintenance and operation activities of the General Fund, and the remaining amount 30.0986 cents is used for the Debt Service Fund. The General Fund portion of the Property Tax revenue is estimated to be approximately \$2.8 million. The City's portion of the sales tax rate is one and one-half cents, with an additional half cent for Crime Control and Prevention. The General Fund receives one and one-half cent with the additional half cent as an instrument of property tax reduction.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department, at the City of Jersey Village, 16501 Jersey Drive, Jersey Village Texas 77040.

BASIC FINANCIAL STATEMENTS

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CITY OF JERSEY VILLAGE, TEXAS

STATEMENT OF NET ASSETS

September 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Governmental Activities
ASSETS				
Cash and equivalents	\$ 8,165,528	\$ 2,173,360	\$ 10,338,888	\$ 448,228
Receivables	745,730	297,244	1,042,974	91,217
Internal balances	(916,155)	916,155		
Inventories		10,069	10,069	
Restricted cash and equivalents		803,354	803,354	
Capital assets				
Capital assets, not being depreciated	1,992,365	1,740,975	3,733,340	
Capital assets, net of depreciation	27,096,140	15,932,137	43,028,277	
Total Capital Assets	<u>29,088,505</u>	<u>17,673,112</u>	<u>46,761,617</u>	
Total Assets	<u>37,083,608</u>	<u>21,873,294</u>	<u>58,956,902</u>	<u>539,445</u>
LIABILITIES				
Accounts payable and accrued expenses	423,833	549,385	973,218	39,569
Accrued interest	229,200	2,698	231,898	
Customer deposits		82,125	82,125	
Long-term liabilities				
Due within one year	1,358,625	113,000	1,471,625	
Due in more than one year	17,113,818	939,171	18,052,989	
Total liabilities	<u>19,125,476</u>	<u>1,686,379</u>	<u>20,811,855</u>	<u>39,569</u>
NET ASSETS				
Invested in capital assets, net of related debt	12,656,907	16,673,112	29,330,019	
Restricted for:				
Capital projects	216,771	803,354	1,020,125	
Debt service	429,446		429,446	
Other projects	705,888		705,888	
Unrestricted	3,949,120	2,710,449	6,659,569	499,876
Total net assets	<u>\$ 17,958,132</u>	<u>\$ 20,186,915</u>	<u>\$ 38,145,047</u>	<u>\$ 499,876</u>

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental Activities			
General Government	\$ 1,477,941	\$	\$
Public Safety	3,138,036	970,346	796,947
Public Works	1,929,475	387,003	
Parks and Recreation	504,496	12,008	
Interest on Long-term debt	1,069,897		
Total governmental activities	<u>8,119,845</u>	<u>1,369,357</u>	<u>796,947</u>
Business-type Activities			
Water and Wastewater	1,898,491	2,840,707	
Golf Course	1,325,256	1,217,798	
Total business-type activities	<u>3,223,747</u>	<u>4,058,505</u>	
Total primary government	<u>\$ 11,343,592</u>	<u>\$ 5,427,862</u>	<u>\$ 796,947</u>
Component Unit			
Crime Control and Prevention District	<u>\$ 672,913</u>	<u>\$</u>	<u>\$</u>

General revenues:

Taxes:
Property taxes
Sales and use taxes
Franchise and other taxes
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Governmental Activities
\$ (1,477,941)	\$	\$ (1,477,941)	
(1,370,743)		(1,370,743)	
(1,542,472)		(1,542,472)	
(492,488)		(492,488)	
(1,069,897)		(1,069,897)	
<u>(5,953,541)</u>		<u>(5,953,541)</u>	
	942,216	942,216	
	<u>(107,458)</u>	<u>(107,458)</u>	
	834,758	834,758	
<u>(5,953,541)</u>	<u>834,758</u>	<u>(5,118,783)</u>	
			\$ (672,913)
4,091,728		4,091,728	
1,877,182		1,877,182	603,656
569,016		569,016	
377,156	111,719	488,875	22,059
99,861		99,861	
300,000	<u>(300,000)</u>		
<u>7,314,943</u>	<u>(188,281)</u>	<u>7,126,662</u>	<u>625,715</u>
1,361,402	646,477	2,007,879	(47,198)
16,596,730	19,540,438	36,137,168	547,074
<u>\$ 17,958,132</u>	<u>\$ 20,186,915</u>	<u>\$ 38,145,047</u>	<u>\$ 499,876</u>

CITY OF JERSEY VILLAGE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006

	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,664,599	\$ 658,299	\$ 2,444,512	\$ 6,767,410
Receivables, net of allowance for doubtful accounts				
Property and sales taxes	565,623	128,474		694,097
Other	51,633			51,633
Due from other funds	2,003	347	250,840	253,190
Total assets	<u>\$ 4,283,858</u>	<u>\$ 787,120</u>	<u>\$ 2,695,352</u>	<u>\$ 7,766,330</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 420,509	\$	\$ 6,851	\$ 427,360
Due to other funds	253,190			253,190
Deferred revenue	190,621	128,474		319,095
Total liabilities	<u>864,320</u>	<u>128,474</u>	<u>6,851</u>	<u>999,645</u>
 Fund balances:				
Reserved for:				
Capital projects			1,982,613	1,982,613
Debt service		658,646		658,646
Other purposes	12,331		705,888	718,219
Unreserved	3,407,207			3,407,207
Total fund balances	<u>3,419,538</u>	<u>658,646</u>	<u>2,688,501</u>	<u>6,766,685</u>
Total liabilities and fund balances	<u>\$ 4,283,858</u>	<u>\$ 787,120</u>	<u>\$ 2,695,352</u>	<u>\$ 7,766,330</u>

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
September 30, 2006

Total fund balance, governmental funds \$ 6,766,685

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

Capital assets used in governmental activities, including those reported in the City's internal service fund, 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. 29,088,505

Certain other long-term assets such as property taxes receivable 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. 319,095

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 government-wide financial statements.

General obligation bonds	(9,246,644)
Accreted interest on premium compound interest bonds	(1,773,380)
Certificates of obligation	(7,110,000)
Capital lease payable	(67,416)
Compensated absences	(275,003)
Accrued interest	(229,200)

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. 485,490

Net Assets of Governmental Activities in the Statement of Net Assets \$ 17,958,132

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2006

	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property taxes	\$ 2,039,698	\$ 2,010,899	\$	\$ 4,050,597
Sales and use taxes	1,798,487		78,695	1,877,182
Franchise taxes	569,016			569,016
Licenses and permits	224,160			224,160
Charges for services	341,956			341,956
Fines and forfeitures	753,920		47,183	801,103
Investment earnings	171,055	45,451	103,912	320,418
Intergovernmental	749,462		38,830	788,292
Other	110,654			110,654
Total revenues	<u>6,758,408</u>	<u>2,056,350</u>	<u>268,620</u>	<u>9,083,378</u>
EXPENDITURES				
Current:				
General government	1,404,146		33,793	1,437,939
Public safety	3,106,296		1,348	3,107,644
Public works	1,637,561			1,637,561
Parks and recreation	473,937			473,937
Capital Outlay			146,249	146,249
Debt Service:				
Principal		840,729		840,729
Interest and other charges		1,278,233		1,278,233
Total Expenditures	<u>6,621,940</u>	<u>2,118,962</u>	<u>181,390</u>	<u>8,922,292</u>
Revenues over/(under) expenditures	<u>136,468</u>	<u>(62,612)</u>	<u>87,230</u>	<u>161,086</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000			300,000
Total other financing sources and (uses)	<u>300,000</u>			<u>300,000</u>
Changes in fund balance	436,468	(62,612)	87,230	461,086
Fund balances - beginning of year	2,983,070	721,258	2,601,271	6,305,599
Fund balances - End of Year	<u>\$ 3,419,538</u>	<u>\$ 658,646</u>	<u>\$ 2,688,501</u>	<u>\$ 6,766,685</u>

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, 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: \$ 461,086

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 allocated over the assets' estimated useful lives as depreciation expense for the period. (300,833)

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. 41,131

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 of repayments. 840,729

Payments for certain liabilities accrued in previous years are reflected as expenditures in the fund financial statements. These same amounts are treated as a decrease in long-term liabilities in the Statement of Activities.

Compensated absences (24,323)
Interest on debt 214,348

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 129,264

Change in net assets of governmental activities \$ 1,361,402

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2006

	Enterprise Funds			Governmental Activities
	Water and Wastewater	Golf Course	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,900,630	\$ 272,730	\$ 2,173,360	\$ 1,404,806
Accounts receivable, net	297,244		297,244	
Inventories		10,069	10,069	
Restricted cash and equivalents	803,354		803,354	
Total current assets	3,001,228	282,799	3,284,027	1,404,806
Non-current assets:				
Capital Assets:				
Land	445,240	915,000	1,360,240	
Construction in progress	380,735		380,735	
Infrastructure	16,540,819		16,540,819	
Buildings and improvements	27,841	5,665,649	5,693,490	
Equipment and furniture	114,509	611,211	725,720	2,521,231
Less accumulated depreciation	(4,579,374)	(2,448,518)	(7,027,892)	(1,503,260)
Total non-current assets	12,929,770	4,743,342	17,673,112	1,017,971
Total assets	15,930,998	5,026,141	20,957,139	2,422,777
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	443,058	106,327	549,385	3,161
Accrued interest	2,698		2,698	
Customer deposits	82,125		82,125	
Compensated absences - current portion	3,000		3,000	
Capital lease obligation - current portion				67,416
Bonds payable- current portion	100,000		100,000	
Total current liabilities	630,881	106,327	737,208	70,577
Non-current liabilities:				
Compensated absences	28,513	20,658	49,171	
Bonds payable	900,000		900,000	
Total non-current liabilities	928,513	20,658	949,171	
Total liabilities	1,559,394	126,985	1,686,379	70,577
NET ASSETS				
Invested in capital assets, net of related debt	11,929,770	4,743,342	16,673,112	950,555
Restricted for capital projects	803,354	-	803,354	
Restricted for debt service				
Unrestricted	1,638,480	155,814	1,794,294	1,401,645
Total net assets	\$ 14,371,604	\$ 4,899,156	\$ 19,270,760	\$ 2,352,200

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

916,155

Total net assets per Government-Wide financial statements

\$ 20,186,915

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSET

PROPRIETARY FUNDS

For the Year Ended September 30, 2006

	Enterprise Funds			Governmental Activities
	Water and Wastewater	Golf Course	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 2,840,707	\$ 1,217,798	\$ 4,058,505	\$ 483,745
Total operating revenues	<u>2,840,707</u>	<u>1,217,798</u>	<u>4,058,505</u>	<u>483,745</u>
OPERATING EXPENSES				
Personal services	314,040	591,039	905,079	
Supplies	577,376	173,676	751,052	
Repairs and maintenance	178,296	215,968	394,264	(11,511)
Contractual services	544,555	101,237	645,792	
Other	23,355	48,767	72,122	
Depreciation	196,628	305,601	502,229	298,292
Total Operating Expenses	<u>1,834,250</u>	<u>1,436,288</u>	<u>3,270,538</u>	<u>286,781</u>
Operating income (loss)	<u>1,006,457</u>	<u>(218,490)</u>	<u>787,967</u>	<u>196,964</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	104,172	7,547	111,719	56,738
Interest expense	(70,818)	(816)	(71,634)	(6,012)
Gain on disposal of capital assets				
Total non-operating revenue (expenses)	<u>33,354</u>	<u>6,731</u>	<u>40,085</u>	<u>50,726</u>
Income (loss) before transfers	<u>1,039,811</u>	<u>(211,759)</u>	<u>828,052</u>	<u>247,690</u>
Transfers out	(300,000)		(300,000)	
Change in net assets	<u>739,811</u>	<u>(211,759)</u>	<u>528,052</u>	<u>247,690</u>
Total net assets - beginning of year	13,631,793	5,110,915	18,742,708	2,104,510
Total net assets - End of Year	<u>\$ 14,371,604</u>	<u>\$ 4,899,156</u>	<u>\$ 19,270,760</u>	<u>\$ 2,352,200</u>
Change in net assets, per above			528,052	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			118,425	
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements			\$ 646,477	

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2006

	Enterprise Funds			Governmental
	Water and Wastewater	Golf Course	Total	Internal Service Fund
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 2,862,384	\$ 1,217,798	\$ 4,080,182	\$ 483,745
Disbursed for personal services	(288,172)	(595,957)	(884,129)	
Disbursed for goods and services	(1,095,932)	(511,274)	(1,607,206)	(80,747)
Cash Flows Provided By Operating Activities	1,478,280	110,567	1,588,847	402,998
Cash Flows From Noncapital Financing				
Operating Transfers (out)	(300,000)		(300,000)	
Cash Flows Used in Noncapital Financing Activities	(300,000)		(300,000)	
Cash Flows From Capital And Related Financing Activities				
Acquisition and construction of capital assets	(420,986)	(19,774)	(440,760)	(177,803)
Debt principal payments	(100,000)		(100,000)	(64,477)
Interest paid on debt	(57,751)	(816)	(58,567)	(6,012)
Cash Flows Used in Capital and Related Financing Activities	(578,737)	(20,590)	(599,327)	(248,292)
Cash Flows From Investing Activities				
Interest earned on investments	104,172	7,546	111,718	56,738
Cash Flows Used by Investing Activities	104,172	7,546	111,718	56,738
Increase (Decrease) In Cash	703,715	97,523	801,238	211,444
Cash balance at beginning of year	2,000,269	175,207	2,175,476	1,193,362
Cash Balance at End of Year	\$ 2,703,984	\$ 272,730	\$ 2,976,714	\$ 1,404,806
Cash	\$ 1,900,630	\$ 272,730	\$ 2,173,360	\$ 1,404,806
Restricted cash	803,354		803,354	
Total Cash	\$ 2,703,984	\$ 272,730	\$ 2,976,714	\$ 1,404,806
Cash Flows From Operating Activities				
Operating income (loss)	\$ 1,006,457	\$ (218,490)	\$ 787,967	\$ 196,964
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation	196,628	305,601	502,229	298,292
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable	20,437		20,437	
Decrease (increase) in inventory	225	89	314	
Increase (decrease) in customer deposits	1,240		1,240	
Increase (decrease) in accounts payable	227,425	28,285	255,710	(92,258)
Increase (decrease) in accrued compensated absences	25,868	(4,918)	20,950	
Cash Flows Provided By Operating Activities	\$ 1,478,280	\$ 110,567	\$ 1,588,847	\$ 402,998

See Notes to Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

The City of Jersey Village, Texas (the “City”) was incorporated in 1956 and adopted a Home-Rule Charter in August 1986. The Charter provides for a “Council-Manager” form of government.

The City Council is the principal legislative body of the City. The City Manger is appointed by the City Council and is responsible for the administration of the City.

The City provides the following services: public safety, public works, parks and recreation, water and sewer and general administrative services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Jersey Village Crime Control and Prevention District

The seven member board of the Jersey Village Crime Control and Prevention District (the “District”) are appointed by City Council. The District provides additional crime control and prevention to the City. The District’s budget requires the approval of City Council. The operations of the District are reported in a single governmental fund.

The component unit identified above is included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints a the organizations' board and is either able to impose its will on them or a financial benefit/burden exists.

Complete financial statements of the individual component units are not prepared.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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 about the City as a whole. These statements include all activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities 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 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 and proprietary funds. 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 financial statements. Revenues are recognized 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 if they are when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred revenues at year-end. Property taxes collected within 60 days subsequent to September 30, 2006, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2006, have been recorded as receivables and revenue. Licenses and permits, and fines and forfeitures are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and other community services.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general long-term debt of the City except for capital leases which are accounted for in the General Fund. The primary source of revenue for the Debt Service Fund is general property taxes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has two major proprietary funds:

The *Water and Wastewater Enterprise Fund* is used to account for operations of the water and wastewater division and the construction of related facilities. The fund is financed and operated in a manner similar to private business enterprises - where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation) and other City funds.

The *Golf Course Fund* is used to account for the operations of the City's municipal golf course. The fund follows the same basis of accounting as the Water and Wastewater Enterprise Fund.

Additionally the City reports the following fund type:

The *Internal Service Fund* is used to account for the purchase of vehicles and equipment by one department to other departments, on a cost reimbursement basis.

Private-sector standards for accounting and financial reporting issued prior to December 1, 1999, 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 Government Accounting Standards Board. The City has elected not to follow private sector guidance issued subsequent to that date.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operational expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

D. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and balances in a privately managed public funds investment pool ("TexPool") For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

E. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Water and Sewer fund have not been recognized as of the end of the year as they are considered immaterial.

F. Due to and from other funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transaction are executed. These receivable and payables are, for the most part, eliminated from the Government-Wide Statement of Net Assets and are recorded as “due from other funds” or “due to other funds” in the fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Inventory and prepaid items

Inventories are valued at costs using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of one year. All purchased Capital assets are valued at cost where historical records exist. Donated Capital assets are valued at their estimated fair value on the date received.

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. Improvements, including public domain and equipment are capitalized and Proprietary Fund Capital assets are depreciated over the remaining useful lives of the related Capital assets using the straight line method, as applicable.

Asset	Estimated Useful Lives
Equipment	5-20 years
Vehicles	5-7 years
Buildings and improvements	20 years
Water and sewer system	40 years
Infrastructure	75 years

I. Compensated absences

Employees earn vacation based on years of service with the City and may accumulate unused time up to a maximum of 20 days. In accordance with GAAP, the liability for accumulated vacation as of September 30, 2006 has been recorded as a liability in the Government-Wide Statement of Net Assets. Upon retirement from the City, an employee will receive compensation for unused sick leave hours. Vesting in unused sick leave hours ranges from 20 to 60 percent based on years of service with the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. General property taxes

All taxes due the City on real or personal property are payable at the Office of the City Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is October 1, or as soon thereafter as practicable. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. All property located within the City limits on the first day of January of each year are charged with a special lien in favor of the City from such date for taxes due thereon.

K. Debt service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

L. Restricted assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

M. Bond discounts/issuance costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period and are deferred and amortized in the Government-wide Statement of Activities. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts and issuance costs are as recorded as deferred charges.

N. Fund Equity

In the fund financial statements, the City reserves or designates all or portions of fund equity in the various governmental fund financial statements. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Revenues and expenditures/expenses

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses in the Government-Wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

P. Post-employment healthcare benefits

The City does not provide post-employment 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 the City incurs no direct costs.

Q. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

NOTE 3 – DEPOSITS (CASH) AND INVESTMENTS

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulate deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (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. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – DEPOSITS (CASH) AND INVESTMENTS (continued)

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City’s investment policy. The City’s investment policy is more restrictive than the PFIA requires. It is the City’s policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, banker’s acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is two years from date of purchase. The City’s investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

Deposit and Investment Amounts

The City's cash and investments are classified as: cash and cash equivalents and restricted cash and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions and in a privately-managed public funds investment pool account (TexPool). The restricted cash and investments are assets restricted for specific use.

The following schedule shows the City’s recorded cash and investments at year-end:

	Demand Deposits	Public Funds Investment Pool (TexPool)	Total
Primary government			
Unrestricted	\$ 2,330,292	\$ 8,008,596	\$ 10,338,888
Restricted	11,317	792,037	803,354
Discretely Presented Component Unit	52,172	396,056	448,228
	<u>\$ 2,393,781</u>	<u>\$ 9,196,689</u>	<u>\$ 11,590,470</u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – DEPOSITS (CASH) AND INVESTMENTS (continued)

Investment Risks

Interest Rate Risk

At year-end, the City’s investments (TexPool) had a weighted average maturity of one day.

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City’s investment policy specifies a maximum weighted average maturity of 365 days or 12 months based on the stated maturity date for each investment in the portfolio.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The City does not directly invest in securities with a stated maturity date more than two years or 730 days from date of purchase. The settlement date is considered the date of purchase

Concentration of Credit Risk

The City had investments in authorized investment pools comprised 100 percent of the total investment portfolio at year-end. The City investment policy allows these investment levels for the portfolio.

At year-end balances in TexPool, a privately managed public funds investment pool, was rated AAAM by Standard & Poor’s.

Restricted Assets

The Enterprise Funds have restricted certain cash and investments for customer deposits, and construction.

<u>Purpose</u>	<u>Amount</u>
Customer deposits	\$ 82,125
Construction	721,229
	<u>\$ 803,354</u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – RECEIVABLES

Amounts recorded as receivables as of September 30, 2006 for the government’s individual major and nonmajor funds, including the applicable allowance for uncollectible accounts, are as follows:

	General	Debt Service	Water and Wastewater	Total
Receivables:				
Property taxes	\$ 195,494	\$ 131,501	\$	\$ 326,995
Sales and franchise taxes	375,002			375,002
Customers			297,244	297,244
Other	51,633			51,633
Gross receivables	622,129	131,501	297,244	1,050,874
Less: allowance for uncollectibles	(4,873)	(3,027)		(7,900)
Net total receivables	<u>\$ 617,256</u>	<u>\$ 128,474</u>	<u>\$ 297,244</u>	<u>\$ 1,042,974</u>

NOTE 5 – CAPITAL ASSETS

A summary of activity for capital assets capitalized by the City for the year ended September 30, 2006 follows:

	Balance at September 30, 2005	Additions	Retirements and Reclass-ifications	Balance at September 30, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,956,455	\$	\$	\$ 1,956,455
Construction in progress	4,893,315	35,910	(4,893,315)	35,910
Total capital assets, not being depreciated	6,849,770	35,910	(4,893,315)	1,992,365
Capital assets being depreciated:				
Infrastructure	20,441,489	4,978,492		25,419,981
Buildings and improvements	6,222,190			6,222,190
Machinery and equipment	3,499,712	10,843	(285,773)	3,224,782
Total capital assets being depreciated	30,163,391	4,989,335	(285,773)	34,866,953
Less accumulated depreciation for:				
Infrastructure	(4,126,426)	(274,089)		(4,400,515)
Building and improvements	(1,518,725)	(160,480)		(1,679,205)
Machinery and equipment	(1,846,672)	(415,967)	285,773	(1,976,866)
Total accumulated depreciation	(7,491,823)	(850,536)	285,773	(8,056,586)
Total capital assets being depreciated, net	22,671,568	4,138,799		26,810,367
Governmental activities capital assets, net	<u>\$ 29,521,338</u>	<u>\$ 4,174,709</u>	<u>\$ (4,893,315)</u>	<u>\$ 28,802,732</u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (continued)

	Balance at September 30, 2005	Additions	Retirements and Reclass-ifications	Balance at September 30, 2006
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,360,240	\$	\$	\$ 1,360,240
Construction in progress	286,259	380,735	(286,259)	380,735
Total capital assets, not being depreciated	1,646,499	380,735	(286,259)	1,740,975
Capital assets being depreciated:				
Infrastructure	16,214,533	326,286		16,540,819
Buildings and improvements	5,673,715	19,775		5,693,490
Machinery and equipment	725,720			725,720
Total capital assets being depreciated	22,613,968	346,061		22,960,029
Less accumulated depreciation for:				
Infrastructure	(4,257,307)	(187,927)		(4,445,234)
Building and improvements	(1,566,454)	(291,949)		(1,858,403)
Machinery and equipment	(701,902)	(22,353)		(724,255)
Total accumulated depreciation	(6,525,663)	(502,229)		(7,027,892)
Total capital assets being depreciated, net	16,088,305	(156,168)		15,932,137
Business-type activities capital assets, net	<u>\$ 17,734,804</u>	<u>\$ 224,567</u>	<u>\$ (286,259)</u>	<u>\$ 17,673,112</u>

Depreciation was charged to functions of the primary government as follows:

Governmental activities:

General	\$ 87,724
Public safety	140,285
Public works	290,841
Parks and recreation	33,394
Internal service fund assets	298,292
	<u>\$ 850,536</u>

Business-type activities:

Water and sewer	\$ 196,628
Golf course	305,601
	<u>\$ 502,229</u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (continued)

A summary of activity for capital assets capitalized by the Component Unit for the year ended September 30, 2006 follows:

	Balance at September 30, 2005	Additions	Retirements and Reclass-ifications	Balance at September 30, 2006
Governmental Activities:				
Jersey Village Crime Control District				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,000	\$	\$	\$ 1,000
Machinery and equipment	38,079			38,079
Total capital assets being depreciated	39,079			39,079
Less accumulated depreciation for:				
Building and improvements	(1,000)			(1,000)
Machinery and equipment	(34,477)	(3,602)		(38,079)
Total accumulated depreciation	(35,477)	(3,602)		(39,079)
Total capital assets being depreciated, net	3,602	(3,602)		0
Jersey Village Crime Control District, net	\$ 3,602	\$ (3,602)	\$	\$ 0

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2006, are as follows:

	Authorized Contract	Contract Expenditures	Remaining Contract
Governmental Activities			
Hilcrest drainage oversizing	\$ 120,677	\$ 13,977	\$ 106,700
Lakeview senate to White Oak Bayou	113,300	21,933	91,367
Total	\$ 233,977	\$ 35,910	\$ 198,067
Business-type Activities			
Sanitary sewer rehabilitation	\$ 521,000	\$ 327,512	\$ 193,488
Water model	35,000	16,750	18,250
Sewerline SE of Hwy 290 and Senate	92,250	24,773	67,477
Water Plant Rehabilitation	200,000	11,700	188,300
Total	\$ 848,250	\$ 380,735	\$ 467,515

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business type activities. These instruments include general obligation bonds, certificates of obligation and revenue bonds. Future ad valorem tax revenues, water and sewer system revenues or liens on property and equipment secure these debt obligations.

During the year ended September 30, 2006, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 9,757,373	\$	\$ (510,729)	9,246,644	\$ 522,094
Accreted interest on premium compound interest bonds	1,987,728	144,353	(358,701)	1,773,380	\$ 364,115
Certificates of obligation	7,440,000		(330,000)	7,110,000	340,000
Capital lease payable	131,893		(64,477)	67,416	67,416
Compensated absences	250,680	120,800	(96,477)	275,003	65,000
Governmental activity Long-term liabilities	<u>\$ 19,567,674</u>	<u>\$ 265,153</u>	<u>\$ (1,360,384)</u>	<u>\$ 18,472,443</u>	<u>\$ 1,358,625</u>
Business-type Activities					
Revenue bonds	\$ 1,100,000	\$	\$ (100,000)	1,000,000	\$ 100,000
Less deferred issuance costs	(13,068)		13,068		
Compensated absences	31,221	30,000	(9,050)	52,171	13,000
Business-type activity Long-term liabilities	<u>\$ 1,118,153</u>	<u>\$ 30,000</u>	<u>\$ (95,982)</u>	<u>\$ 1,052,171</u>	<u>\$ 113,000</u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT (continued)

Annual debt service requirements to retire outstanding general obligation bonds are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2007	\$ 522,094	\$ 814,930	\$ 1,337,024
2008	540,054	803,529	1,343,583
2009	557,732	762,275	1,320,007
2010	444,317	921,459	1,365,776
2011	322,447	907,074	1,229,521
2012	895,000	338,052	1,233,052
2013	960,000	280,163	1,240,163
2014	1,020,000	217,442	1,237,442
2015	385,000	150,072	535,072
2016	400,000	135,136	535,136
2017	420,000	119,230	539,230
2018	435,000	102,263	537,263
2019	460,000	84,268	544,268
2020	480,000	65,284	545,284
2021	505,000	45,346	550,346
2022	530,000	24,414	554,414
2023	370,000	6,845	376,845
	<u>\$ 9,246,644</u>	<u>\$ 5,777,782</u>	<u>\$ 15,024,426</u>

Annual debt service requirements to retire outstanding certificates of obligation are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2007	\$ 340,000	\$ 398,975	\$ 738,975
2008	380,000	375,807	755,807
2009	390,000	351,043	741,043
2010	230,000	330,438	560,438
2011	245,000	313,812	558,812
2012	260,000	296,138	556,138
2013	275,000	277,412	552,412
2014	295,000	257,463	552,463
2015	310,000	236,287	546,287
2016	330,000	214,094	544,094
2017	350,000	194,000	544,000
2018	370,000	176,000	546,000
2019	395,000	156,875	551,875
2020	420,000	136,500	556,500
2021	445,000	114,875	559,875
2022	475,000	91,875	566,875
2023	500,000	67,500	567,500
2024	535,000	41,625	576,625
2025	565,000	14,125	579,125
	<u>\$ 7,110,000</u>	<u>\$ 4,044,844</u>	<u>\$ 11,154,844</u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT (continued)

Annual debt service requirements to retire outstanding revenue bonds are as follows:

<u>Year Ending September 30</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 100,000	\$ 50,750	\$ 150,750
2008	100,000	43,750	143,750
2009	100,000	37,625	137,625
2010	100,000	32,500	132,500
2011	100,000	27,500	127,500
2012	100,000	22,500	122,500
2013	100,000	17,500	117,500
2014	100,000	12,500	112,500
2015	100,000	7,500	107,500
2016	100,000	2,500	102,500
	<u>\$ 1,000,000</u>	<u>\$ 254,625</u>	<u>\$ 1,254,625</u>

Capital Lease Payable

Capital lease payments for the next three years on equipment purchased in the capital replacement internal service fund follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 67,416	\$ 3,073	\$ 70,489
	<u>\$ 67,416</u>	<u>\$ 3,073</u>	<u>\$ 70,489</u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT (continued)

The following is a summary of the terms of obligations of certificates of obligation, general obligation bonds and revenue bonds outstanding as of September 30, 2006:

Governmental activities			Debt
Series	Original Issue	Interest Rate	Outstanding
General Obligation Bonds			
1991 General Obligation Refunding Bonds	\$ 3,924,991	6.25% to 8.10%	\$ 1,886,644
1996 General Obligation Refunding Bonds	1,225,000	4.75% to 6.25%	380,000
2000 General Obligation Refunding Bonds	1,255,000	5.00% to 7.00%	505,000
2002 General Obligation Bonds	2,300,000	4.75% to 6.75%	1,975,000
2003 General Obligation Bonds	5,000,000	3.00% to 4.80%	4,500,000
			<u>9,246,644</u>
Certificates of Obligation			
1994 Tax and Revenue Certificates of Obligation	1,900,000	5.00% to 6.50%	500,000
2000 Tax and Revenue Certificates of Obligation	6,960,000	5.00% to 7.00%	6,610,000
			<u>7,110,000</u>
Capital Lease	308,947	4.55%	67,416
Total Governmental Activities			<u><u>\$ 16,424,060</u></u>
Business-type activities			Debt
Series	Original Issue	Interest Rate	Outstanding
Revenue Bonds			
2000 Contract Revenue Refunding Bonds	\$ 1,600,000	5.00% to 7.00%	<u><u>\$ 1,000,000</u></u>

Legal Compliance

A number of limitation and restrictions are contained in the various bond ordinances. The City has complied with all significant limitation and restrictions.

A summary of permanent improvement bonds authorized, but unissued at September 30, 2006 follows:

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Unissued</u>
Fire Station	February 2002	<u><u>\$ 2,500,000</u></u>	<u><u>\$ 200,000</u></u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – DEFERRED REVENUE

Deferred revenues in the governmental fund financial statements represent delinquent property taxes receivable as of September 30, 2006. The amounts have been deferred in the fund financial statements until collected. Delinquent tax collections during the first sixty days subsequent to September 30, 2006 have not been recorded as revenue for the 2006 fiscal year as the amount is not considered material.

NOTE 8 – INTERFUND TRANSACTIONS

During the year ended September 30, 2006 the Water and Wastewater Fund transferred \$300,000 to the General Fund to supplement general revenues.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM

Plan Description and Provisions

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 801 currently 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.

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM (continued)

The plan provisions are adopted by the City Council 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:

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after	5 years

Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age.

Contributions

Under the state law governing TMRS, the Actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to 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 retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) 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 to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 2006 was \$ 3.8 million and the City's contributions were based on a payroll of \$3.5 million. Contributions made by employees totaled \$244,520, and the City made contributions of \$484,973 during the fiscal year ended September 30, 2006.

Three year trend information is presented below:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>
2004	\$ 406,212	100%
2005	457,525	100%
2006	484,973	100%

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM (continued)

Because the actuary determines contribution rates on an annual basis and the City pays the calculated rate each month, the City will always have a net pension obligation (NPO) of zero at the beginning and end of the period, and the annually required contributions (ARC) will always equal contributions made.

A schedule of funding progress for TMRS for the three most recent actuarial valuations may be found in the required supplementary information section of the City's Comprehensive Annual Financial Report. All assumptions for the December 31, 2005 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153. The following is a summary of the actuarial assumptions:

Valuation date	12/31/2005
Actuarial cost method	Unit credit
Amortization method	Level percent of payroll
Remaining amortization period	25 years - Open
Asset valuation method	Amortized cost
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increase	None
Includes inflation at cost-of-living adjustments	3.50%
	None

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk control techniques have been established to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by or under control of the City. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis.

The primary technique used for risk financing is the City's participation in Texas Municipal League risk pool that has lessened the cost of insurance. Should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the City. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

All risk activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JERSEY VILLAGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND (UNAUDITED)
For the year ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Taxes:				
Property taxes	\$ 2,281,841	\$ 2,281,841	\$ 2,039,698	\$ (242,143)
Sales and use taxes	1,700,600	1,700,600	1,798,487	97,887
Franchise taxes	525,200	525,200	569,016	43,816
Licenses and permits	142,475	142,475	224,160	81,685
Charges for services	328,402	328,402	341,956	13,554
Fines and forfeitures	648,950	648,950	753,920	104,970
Investment earnings	114,450	114,450	171,055	56,605
Intergovernmental	674,147	674,147	749,462	75,315
Other	55,300	55,300	110,654	55,354
Total revenues	<u>6,471,365</u>	<u>6,471,365</u>	<u>6,758,408</u>	<u>287,043</u>
EXPENDITURES				
Current:				
General government				
City administration	334,068	335,025	362,711	(27,686)
Legal	155,000	155,000	128,532	26,468
Information technology	297,326	299,329	256,172	43,157
Purchasing	27,900	27,900	21,380	6,520
Finance	229,471	229,584	216,346	13,238
Customer service	133,982	133,982	102,512	31,470
Court	330,466	330,499	316,493	14,006
Public Safety				
Police	1,907,496	1,952,567	1,935,372	17,195
Dispatch	469,982	493,200	455,245	37,955
Fire	717,527	722,180	715,679	6,501
Public Works				
Public works administration	190,034	190,034	122,274	67,760
Code enforcement	301,777	372,977	346,012	26,965
Streets	414,494	415,051	332,214	82,837
Buildings and grounds	205,128	195,628	171,445	24,183
Sanitation	403,200	410,794	368,717	42,077
Fleet services	260,378	339,714	296,899	42,815
Parks and recreation				
Parks and recreation	535,593	535,684	473,937	61,747
Total Expenditures	<u>6,913,822</u>	<u>7,139,148</u>	<u>6,621,940</u>	<u>517,208</u>
Excess (deficiency) of revenues over expenditures	<u>(442,457)</u>	<u>(667,783)</u>	<u>136,468</u>	<u>804,251</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,000	300,000	
Transfers out	(142,643)			
Net change in fund balances	<u>(285,100)</u>	<u>(367,783)</u>	<u>436,468</u>	<u>804,251</u>
Fund balances - beginning	<u>2,643,538</u>	<u>2,643,538</u>	<u>2,643,538</u>	
Fund balances - ending	<u>\$ 2,358,438</u>	<u>\$ 2,275,755</u>	<u>\$ 3,080,006</u>	<u>\$ 804,251</u>

CITY OF JERSEY VILLAGE

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION (UNAUDITED)

SEPTEMBER 30, 2006

Annual budgets are adopted for the General, Special Revenue, and Debt Service funds on a basis consistent with generally accepted accounting principles (GAAP), except for the Capital Projects Fund, which adopts a project length budget, and the Enterprise Funds, which adopts a financial plan. City Council approves the annual budget for the component units included in the City's financial reporting entity.

The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of control is the total approved budget for each department. Management may transfer funds between from one function or activity to another function or activity within the same department without Council approval. Council must approve all requests which would require an increase in total budgeted appropriations through a formal budget amendment. The final amended budget is used in this report. Appropriations lapse at the end of the year.

During the year ended September 30, 2006, the City of Jersey Village has complied with all budgetary requirements with the exception of the city administration department in which expenditures exceeded appropriations by \$27,686 for the year. Several supplemental budget appropriations totaling \$225,326, were made for the General Fund for year ended September 30, 2006.

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year-end) are completed. Such encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities. No material encumbrances were outstanding at September 30, 2006.

CITY OF JERSEY VILLAGE
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2006

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Funding Progress

Actuarial Valuation Date Dec. 31	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2003	\$ 3,788,097	\$ 6,158,253	62%	\$ 2,370,156	\$ 3,167,640	75%
2004	4,508,385	6,601,046	68%	2,092,661	3,173,576	66%
2005	5,143,409	7,262,165	71%	2,118,756	3,485,423	61%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

This group of funds is used to account for specific revenue sources that are required to finance specified activities.

Hotel Occupancy – This fund accounts for activities related to the collection of the City’s hotel occupancy tax.

Court Security/Technology Fees – This fund accounts for the activities related to collection of security and technology fees collected in the court department.

CAPITAL PROJECTS FUNDS

General Obligation Bonds – Series 2002 – This fund is used to account for expenditures related to voter authorized bonds and the associated projects thereof.

General Obligation Bonds – Series 2003 – This fund is used to account for expenditures related to voter authorized bonds and the associated projects thereof.

Jones Road Extension - This fund is used to account for financial resources to be used for the construction of the Jones Road extension, which are principally, contributions from other governments.

CITY OF JERSEY VILLAGE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

Special Revenue Funds

	<u>Hotel Occupancy Tax</u>	<u>Court Security and Tech Fees</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 562,819	\$ 93,940
Due from other funds	(628)	28,009
Total assets	<u>562,191</u>	<u>121,949</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	\$ (21,748)
Total liabilities	<u></u>	<u>(21,748)</u>
 Fund balances:		
Reserved for:		
Capital projects		
Other purposes	562,191	143,697
Total fund balances	<u>562,191</u>	<u>143,697</u>
Total liabilities and fund balances	<u>\$ 562,191</u>	<u>\$ 121,949</u>

Capital Projects Funds

General Obligation Bonds - Series 2002	General Obligation Bonds - Series 2003	Jones Road Extension	Total Nonmajor Governmental Funds
\$ 509,997	\$ 1,277,756	\$	\$ 2,444,512
<u>509,997</u>	<u>1,277,756</u>	223,459	<u>250,840</u>
<u><u>509,997</u></u>	<u><u>1,277,756</u></u>	<u><u>223,459</u></u>	<u><u>2,695,352</u></u>
\$	\$ 21,911	\$ 6,688	\$ 6,851
<u></u>	<u>21,911</u>	<u>6,688</u>	<u>6,851</u>
<u><u></u></u>	<u><u>21,911</u></u>	<u><u>6,688</u></u>	<u><u>6,851</u></u>
509,997	1,255,845	216,771	1,982,613
<u>509,997</u>	<u>1,255,845</u>	<u>216,771</u>	<u>705,888</u>
<u><u>509,997</u></u>	<u><u>1,255,845</u></u>	<u><u>216,771</u></u>	<u><u>2,688,501</u></u>
\$ 509,997	\$ 1,277,756	\$ 223,459	\$ 2,695,352

CITY OF JERSEY VILLAGE, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2006

	<u>Special Revenue Funds</u>	
	<u>Hotel Occupancy Tax</u>	<u>Court Security and Tech Fees</u>
REVENUES		
Hotel occupancy tax	\$ 78,695	\$
Fines and forfeitures		47,183
Investment earnings	23,208	
Total Revenues	<u>101,903</u>	<u>47,183</u>
EXPENDITURES		
Current:		
General government	33,793	
Public safety		1,348
Capital Outlay		
Total Expenditures	<u>33,793</u>	<u>1,348</u>
Changes in fund balance	68,110	45,835
Fund balances - beginning	494,081	97,862
Fund balances - End of Year	<u>\$ 562,191</u>	<u>\$ 143,697</u>

Capital Projects Funds

General Obligation Bonds - Series 2002	General Obligation Bonds - Series 2003	Jones Road Extension	Total Nonmajor Governmental Funds
\$	\$	\$	\$ 78,695
			47,183
22,963	57,741		103,912
61,793	57,741		268,620
			33,793
			1,348
85,474	54,087	6,688	146,249
85,474	54,087	6,688	181,390
(23,681)	3,654	(6,688)	87,230
533,678	1,252,191	223,459	2,601,271
\$ 509,997	\$ 1,255,845	\$ 216,771	\$ 2,688,501

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BUDGETARY COMPARISON SCHEDULES

CITY OF JERSEY VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL- SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2006

	Hotel Occupancy Tax		
	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Hotel occupancy tax	\$ 64,000	\$ 78,695	\$ 14,695
Fines and forfeitures			
Investment earnings	15,500	23,209	7,709
Total revenues	79,500	101,904	22,404
EXPENDITURES			
Current:			
General government	40,000	33,793	6,207
Public safety			
Total Expenditures	40,000	33,793	6,207
Changes in fund balance	39,500	68,111	28,611
Fund balances - beginning	494,080	494,080	
Fund balances - End of Year	\$ 533,580	\$ 562,191	\$ 28,611

Court Security and Tech Fees

Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 45,074	\$ 47,183	\$ 2,109
<u>45,074</u>	<u>47,183</u>	<u>2,109</u>
<u>12,791</u>	<u>1,348</u>	<u>11,443</u>
<u>12,791</u>	<u>1,348</u>	<u>11,443</u>
32,283	45,835	13,552
<u>97,862</u>	<u>97,862</u>	
<u>\$ 130,145</u>	<u>\$ 143,697</u>	<u>\$ 13,552</u>

CITY OF JERSEY VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -DEBT SERVICE FUND
For the Year Ended September 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes:			
Property taxes	\$ 1,878,100	\$ 2,010,899	\$ 132,799
Investment earnings	30,000	45,451	15,451
Total revenues	<u>1,908,100</u>	<u>2,056,350</u>	<u>148,250</u>
EXPENDITURES			
Debt Service:			
Principal	840,729	840,729	
Interest and other charges	1,281,938	1,278,233	3,705
Total Expenditures	<u>2,122,667</u>	<u>2,118,962</u>	<u>3,705</u>
Changes in Fund Balance	(214,567)	(62,612)	151,955
Fund balances - beginning of year	<u>721,258</u>	<u>721,258</u>	
Fund balances - End of Year	<u>\$ 506,691</u>	<u>\$ 658,646</u>	<u>\$ 151,955</u>

UNAUDITED STATISTICAL SECTION

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CITY OF JERSEY VILLAGE, TEXAS**NET ASSETS BY COMPONENT***Last Two Fiscal Years***(Accrual Basis of Accounting)*

	Fiscal Year	
	2005	2006
Governmental activities		
Invested in capital assets, net of related debt	\$ 11,990,213	\$ 12,656,907
Restricted	1,413,814	1,352,105
Unrestricted	3,192,703	3,949,120
Total governmental activities net assets	<u>\$ 16,596,730</u>	<u>\$ 17,958,132</u>
Business-type activities		
Invested in capital assets, net of related debt	\$ 16,647,872	\$ 16,673,112
Restricted	632,164	803,354
Unrestricted	2,260,402	2,710,449
Total business-type activities net assets	<u>\$ 19,540,438</u>	<u>\$ 20,186,915</u>
Primary government		
Invested in capital assets, net of related debt	\$ 28,638,085	\$ 29,330,019
Restricted	2,045,978	2,155,459
Unrestricted	5,453,105	6,659,569
Total primary government net assets	<u>\$ 36,137,168</u>	<u>\$ 38,145,047</u>

* Only two years of information is currently available. In future years As new information becomes available, this schedule will expand to include ten years of data.

CITY OF JERSEY VILLAGE, TEXAS
CHANGES IN NET ASSETS
*Last Two Fiscal Years**
(Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>
Expenses		
Governmental activities:		
General Government	\$ 1,481,038	\$ 1,477,941
Public Safety	3,194,005	3,138,036
Public Works	1,221,349	1,929,475
Parks and Recreation	448,331	504,496
Interest on Long-term debt	1,084,399	1,069,897
Total Expenses	<u>7,429,122</u>	<u>8,119,845</u>
Business-type activities:		
Water and Wastewater	1,817,192	1,898,491
Golf Course	1,351,738	1,325,256
Total business type activities expenses	<u>3,168,930</u>	<u>3,223,747</u>
Total primary government expenses	<u>\$ 10,598,052</u>	<u>\$ 11,343,592</u>
 Program Revenue		
Governmental activities:		
Charges for services:		
Public Safety	\$ 849,213	\$ 970,346
Public Works	474,590	387,003
Parks and Recreation	19,631	12,008
Operating grants and contributions		
Public Safety	628,155	796,947
Total governmental activities program revenues	<u>1,971,589</u>	<u>2,166,304</u>
Business-type activities:		
Charges for services:		
Water and Wastewater	2,775,172	2,840,707
Golf Course	1,023,564	1,217,798
Capital grants and contributions		
Water and Wastewater	17,750	
Total business-type activities program revenues	<u>3,816,486</u>	<u>4,058,505</u>
Total primary government program revenues	<u>\$ 5,788,075</u>	<u>\$ 6,224,809</u>
 Net (Expense)/Revenue		
Governmental activities	\$ (5,457,533)	\$ (5,953,541)
Business-type activities	647,556	834,758
Total primary government net expense	<u>\$ (4,809,977)</u>	<u>\$ (5,118,783)</u>

	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes:		
Property taxes	\$ 4,009,942	\$ 4,091,728
Sales and use taxes	1,654,267	1,877,182
Franchise taxes	546,626	569,016
Investment earnings	210,047	377,156
Miscellaneous	240,822	99,861
Transfers	300,000	300,000
Total governmental activities	<u>6,961,704</u>	<u>7,314,943</u>
Business-type activities:		
Investment earnings	41,335	111,719
Transfers	<u>(300,000)</u>	<u>(300,000)</u>
Total business-type activities	<u>(258,665)</u>	<u>(188,281)</u>
Total primary government	<u>\$ 6,703,039</u>	<u>\$ 7,126,662</u>
Change in Net Assets		
Governmental activities	\$ 1,504,171	\$ 1,361,402
Business-type activities	388,891	646,477
Total primary government	<u>\$ 1,893,062</u>	<u>\$ 2,007,879</u>

* Only two years of information is currently available. In future years As new information becomes available, this schedule will expand to include ten years of data.

CITY OF JERSEY VILLAGE, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	1997	1998	1999	2000
General fund				
Reserved	\$	\$	\$	\$
Unreserved	1,845,988	1,767,654	2,122,327	2,922,921
Total governmental activities net assets	<u>\$ 1,845,988</u>	<u>\$ 1,767,654</u>	<u>\$ 2,122,327</u>	<u>\$ 2,922,921</u>
All other governmental funds				
Reserved for:				
Capital projects funds	\$ 841,092	\$ 635,577	\$ 2,139,333	\$ 1,765,028
Debt service funds	301,779	332,636	2,649,218	1,083,233
Special revenue funds	358,571	413,502	476,958	157,339
Total other governmental activities net assets	<u>\$ 1,501,443</u>	<u>\$ 1,381,715</u>	<u>\$ 5,265,510</u>	<u>\$ 3,005,601</u>

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$	\$	\$	\$ 12,331	\$ 12,331	\$ 12,331
3,256,300	2,439,991	2,140,243	2,631,207	2,970,740	3,407,207
<u>\$ 3,256,300</u>	<u>\$ 2,439,991</u>	<u>\$ 2,140,243</u>	<u>\$ 2,643,538</u>	<u>\$ 2,983,071</u>	<u>\$ 3,419,538</u>
\$ 2,111,055	\$ 3,594,474	\$ 5,727,644	\$ 1,144,292	\$ 2,009,328	\$ 1,982,613
1,039,866	1,066,580	1,281,908	1,300,302	721,258	658,646
234,333	315,801	484,036	556,097	604,274	718,219
<u>\$ 3,385,254</u>	<u>\$ 4,976,855</u>	<u>\$ 7,493,588</u>	<u>\$ 3,000,691</u>	<u>\$ 3,334,860</u>	<u>\$ 3,359,478</u>

CITY OF JERSEY VILLAGE, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	1997	1998	1999	2000
Revenues				
Taxes:				
Property taxes	\$ 2,025,203	\$ 2,098,134	\$ 2,620,888	\$ 2,974,775
Sales and use taxes	736,815	774,230	1,364,501	2,123,942
Franchise taxes	311,790	327,880	370,615	432,499
Fines and forfeitures	217,036	250,481	365,854	472,585
Licenses and permits	37,359	120,499	87,731	123,410
Intergovernmental	28,411	736,954	51,021	101,079
Charges for services	126,971	176,192	165,902	165,102
Investment earnings	186,110	215,028	257,625	386,234
Miscellaneous	79,348	47,118	186,891	120,225
Total Revenues	<u>3,749,042</u>	<u>4,746,516</u>	<u>5,471,028</u>	<u>6,899,851</u>
Expenditures				
General government	623,901	919,141	794,586	950,181
Public safety	1,318,004	1,372,878	1,795,737	1,991,631
Public works	852,707	955,147	981,523	1,412,506
Parks and recreation	183,004	232,094	241,396	256,004
Capital outlay	583,843	539,329	1,970,872	435,820
Debt service:				
Principal	300,000	300,000	1,965,000	750,000
Interest and other charges	182,423	161,946	343,393	515,144
Total expenditures	<u>4,043,882</u>	<u>4,480,536</u>	<u>8,092,507</u>	<u>6,311,286</u>
Excess of revenues over (under) expenditures	(294,840)	265,980	(2,621,479)	588,566
Other Financing Sources (Uses)				
Transfers in	573,812	831,687	1,345,429	1,196,494
Transfers out		(300,000)	(637,570)	(200,000)
Bonds issued				
Total other financing sources (uses)	<u>573,812</u>	<u>531,687</u>	<u>(406,538)</u>	<u>996,494</u>
Net change in fund balances	<u>\$ 278,972</u>	<u>\$ 797,667</u>	<u>\$ (3,028,017)</u>	<u>\$ 1,585,059</u>
Debt service as a percentage of noncapital expenditures	13.9%	11.7%	37.7%	21.5%

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 3,934,213	\$ 5,055,432	\$ 4,207,729	\$ 3,958,147	\$ 4,028,810	\$ 4,050,597
2,827,228	2,855,939	2,113,957	1,844,121	1,626,360	1,877,182
539,322	587,643	544,676	552,453	574,534	569,016
110,332	123,202	112,958	147,798	350,250	224,160
156,252	94,653	220,056	210,915	299,832	341,956
468,848	409,250	509,726	691,302	686,037	801,103
393,051	198,752	119,206	89,968	181,962	320,418
63,959	25,578	457,206	1,031,083	621,895	788,292
91,942	316,269	115,472	107,337	254,398	110,654
<u>8,585,147</u>	<u>9,666,718</u>	<u>8,400,986</u>	<u>8,633,124</u>	<u>8,624,078</u>	<u>9,083,378</u>
976,486	1,039,668	1,174,471	1,382,334	1,456,322	1,437,939
2,351,412	2,986,696	3,179,843	2,816,576	3,110,449	3,107,644
1,577,219	1,587,215	1,561,295	1,629,596	1,646,731	1,637,561
258,745	313,056	334,432	404,845	420,755	473,937
984,526	2,821,769	3,563,075	3,670,023	753,134	146,249
910,000	582,476	780,755	930,224	814,163	840,729
857,003	1,317,997	1,266,880	1,378,073	1,313,432	1,278,233
<u>7,915,391</u>	<u>10,648,877</u>	<u>11,860,751</u>	<u>12,211,671</u>	<u>9,514,985</u>	<u>8,922,292</u>
669,756	(982,159)	(3,459,765)	(3,578,548)	(890,907)	161,086
2,435,431	2,494,774	1,060,857	968,824	858,069	300,000
(892,454)	(2,391,448)	(652,025)	(245,529)		
		5,000,068			
<u>1,542,977</u>	<u>103,326</u>	<u>5,408,899</u>	<u>723,295</u>	<u>858,069</u>	<u>300,000</u>
<u>\$ 2,212,734</u>	<u>\$ (878,833)</u>	<u>\$ 1,949,134</u>	<u>\$ (2,855,252)</u>	<u>\$ (32,838)</u>	<u>\$ 461,086</u>
25.5%	24.3%	24.7%	27.0%	24.3%	24.1%

CITY OF JERSEY VILLAGE, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
*Last Eight Fiscal Years**

Fiscal Year	Tax Year	Real Property		Personal Property	Less Tax Exempt Real Property	Total Taxable Assessed Value
		Residential Property	Commercial Property	Other		
1999	1998	\$ 242,233,610	\$ 35,993,410	\$ 56,363,481	\$ 15,611,010	\$ 318,979,491
2000	1999	250,758,630	68,204,900	135,655,321	25,897,070	428,721,781
2001	2000	269,209,440	62,253,600	271,854,852	18,640,820	584,677,072
2002	2001	297,588,440	79,353,002	395,211,139	21,728,260	750,424,321
2003	2002	308,330,370	95,083,450	256,408,930	40,518,110	619,304,640
2004	2003	331,019,170	98,890,810	199,526,120	50,772,980	578,663,120
2005	2004	340,114,760	98,084,380	198,318,040	51,449,640	585,067,540
2006	2005	345,838,390	104,484,208	280,588,903	130,703,740	600,207,761

* Only the last eight years of data is available

All properties are assessed at 100% of actual taxable value. The difference between market value and taxable value is the value of exemptions given for statutory purposes.

Source: Tax department of the City.

Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 0.6841	\$ 318,979,491	100.00%
0.6841	428,721,781	100.00%
0.6750	584,677,072	100.00%
0.6750	750,424,321	100.00%
0.6750	619,304,640	100.00%
0.6750	578,663,120	100.00%
0.6750	585,067,540	100.00%
0.6750	600,207,761	100.00%

CITY OF JERSEY VILLAGE, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING* GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year	City of Jersey Village			Cypress-Fairbanks ISD	Harris County	Port of Houston Authority	Harris County Flood Control District	Harris County Hospital District
	Operating Tax Rate	Debt Service Tax Rate	Total Tax Rate					
1997	\$ 0.51764	\$0.16644	\$0.68408	\$ 1.75000	0.42480	\$0.01960	\$ 0.07967	\$ 0.12381
1998	0.52966	0.15442	0.68408	1.77000	0.41870	0.02000	0.07967	0.12381
1999	0.53279	0.15129	0.68408	1.77000	0.41660	0.02132	0.08000	0.12381
2000	0.40535	0.27873	0.68408	1.70900	0.39840	0.02040	0.08000	0.14650
2001	0.41856	0.25644	0.67500	1.70900	0.35902	0.01830	0.06173	0.20268
2002	0.42452	0.25048	0.67500	1.74500	0.38393	0.01826	0.04758	0.19021
2003	0.34673	0.32827	0.67500	1.79000	0.38814	0.01989	0.04174	0.19021
2004	0.33780	0.33720	0.67500	1.79000	0.38803	0.02000	0.04174	0.19021
2005	0.36545	0.30955	0.67500	1.80000	0.39990	0.01474	0.03320	0.19021
2006	0.33943	0.33557	0.67500	1.80000	0.39990	0.01470	0.03320	0.19220

Source: Tax department records of various taxing authorities.

Note: Tax rate per \$100 assessed valuation.

* Overlapping rates are those of local and county governments that apply to property owners within the City of Jersey Village.

CITY OF JERSEY VILLAGE, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
*Current Year and Two Years Ago**

Taxpayer	Fiscal Year 2006			Fiscal Year 2004		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Beeler Sanders V LTD	\$ 31,625,310	1	5.3%	\$ 60,105,260	1	10.4%
PCM Steeplechase LP	26,100,000	2	4.3%			0.0%
Goodman Manufacturing	14,591,300	3	2.4%	14,783,680	3	2.6%
Carson LMC LP	13,052,649	4	2.2%	13,133,000	4	2.3%
Joe Myers Dealership	12,929,160	5	2.2%			0.0%
Sonic-LS Chevrolet	11,847,070	6	2.0%	11,540,280	6	2.0%
Prologis Dev SVCS	11,484,300	7	1.9%	15,234,680	2	2.6%
FMC Corp-Wellhead EQ	10,258,270	8	1.7%	9,834,690	8	1.7%
Joe Myers Toyota, Inc	10,186,160	9	1.7%	8,174,240	10	1.4%
Joe Myers Ford II LP	9,770,380	10	1.6%	11,204,890	7	1.9%
Sam's / Walmart				12,863,160	5	2.2%
Enterprise Leasing				8,296,450	9	1.4%
	<u>151,844,599</u>		<u>25.3%</u>	<u>165,170,330</u>		<u>28.5%</u>
Other taxpayers	<u>448,363,162</u>		<u>74.7%</u>	<u>315,364,071</u>		<u>71.5%</u>
Total Assessed Valuation	<u><u>\$ 600,207,761</u></u>		<u><u>100.0%</u></u>	<u><u>\$ 578,663,120</u></u>		<u><u>100.0%</u></u>

Only the last two years of data are available.
Source: Tax department records of the City.

CITY OF JERSEY VILLAGE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Tax Year	Tax Rate (A)	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy	Amount	Amount	Percentage of Levy
1997	1996	\$ 0.68408	\$ 2,004,325	\$ 1,979,668	98.8%	\$ 19,111	\$ 1,998,779	99.7%
1998	1997	0.68408	2,075,236	2,049,706	98.8%	21,361	2,071,067	99.8%
1999	1998	0.68408	2,653,532	2,620,888	98.8%	28,356	2,649,244	99.8%
2000	1999	0.68408	3,015,542	2,974,775	98.6%	37,081	3,011,856	99.9%
2001	2000	0.67500	3,965,845	3,891,013	98.1%	44,060	3,935,073	99.2%
2002	2001	0.67500	5,065,541	4,969,959	98.1%	37,277	5,007,236	98.8%
2003	2002	0.67500	4,150,683	4,107,030	98.9%	20,197	4,127,227	99.4%
2004	2003	0.67500	3,948,860	3,907,330	98.9%	22,964	3,930,294	99.5%
2005	2004	0.67500	3,959,202	3,921,515	99.0%	17,366	3,938,881	99.5%
2006	2005	0.67500	4,056,968	3,992,477	98.4%	-	3,992,477	98.4%

Source: Tax department records of the City.

Note (A): The basis for property tax rates is per \$100 of the assessed valuation.

CITY OF JERSEY VILLAGE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government	Percentage of Actual Taxable value of Property ¹	Percent of Personal Income*	Per Capita *
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Revenue Bonds				
1997	\$ 2,975,000	\$	\$	\$	\$ 2,975,000	1.0%	1.7%	\$ 509
1998	2,675,000				2,675,000	0.9%	1.4%	450
1999	8,348,869				8,348,869	2.6%	4.3%	1,400
2000	16,455,405			1,600,000	18,055,405	4.2%	8.3%	2,970
2001	15,764,019			1,500,000	17,264,019	3.0%	6.5%	2,426
2002	17,225,849		352,445	1,400,000	18,978,294	2.5%	7.4%	2,677
2003	10,746,760	8,195,000	252,539	1,300,000	20,494,299	3.3%	7.7%	2,871
2004	10,251,536	7,760,000	193,561	1,200,000	19,405,097	3.4%	6.9%	2,708
2005	9,757,373	7,440,000	131,893	1,100,000	18,429,266	3.1%	6.6%	2,577
2006	9,246,644	7,110,000	67,416	1,000,000	17,424,060	2.9%	6.2%	2,439

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

* See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF JERSEY VILLAGE, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt	Less Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Percent of Personal Income*	Per Capita*
1997	\$ 2,975,000	\$ 332,636	\$ 2,642,364	0.9%	1.5%	\$ 452
1998	2,675,000	371,512	2,303,488	0.8%	1.2%	388
1999	8,348,869	1,083,233	7,265,636	2.3%	3.7%	1,218
2000	16,455,405	1,039,866	15,415,539	3.6%	7.1%	2,535
2001	15,764,019	1,066,580	14,697,439	2.5%	5.5%	2,066
2002	17,225,849	1,281,907	15,943,942	2.1%	6.2%	2,249
2003	18,941,760	1,300,301	17,641,459	2.8%	6.7%	2,471
2004	18,011,536	982,984	17,028,552	2.9%	6.1%	2,377
2005	17,197,373	720,100	16,477,273	2.8%	5.9%	2,304
2006	16,356,644	658,646	15,697,998	2.6%	5.6%	2,198

General bonded debt includes general obligation bonds and certificates of obligation.

* See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF JERSEY VILLAGE, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL
ACTIVITIES DEBT
As of September 30, 2006

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable to City	Estimated Debt Applicable to City
Cypress-Fairbanks ISD	\$ 1,103,963,385	2.30%	\$ 25,391,158
Harris County	1,648,135,801	0.25%	4,120,340
Port of Houston Authority	307,587,573	0.25%	768,969
Harris County Flood Control District	23,619,727	0.25%	59,049
North Harris Mng CCD	206,986,025	0.68%	1,407,505
Total Net Overlapping Debt			31,747,021
City of Jersey Village			15,697,998
Total Direct and Overlapping Net Debt			\$ 47,445,019
Ratio of total direct and overlapping net debt to 2005 assessed valuation			7.90%
Direct and overlapping net debt per capita			\$ 6,642

Source - Texas Municipal Advisory Council

CITY OF JERSEY VILLAGE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income ¹	Median Age ²	Education Level in Years of Formal Schooling ³	School Enrollment ³	Unemployment Rate ⁴
1997	5,845	\$ 171,410,470	29,326	*	*	*	5.2%
1998	5,938	186,951,992	31,484	*	*	*	4.2%
1999	5,963	194,590,579	32,633	*	*	*	4.6%
2000	6,080	216,484,480	35,606	37.8	*	*	4.4%
2001	7,115	265,780,825	37,355	37.8	*	5,548	4.8%
2002	7,090	256,941,600	36,240	37.8	*	5,538	6.2%
2003	7,139	265,178,155	37,145	37.8	*	5,407	7.1%
2004	7,165	279,879,230	39,062	32.5	14	3,841	5.9%
2005	7,151	279,332,362	39,062	37.8	14	4,001	4.0%
2006	7,143	279,019,866	39,062	37.8	*	4,091	4.0%

Data Sources:

- 1-Texas Population Estimates Program and United States Census Bureau, 2000
- 2 - Bureau of Economic Analysis, Regional Information Department (Data for Harris County)
- 3 - United States Census Bureau, 2000 Census (Information unavailable prior to 2000)
- 3- CY-Fair Independent School District
- 4 - Texas Workforce Commission

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

* Information was unavailable

CITY OF JERSEY VILLAGE, TEXAS

PRINCIPAL EMPLOYERS

Current Year and One Year Ago

<u>Employer</u>	<u>2006</u>		<u>2005</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
JV High School	310	1	309	1
Joe Myers Ford	223	2	220	2
Sam's East Inc.	210	3	200	3
Joe Myers Toyota	204	4	200	4
Sonic-LS Chevrolet	180	5	180	5
Foundry Methodist	142	6	135	6
City of Jersey Village	123	7	116	7
Post Elementary School	108	8	108	8
Joe Myers Mazda	67	9	62	9
Jersey Village Baptist Church	19	10	15	10
Total	<u>1,586</u>		<u>1,545</u>	

Source: Personnel department of each employer above.

CITY OF JERSEY VILLAGE, TEXAS***FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION******Last Ten Fiscal Years***

Function	1997	1998	1999	2000
General government				
City council*	6	6	6	6
Administrative	1	1	1	1
Information Technology				
Municipal Court	1	1	1	2
City secretary	1	1	1	1
Finance	5	5	4	3
Public safety				
Police	15	15	20	22
Fire	1	1	2	3
Communications	2	2	2	3
Culture and recreation				
Parks	6	5	5	6
Golf Course	2	2	2	2
Public works	2	2	2	3
Street	1	2	2	2
Community Development	2	3	3	3
Utilities	5	3	3	4
Fleet Services	1	1	1	1
Total	<u>51</u>	<u>50</u>	<u>55</u>	<u>62</u>

Source: City finance department.

* City Council are not full-time employees

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
6	6	6	6	6	6
2	1	3	4	2	3
		1	1	1	1
2	2	2	3	3	4
1	1	1	1	1	1
3	6	5	5	5	4
24	25	25	23	24	26
3	3	3	3	3	3
3	2	4	5	8	7
6	5	5	5	6	8
12	11	10	10	10	11
3	3	3	2	2	2
2	2	2	3	2	2
3	3	3	4	4	4
4	4	4	5	5	5
2	2	2	2	2	2
<u>76</u>	<u>76</u>	<u>79</u>	<u>82</u>	<u>84</u>	<u>89</u>

CITY OF JERSEY VILLAGE, TEXAS
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	1997	1998	1999	2000
Police				
Physical arrests	*	*	301	312
Parking violations	52	27	34	37
Traffic violations	4,951	7,557	9,238	11,146
Fire				
Number of calls answered	844	868	908	944
Highways and streets				
Potholes repaired	*	2	9	11
Sanitation				
Number of monthly pickups				
Residential	*	1,725	1,799	1,827
Multi-family				
Commercial				
Culture and recreation				
Athletic field permits	*	22	36	62
Community Cntr. Admissions	*	10	6	4
Water				
New connections	*	*	*	*
Water main breaks				
Average daily consumption (thousands of gallons)	*	*	*	*
Sewer				
Average daily sewage treatment (thousands of gallons)				

Source: Various City departments.

Note: Indicators are not available for the general government function.

* Information not available

2001	2002	2003	2004	2005	2006
452	470	428	452	420	475
151	82	167	73	161	246
10,214	9,359	16,832	15,632	14,978	16,831
958	952	906	892	910	915
-	8	3	4	7	2
1,857	1,889	1,919	1,911	1,953	1,994
70	133	73	53	69	86
1	1	3	3	6	6
910	1,046	1,080	920	1,142	1,050
168	124	190	115	112	125

CITY OF JERSEY VILLAGE, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	1997	1998	1999	2000
Public safety				
Police				
Stations	1	1	1	1
Patrol units	*	8	10	10
Fire				
Fire stations	1	1	1	1
Volunteers	43	42	43	37
Highways and streets				
Streets (miles)	*	22.46	25.80	25.80
Streetlights	8	9	9	9
Traffic signals			1	1
Culture and recreation				
Parks acreage	12.1	12.1	12.1	12.1
Parks	4	4	4	4
Tennis courts	-	-	-	-
Water				
Water wells	3	3	3	2
Water mains (miles)	*	28.32	28.32	31.57
Fire hydrants	315	315	418	418
Maximum daily capacity (thousands of gallons)	1,550	1,550	2,050	2,050
Sewer				
Sanitary sewers (miles)	*	27.46	27.46	31.87
Storm sewers (miles)	13.44	13.44	16.54	16.54
Maximum daily treatment capacity (thousands of gallons)			800	800

Source: Various City departments.

Note: No capital asset indicators are available for the general government function.

* Information not available

2001	2002	2003	2004	2005	2006
1	1	1	1	1	1
11	13	14	14	14	15
1	1	1	1	1	1
33	36	40	34	34	37
25.80	25.80	27.30	27.30	28.20	28.84
10	10	10	10	11	11
1	1	1	1	1	
12.1	12.1	12.1	12.1	12.1	12.1
4	4	4	4	4	4
-	-	-	-	-	-
4	4	4	4	4	4
31.57	31.57	31.57	31.57	34.38	35.85
418	418	434	434	445	445
2,050	2,050	2,050	2,050	2,550	2,550
31.87	31.87	31.87	34.22	34.80	35.21
16.54	16.54	16.54	16.54	18.24	20.19
800	800	800	800	800	800

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