

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2005

**City of
Jersey
Village**



Mayor

Ed Heathcott

City Council

Joyce Berube

Greg Holden

Frances Wubbenhorst

Russell Hamley

A.J. Widacki

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF JERSEY VILLAGE, TEXAS

**For the fiscal year ended
September 30, 2005**

**Prepared by
Finance Department**

**Isabel Kato
Director of Finance**

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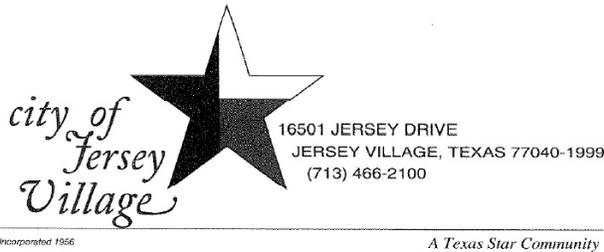
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INTRODUCTORY SECTION

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February 13, 2006

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, 2005.

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, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial 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, 2005 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, 2005 the City had a land area of 3.58 square miles and an estimated population of 7,180. 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 (JVCC&PD) 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 JVCC&PD 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 JVCC&PD, which resulted in an overwhelming support to maintain the JVCC&PD for an additional ten years.

Local Economy. Regional, state and national economies continue to recover from the recession of the past four years. However, the recovery is not as robust or consistent as historical recoveries. The rate below indicates this trend by the modest decrease on the unemployment rate:

	9/30/2005	9/30/2004	9/.0/2003
United States	5.1%	5.5%	6.2%
Texas	5.3%	5.5%	6.8%
Jersey Village	4.0%	5.9%	7.1%

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 revenue bonds to expand utilities to new customers along the Jones Road extension. This project will be a joint effort with the majority of funding from Harris County. The City will contribute a greater portion of capital relating to drainage over-sizing and the cost associated with extending water and sewer service along the right-of-way. The majority of long-term capital planning is utility related.

Major initiatives

Fiscal Year (FY) 2004-2005 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.

- Lowering of the city's public protection class (fire) rating from ISO 4 to ISO 2. Jersey Village is one of a handful of communities in the state to receive this coveted rating. This reduction will result in a 10% decrease in insurance premiums for all city residents.
- Received "Volunteer EMS Provider of the Year" for the State of Texas as awarded by the Texas Department of Health.
- Completion of Hike and Bike trail system around Clark Henry Park and Post Elementary. This project was completed in conjunction with Harris County Precinct 4.
- Initiation and substantial completion of the preliminary engineering report for the extension of Jones Road from its existing terminus at Hwy 290, south to FM 529.
- Completed first ever Jersey Village Citizen Police Academy with 18 participants from the community.
- Instituted Rape Aggression Defense classes for members of the community.
- Completed renovations to the exterior of the golf clubhouse and to Carol Fox Park.

In addition to completing many scheduled and deliberately planned activities, the city had an opportunity to test its Emergency Management Plan with the arrival of Hurricane Rita in late September. Staff responded quickly to safeguard city assets and maintain service to the community throughout the event.

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, 2004. 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, 2004

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



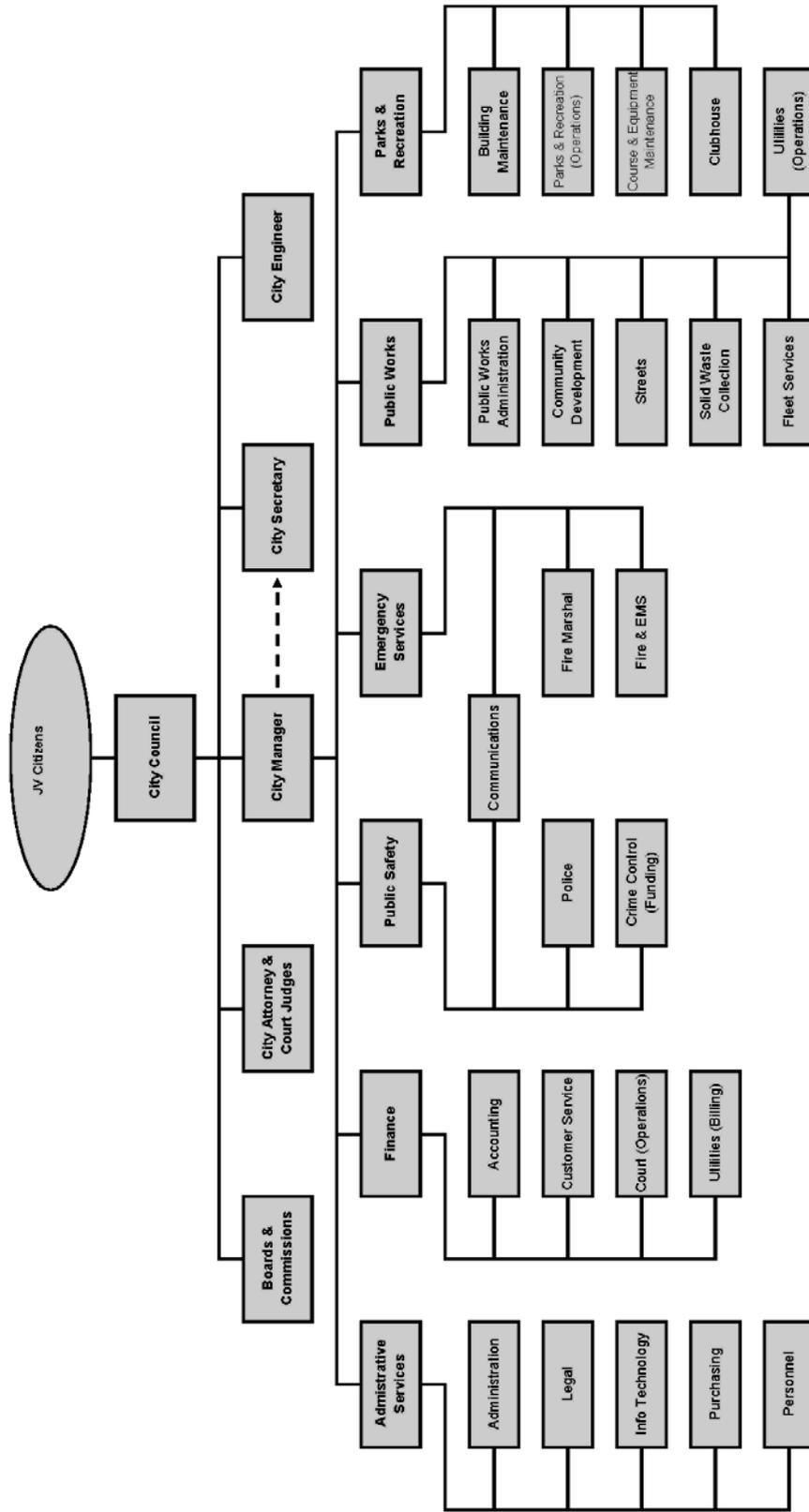
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

CITY OF JERSEY VILLAGE ORGANIZATIONAL CHART



PRINCIPAL CITY OFFICIALS
CITY OF JERSEY VILLAGE, TEXAS
September 30, 2005

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
Russell Hamley	Council member – Position No. 4
A.J. Widacki	Council member – Position No. 5

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

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FINANCIAL SECTION

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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, 2005, 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, 2005, 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 "Null Laism, P.C." The signature is written in a cursive, flowing style.

Houston, Texas
January 31, 2006

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, 2005. 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 the City itself (known as the primary government), but also a legally separate. Financial information for these component units 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 61 through 77 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 \$36.1 million (net assets). Of this amount, \$5.5 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 (79 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	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 8,325	\$ 8,080	\$ 3,301	\$ 2,584	\$ 11,626	\$ 10,664
Capital assets	29,521	28,655	17,735	17,881	47,256	46,536
Total Assets	37,846	36,735	21,036	20,465	58,882	57,200
Current liabilities	1,681	717	377	96	2,059	813
Long-term liabilities	19,568	20,925	1,118	1,217	20,686	22,142
Total Liabilities	21,249	21,642	1,495	1,313	22,744	22,955
Net assets:						
Invested in capital assets, net of related debt	11,990	10,352	16,648	16,705	28,638	27,057
Restricted	1,414	1,994	632	604	2,046	2,598
Unrestricted	3,193	2,747	2,260	1,843	5,453	4,590
Total Net Assets	\$ 16,597	\$ 15,093	\$ 19,540	\$ 19,152	\$ 36,137	\$ 34,245

An additional portion of the City's net assets (six 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 \$1.9 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, 2005 and 2004.

CONDENSED SCHEDULE OF CHANGES IN NET ASSETS

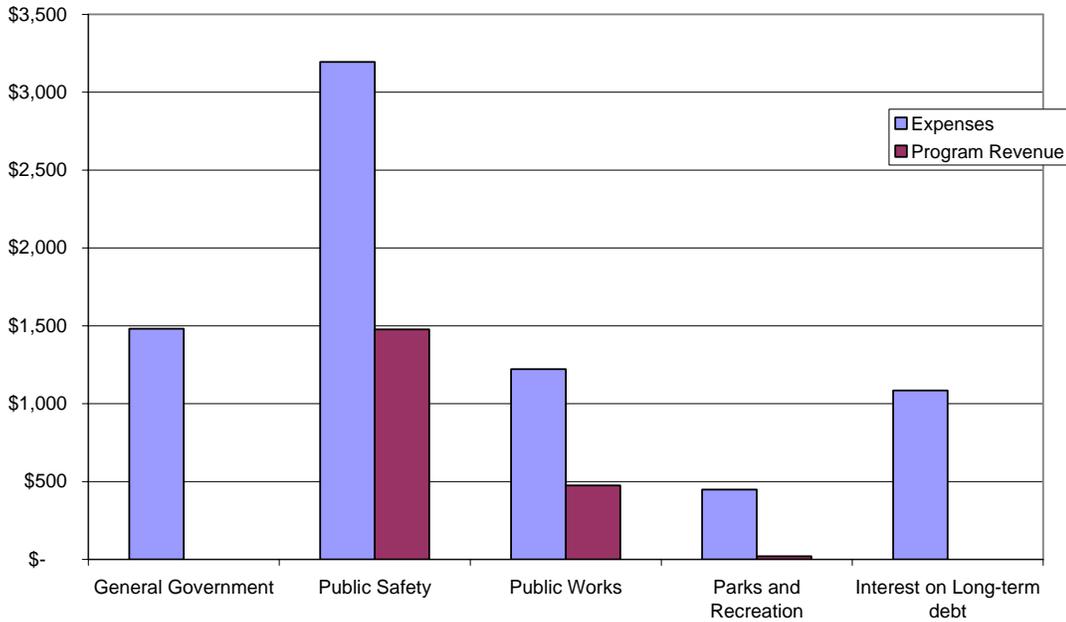
Amounts in (000's)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenue						
Charges for services	\$ 1,343	\$ 1,051	\$ 3,799	\$ 3,283	\$ 5,142	\$ 4,334
Operating grants and contributions	628	1,042			628	1,042
Capital grants			18		18	
General revenues						
Property taxes	4,010	3,989			4,010	3,989
Franchise and other taxes	547	502			547	502
Sales tax	1,654	1,894			1,654	1,894
Unrestricted investment earnings	210	98	40	27	250	125
Miscellaneous	241	96			241	96
Transfers	300	190	(300)	(190)		
Total Revenues and Transfers	8,933	8,862	3,557	3,120	12,490	11,982
Expenses						
General Government	1,481	1,386			1,481	1,386
Public Safety	3,194	2,849			3,194	2,849
Public Works	1,221	2,090			1,221	2,090
Parks and Recreation	448	425			448	425
Interest on Long-term debt	1,085	1,389			1,085	1,389
Capital Outlay						
Water and Wastewater			1,817	1,790	1,817	1,790
Golf Course			1,352	1,462	1,352	1,462
Total Expenses	7,429	8,139	3,169	3,252	10,598	11,391
Increase (decrease) in net assets	1,504	723	388	(132)	1,892	591
Beginning net assets	15,093	14,370	19,152	19,284	34,245	33,654
Ending Net Assets	\$ 16,597	\$ 15,093	\$ 19,540	\$ 19,152	\$ 36,137	\$ 34,245

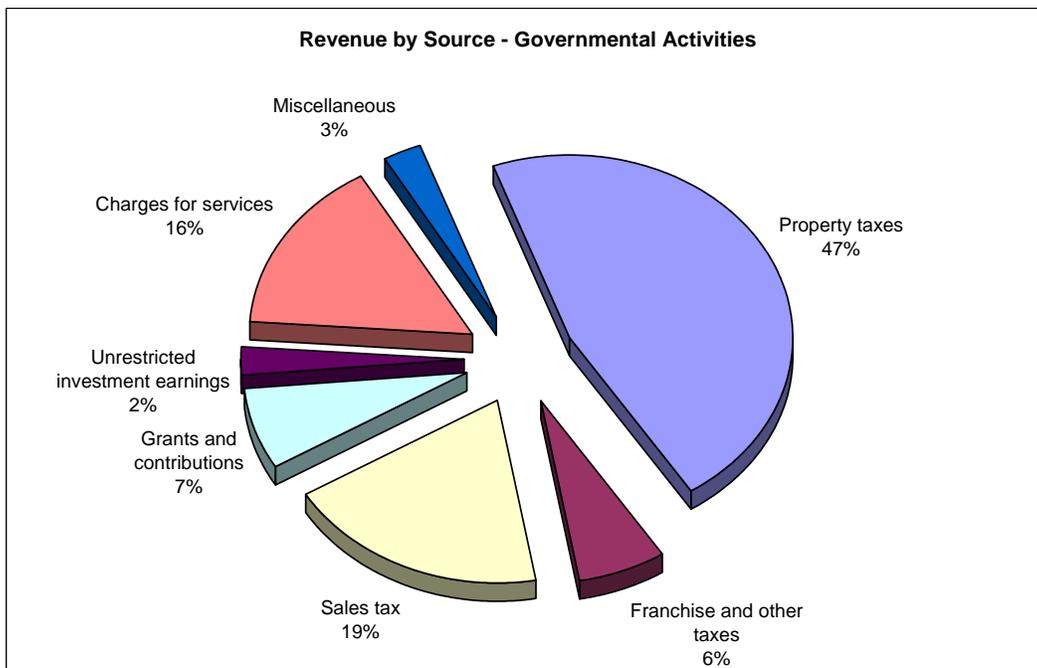
CITY OF JERSEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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



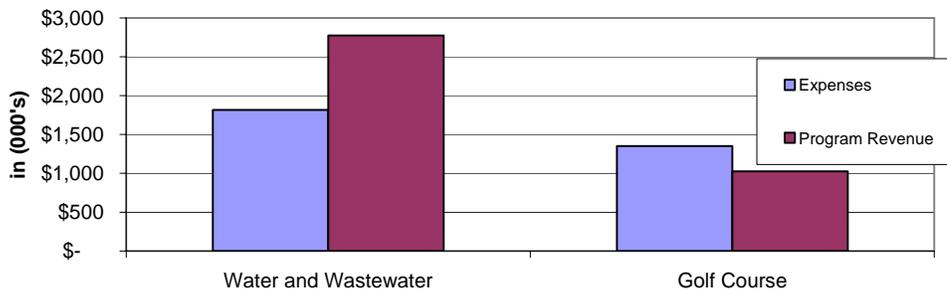
Revenue sources for governmental activities were distributed as follows:



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 \$399,000. 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



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 \$6.3 million, and decrease of approximately \$600,000 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 \$2.6 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 42.4% of total general fund expenditures.

The Debt Service fund had a total fund balance of approximately \$1.0 million, all of which is reserved for the payment of debt service. The net decrease in fund balance from the prior year of approximately \$317,000 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 \$1.0 million or 67.6% 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 \$140,000 or 19% 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 \$220,875, in the following functions:

\$	84,175	-- Increase for General Government
	106,700	-- Increase for Public Safety
	30,000	-- Increase for Highways and Roads

These differences were for program enhancements not originally contemplated in the original budget to be financed through existing revenue sources.

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, 2005 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 increase in the City's investment in capital assets for the current fiscal year was approximately 8.2 percent. The following table shows capital asset activity for the 2005 fiscal year (in 000's):

	Balance at September 30, 2004	Balance at September 30, 2005
Governmental activities:		
Capital assets, not being depreciated:		
Land	\$ 1,956	\$ 1,956
Construction in progress	4,403	4,893
Capital assets being depreciated:		
Infrastructure	16,351	16,315
Buildings and improvements	4,335	4,703
Machinery and equipment	1,609	1,653
Total Governmental Activities	\$ 28,654	\$ 29,520
Business-type activities:		
Capital assets, not being depreciated:		
Land	\$ 1,360	\$ 1,360
Construction in progress	118	286
Capital assets being depreciated:		
Infrastructure	11,920	11,957
Buildings and improvements	4,395	4,107
Machinery and equipment	88	24
Total business-type Activities	\$ 17,881	\$ 17,734

At the end of Fiscal year 2005, 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.

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 \$18.3 million. Of this amount, \$17.2 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 5.3% 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 A1 from Moody's Investor Services and an A from Standard & Poor's.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for the business-type activities. One of the most significant factors is the City's recent revenue trends. The City's general fund revenue is principally made up of property taxes, sales taxes, electric and franchise fees. Telephone and electric franchise fees are flat due to changes in recent consumer technologies. Sales tax revenues have rebounded from the declines experienced in FY 2002 and 2003; however, the City has observed a minimal increase in sales tax receipts this year over last year. Assessed property tax values have declined from the loss of a major manufacture, Compaq. However the City did anticipate the Company's egress and has recaptured some of that loss with another major manufacturer and the City's property tax values have increased in the most recent year.

The General Fund's largest single revenue source is property taxes. The property tax rate for FY 2006 is \$0.6750 per \$100 valuation, unchanged from 2005. Of this tax rate, \$0.33943 is utilized for General Fund activities. The remaining amount of \$0.33558 percent is used for debt service. The General Fund's portion of property tax revenue for FY 2006 is estimated to be \$2.2 million up \$77,000 or 3.62 percent from the 2005 year. 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, and 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, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Governmental Activities
ASSETS				
Cash and equivalents	\$ 7,558,340	\$ 1,478,528	\$ 9,036,868	\$ 568,568
Receivables	766,109	317,681	1,083,790	91,217
Internal Balances		797,730	797,730	
Inventories		10,158	10,158	
Restricted cash and equivalents		696,949	696,949	
Capital assets				
Capital assets, not being depreciated	6,849,770	1,646,499	8,496,269	
Capital assets, net of depreciation	22,671,568	16,088,305	38,759,873	
Total Capital Assets	29,521,338	17,734,804	47,256,142	
Total Assets	37,845,787	21,035,850	58,881,637	659,785
LIABILITIES				
Accounts payable and accrued expenses	1,440,673	293,676	1,734,349	112,710
Accrued interest	240,710	2,698	243,408	
Customer deposits		80,885	80,885	
Long-term liabilities				
Due within one year	1,308,558	102,546	1,411,104	
Due in more than one year	18,259,116	1,015,607	19,274,723	
Total liabilities	21,249,057	1,495,412	22,744,469	112,710
NET ASSETS				
Invested in capital assets, net of related debt	11,990,213	16,647,872	28,638,085	
Restricted for:				
Capital projects	223,459	616,064	839,523	
Debt Service	586,081	16,100	602,181	
Other projects	604,274		604,274	
Unrestricted	3,192,703	2,260,402	5,453,105	547,075
Total net assets	\$ 16,596,730	\$ 19,540,438	\$ 36,137,168	\$ 547,075

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities				
General Government	\$ 1,481,038	\$	\$	\$
Public Safety	3,194,005	849,213	628,155	
Public Works	1,221,349	474,590		
Parks and Recreation	448,331	19,631		
Interest on Long-term debt	1,084,399			
Total governmental activities	<u>7,429,122</u>	<u>1,343,434</u>	<u>628,155</u>	
Business-type Activities				
Water and Wastewater	1,817,417	2,775,398		17,750
Golf Course	1,351,738	1,023,565		
Total business-type activities	<u>3,169,155</u>	<u>3,798,963</u>		<u>17,750</u>
Total primary government	<u>\$ 10,598,277</u>	<u>\$ 5,142,397</u>	<u>\$ 628,155</u>	<u>\$ 17,750</u>
Component Unit				
Crime Control and Prevention District	<u>\$ 694,720</u>	<u>\$</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
\$ (1,481,038)	\$	\$ (1,481,038)	
(1,716,637)		(1,716,637)	
(746,759)		(746,759)	
(428,700)		(428,700)	
(1,084,399)		(1,084,399)	
<u>(5,457,533)</u>		<u>(5,457,533)</u>	
	975,731	975,731	
	(328,173)	(328,173)	
	<u>647,558</u>	<u>647,558</u>	
<u>(5,457,533)</u>	<u>647,558</u>	<u>(4,809,975)</u>	
			\$ (694,720)
4,009,942		4,009,942	
1,654,267		1,654,267	548,764
546,626		546,626	
210,044	41,336	251,380	14,718
240,822		240,822	2,136
300,000	(300,000)		
<u>6,961,701</u>	<u>(258,664)</u>	<u>6,703,037</u>	<u>565,618</u>
1,504,168	388,894	1,893,062	(129,102)
15,092,562	19,151,544	34,244,106	676,177
<u>\$ 16,596,730</u>	<u>\$ 19,540,438</u>	<u>\$ 36,137,168</u>	<u>\$ 547,075</u>

CITY OF JERSEY VILLAGE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2005

	<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	\$ 3,273,376	\$ 720,911	\$ 2,370,691	\$ 6,364,978
Receivables, net of allowance for doubtful accounts				
Property taxes	172,431	105,533		277,964
Sales and other taxes	488,145			488,145
Due from other funds		347	236,363	236,710
Prepaid Items				
Total assets	<u>\$ 3,933,952</u>	<u>\$ 826,791</u>	<u>\$ 2,607,054</u>	<u>\$ 7,367,797</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 541,741	\$	\$ 5,783	\$ 547,524
Due to other funds	236,709			236,709
Deferred revenue	172,431	105,533		277,964
Total liabilities	<u>950,881</u>	<u>105,533</u>	<u>5,783</u>	<u>1,062,197</u>
 Fund balances:				
Reserved for:				
Capital projects			2,009,328	2,009,328
Debt service		721,258		721,258
Other purposes	12,331		591,943	604,274
Unreserved	2,970,740			2,970,740
Total fund balances	<u>2,983,071</u>	<u>721,258</u>	<u>2,601,271</u>	<u>6,305,600</u>
Total liabilities and fund balances	<u>\$ 3,933,952</u>	<u>\$ 826,791</u>	<u>\$ 2,607,054</u>	<u>\$ 7,367,797</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, 2005

Total fund balance, governmental funds \$ 6,305,600

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 29,521,338

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. 277,964

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	(9,757,373)
Accreted interest on premium compound interest bonds	(1,987,728)
Certificates of obligation	(7,440,000)
Capital lease payable	(131,893)
Compensated absences	(250,680)
Accrued interest	(240,710)

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. 300,212

Net Assets of Governmental Activities in the Statement of Net Assets \$ 16,596,730

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, 2005

	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property taxes	\$ 2,191,819	\$ 1,838,184	\$	\$ 4,030,003
Sales and use taxes	1,585,452		68,816	1,654,268
Franchise taxes	546,626			546,626
Licenses and permits	350,250			350,250
Charges for services	299,832			299,832
Fines and forfeitures	646,628		39,409	686,037
Investment earnings	92,520	27,686	61,756	181,962
Intergovernmental	621,895			621,895
Other	254,398			254,398
Total revenues	<u>6,589,420</u>	<u>1,865,870</u>	<u>169,981</u>	<u>8,625,271</u>
EXPENDITURES				
Current:				
General government	1,417,767		38,555	1,456,322
Public safety	3,064,635		45,814	3,110,449
Public works	1,646,731			1,646,731
Parks and recreation	420,755			420,755
Capital Outlay			753,133	753,133
Debt Service:				
Principal		814,163		814,163
Interest and other charges		1,313,432		1,313,432
Total Expenditures	<u>6,549,888</u>	<u>2,127,595</u>	<u>837,502</u>	<u>9,514,985</u>
Revenues over/(under) expenditures	<u>39,532</u>	<u>(261,725)</u>	<u>(667,521)</u>	<u>(889,714)</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	<u>339,532</u>	<u>(261,725)</u>	<u>(667,521)</u>	<u>(589,714)</u>
Fund balances - beginning of year	2,643,539	982,983	3,268,792	6,895,314
Fund balances - End of Year	<u>\$ 2,983,071</u>	<u>\$ 721,258</u>	<u>\$ 2,601,271</u>	<u>\$ 6,305,600</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, 2005

Net change in fund balances - total governmental funds: \$ (589,714)

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. 891,282

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. (20,061)

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. 814,163

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 3,574
Interest on debt 237,855

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. 167,069

Change in net assets of governmental activities \$ 1,504,168

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2005

	Enterprise Funds			Governmental Activities
	Water and Wastewater	Golf Course	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,303,320	\$ 175,207	\$ 1,478,527	\$ 1,193,362
Accounts receivable, net	317,681		317,681	
Inventories		10,158	10,158	
Restricted cash and equivalents	696,949		696,949	
Total current assets	2,317,950	185,365	2,503,315	1,193,362
Non-current assets:				
Capital Assets:				
Land	445,240	915,000	1,360,240	
Construction in progress	286,259		286,259	
Infrastructure	16,214,533		16,214,533	
Buildings and improvements	27,841	5,645,874	5,673,715	
Equipment and furniture	114,509	611,211	725,720	2,640,712
Less accumulated depreciation	(4,382,746)	(2,142,917)	(6,525,663)	(1,490,741)
Total non-current assets	12,705,636	5,029,168	17,734,804	1,149,971
Total assets	15,023,586	5,214,533	20,238,119	2,343,333
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	215,633	78,042	293,675	95,419
Due to other funds				
Accrued interest	2,698		2,698	11,510
Customer deposits	80,885		80,885	
Compensated absences - current portion	3,000	10,000	13,000	
Capital lease obligation - current portion				61,667
Bonds payable- current portion	89,546		89,546	
Total current liabilities	391,762	88,042	479,804	168,596
Non-current liabilities:				
Compensated absences	2,645	15,576	18,221	
Capital lease obligation				70,226
Bonds payable	997,386		997,386	
Total non-current liabilities	1,000,031	15,576	1,015,607	70,226
Total liabilities	1,391,793	103,618	1,495,411	238,822
NET ASSETS				
Invested in capital assets, net of related debt	11,618,704	5,029,168	16,647,872	1,018,078
Restricted for capital projects	616,064		616,064	
Restricted for debt service	16,100		16,100	
Unrestricted	1,380,925	81,747	1,462,672	1,086,433
Total net assets	\$ 13,631,793	\$ 5,110,915	\$ 18,742,708	\$ 2,104,511

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Assets.

797,730

Total net assets per Government-Wide financial statements

\$ 19,540,438

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, 2005

	Enterprise Funds			Governmental Activities
	Water and Wastewater	Golf Course	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 2,775,398	\$ 1,023,565	\$ 3,798,963	\$ 605,021
Total operating revenues	<u>2,775,398</u>	<u>1,023,565</u>	<u>3,798,963</u>	<u>605,021</u>
OPERATING EXPENSES				
Personal services	278,627	550,120	828,747	
Supplies	564,695	199,053	763,748	
Repairs and maintenance	91,777	209,120	300,897	62,810
Contractual services	526,621	81,747	608,368	
Other	62,319	46,217	108,536	
Depreciation	223,711	344,494	568,205	310,266
Total Operating Expenses	<u>1,747,750</u>	<u>1,430,751</u>	<u>3,178,501</u>	<u>373,076</u>
Operating income (loss)	<u>1,027,648</u>	<u>(407,186)</u>	<u>620,462</u>	<u>231,945</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	37,228	4,108	41,336	28,085
Interest expense	(75,204)		(75,204)	(8,822)
Gain on disposal of capital assets	418		418	
Total non-operating revenue (expenses)	<u>(37,558)</u>	<u>4,108</u>	<u>(33,450)</u>	<u>19,263</u>
Income (loss) before contributions and transfers	990,090	(403,078)	587,012	251,208
Contributions	17,750		17,750	
Transfers out	(300,000)		(300,000)	
Change in net assets	<u>707,840</u>	<u>(403,078)</u>	<u>304,762</u>	<u>251,208</u>
Total net assets - beginning of year	<u>12,923,953</u>	<u>5,513,993</u>	<u>18,437,946</u>	<u>1,853,303</u>
Total net assets - End of Year	<u>\$ 13,631,793</u>	<u>\$ 5,110,915</u>	<u>\$ 18,742,708</u>	<u>\$ 2,104,511</u>
Change in net assets, per above			304,762	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.			84,132	
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements			<u>\$ 388,894</u>	

See Notes to Basic Financial Statements.

CITY OF JERSEY VILLAGE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2005

	Enterprise Funds			Governmental Activities
	Water and Wastewater	Golf Course	Total	Internal Service Fund
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 2,733,589	\$ 1,023,565	\$ 3,757,154	\$ 605,021
Disbursed for personal services	(289,502)	(545,607)	(835,109)	
Disbursed for goods and services	(1,111,140)	(557,025)	(1,668,165)	32,609
Cash Flows Provided By Operating Activities	<u>1,332,947</u>	<u>(79,067)</u>	<u>1,253,880</u>	<u>637,630</u>
Cash Flows From Noncapital Financing				
Operating transfers in				
Operating Transfers (out)	(300,000)		(300,000)	
Increase (decrease) in due to other funds	(5,920)	(15,055)	(20,975)	
Decrease (increase) in due from other funds	10,548		10,548	
Cash Flows Used in Noncapital Financing Activities	<u>(295,372)</u>	<u>(15,055)</u>	<u>(310,427)</u>	
Cash Flows From Capital And Related Financing Activities				
Acquisition and construction of capital assets	(400,803)		(400,803)	(285,772)
Debt principal payments	(100,000)		(100,000)	(61,667)
Interest paid on debt	(67,448)		(67,448)	(8,822)
Cash Flows Used in Capital and Related Financing Activities	<u>(568,251)</u>		<u>(568,251)</u>	<u>(356,261)</u>
Cash Flows From Investing Activities				
Interest earned on investments	37,228	4,107	41,335	28,085
Cash Flows Used by Investing Activities	<u>37,228</u>	<u>4,107</u>	<u>41,335</u>	<u>28,085</u>
Increase (Decrease) In Cash	506,552	(90,015)	416,537	309,454
Cash balance at beginning of year	1,493,717	265,222	1,758,939	883,908
Cash Balance at End of Year	<u>\$ 2,000,269</u>	<u>\$ 175,207</u>	<u>\$ 2,175,476</u>	<u>\$ 1,193,362</u>
Cash	\$ 1,303,320	\$ 175,207	\$ 1,478,527	\$ 1,193,362
Restricted cash	696,949		696,949	
Total Cash	<u>\$ 2,000,269</u>	<u>\$ 175,207</u>	<u>\$ 2,175,476</u>	<u>\$ 1,193,362</u>
Cash Flows From Operating Activities				
Operating income (loss)	\$ 1,027,648	\$ (407,186)	\$ 620,462	\$ 231,945
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation	223,711	344,494	568,205	310,266
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable	(45,443)		(45,443)	
Decrease (increase) in inventory		(89)	(89)	
Decrease (increase) in prepaid expenses				
Increase (decrease) in customer deposits	3,634		3,634	
Increase (decrease) in accounts payable	134,272	(20,799)	113,473	95,419
Increase (decrease) in accrued compensated absences	(10,875)	4,513	(6,362)	
Cash Flows Provided By Operating Activities	<u>\$ 1,332,947</u>	<u>\$ (79,067)</u>	<u>\$ 1,253,880</u>	<u>\$ 637,630</u>

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 nonfiduciary 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.

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2005, 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, 2005, 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.

<u>Asset</u>	<u>Estimated Useful Lives</u>
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, 2005 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:

	<u>Cash on Hand</u>	<u>Demand Deposits</u>	<u>Public Funds Investment Pool (TexPool)</u>	<u>Total</u>
Primary government				
Unrestricted	\$ 3,350	\$ 567,832	\$ 8,465,687	\$ 9,036,869
Restricted		88,842	608,106	696,948
Discretely Presented Component Unit		8,673	559,895	568,568
	<u>\$ 3,350</u>	<u>\$ 665,347</u>	<u>\$ 9,633,688</u>	<u>\$ 10,302,385</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	\$ 80,885
Construction	616,064
	<u>\$ 696,949</u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – RECEIVABLES

Amounts recorded as receivables as of September 30, 2005 for the government’s individual major and nonmajor funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Wastewater</u>	<u>Total</u>
Receivables:				
Taxes	\$ 556,464	\$ 109,877	\$	\$ 666,341
Accounts			317,681	317,681
Other	113,143			113,143
Gross receivables	<u>669,607</u>	<u>109,877</u>	<u>317,681</u>	<u>1,097,165</u>
Less: allowance for uncollectibles	(9,032)	(4,344)		(13,376)
Net total receivables	<u>\$ 660,575</u>	<u>\$ 105,533</u>	<u>\$ 317,681</u>	<u>\$ 1,083,789</u>

NOTE 5 – CAPITAL ASSETS

A summary of activity for capital assets capitalized by the City for the year ended September 30, 2005 follows:

	<u>Balance at September 30, 2004</u>	<u>Additions</u>	<u>Balance at September 30, 2005</u>
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 1,956,455	\$	\$ 1,956,455
Construction in progress	4,402,631	490,684	4,893,315
Total capital assets, not being depreciated	6,359,086	490,684	6,849,770
Capital assets being depreciated:			
Infrastructure	20,199,164	242,325	20,441,489
Buildings and improvements	5,744,521	477,669	6,222,190
Machinery and equipment	3,044,257	455,455	3,499,712
Total capital assets being depreciated	28,987,942	1,175,449	30,163,391
Less accumulated depreciation for:			
Infrastructure	(3,848,000)	(278,426)	(4,126,426)
Building and improvements	(1,409,045)	(109,680)	(1,518,725)
Machinery and equipment	(1,435,432)	(411,240)	(1,846,672)
Total accumulated depreciation	(6,692,477)	(799,346)	(7,491,823)
Total capital assets being depreciated, net	22,295,465	376,103	22,671,568
Governmental activities capital assets, net	<u>\$ 28,654,551</u>	<u>\$ 866,787</u>	<u>\$ 29,521,338</u>

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (continued)

	<u>Balance at September 30, 2004</u>	<u>Additions</u>	<u>Balance at September 30, 2005</u>
Business-type activities:			
Capital assets, not being depreciated:			
Land	\$ 1,360,240	\$	\$ 1,360,240
Construction in progress	117,836	168,423	286,259
Total capital assets, not being depreciated	1,478,076	168,423	1,646,499
Capital assets being depreciated:			
Infrastructure	15,961,287	253,246	16,214,533
Buildings and improvements	5,673,715		5,673,715
Machinery and equipment	725,720		725,720
Total capital assets being depreciated	22,360,722	253,246	22,613,968
Less accumulated depreciation for:			
Infrastructure	(4,041,113)	(216,194)	(4,257,307)
Building and improvements	(1,279,119)	(287,335)	(1,566,454)
Machinery and equipment	(637,225)	(64,677)	(701,902)
Total accumulated depreciation	(5,957,457)	(568,206)	(6,525,663)
Total capital assets being depreciated, net	16,403,265	(314,960)	16,088,305
Business-type activities capital assets, net	<u>\$ 17,881,341</u>	<u>\$ (146,537)</u>	<u>\$ 17,734,804</u>

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

Governmental activities:	
General	\$ 63,522
Public safety	134,167
Public works	258,353
Parks and recreation	33,038
Internal service fund assets	310,266
	<u>\$ 799,346</u>
Business-type activities:	
Water and sewer	\$ 223,711
Golf course	344,495
	<u>\$ 568,206</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, 2005 follows:

	Balance at September 30, 2004	Additions	Balance at September 30, 2005
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	<u>\$ 3,602</u>	<u>\$ (3,602)</u>	<u>\$ 0</u>

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2005, are as follows:

	Authorized Contract	Contract Expenditures	Remaining Contract
Governmental Activities			
Lakeview reconstruction	\$ 1,823,897	\$ 1,461,547	\$ 362,350
Jersey drive reconstruction	2,486,443	1,739,742	746,701
Lakeview senate to White Oak Bayou	1,605,033	1,526,931	78,102
Projects under \$100K	251,075	165,095	85,980
Total	<u>\$ 6,166,448</u>	<u>\$ 4,893,315</u>	<u>\$ 1,273,133</u>
Business-type Activities			
Philippine Lift Station	\$ 104,253	\$ 31,248	\$ 73,005
30" Trunk Line Ginger/WOB	944,646	58,182	886,464
Water Line Replacement Jersey Dr.	439,178	158,305	280,873
Water Line Replacement Lakeview II	484,312	26,823	457,489
Water Plant Rehabilitation	180,000	11,701	168,299
Total	<u>\$ 2,152,389</u>	<u>\$ 286,259</u>	<u>\$ 1,866,130</u>

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, 2005, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 10,251,536	\$	\$ (494,163)	9,757,373	\$ 494,163
Accreted interest on premium compound interest bonds	2,171,354	175,285	(358,911)	1,987,728	\$ 364,918
Certificates of obligation	7,760,000		(320,000)	7,440,000	320,000
Capital lease payable	193,561		(61,668)	131,893	64,477
Compensated absences Governmental activity	<u>254,254</u>	<u>131,400</u>	<u>(134,974)</u>	<u>250,680</u>	<u>65,000</u>
Long-term liabilities	<u>\$ 20,630,705</u>	<u>\$ 306,685</u>	<u>\$ (1,369,716)</u>	<u>\$ 19,567,674</u>	<u>\$ 1,308,558</u>
Business-type Activities					
Revenue bonds	\$ 1,200,000	\$	\$ (100,000)	1,100,000	\$ 100,000
Less deferred issuance costs	(23,522)		10,454	(13,068)	(10,454)
Compensated absences Business-type activity	<u>37,583</u>	<u>19,400</u>	<u>(25,762)</u>	<u>31,221</u>	<u>13,000</u>
Long-term liabilities	<u>\$ 1,214,061</u>	<u>\$ 19,400</u>	<u>\$ (115,308)</u>	<u>\$ 1,118,153</u>	<u>\$ 102,546</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
2006	\$ 510,729	\$ 853,575	\$ 1,364,304
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>\$ 9,757,373</u>	<u>\$ 6,631,357</u>	<u>\$ 16,388,730</u>

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

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2006	\$ 330,000	\$ 420,363	\$ 750,363
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>\$ 7,440,000</u>	<u>\$ 4,465,207</u>	<u>\$ 11,905,207</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:

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2006	\$ 100,000	\$ 57,750	\$ 157,750
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>\$ 1,100,000</u>	<u>\$ 312,375</u>	<u>\$ 1,412,375</u>

Capital Lease Payable

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

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2006	\$ 64,477	\$ 6,012	\$ 70,489
2007	67,416	3,073	70,489
	<u>\$ 131,893</u>	<u>\$ 9,085</u>	<u>\$ 140,978</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, 2005:

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%	\$ 1,902,373
1996 General Obligation Refunding Bonds	1,225,000	4.75% to 6.25%	490,000
2000 General Obligation Refunding Bonds	1,255,000	5.00% to 7.00%	630,000
2002 General Obligation Bonds	2,300,000	4.75% to 6.75%	2,060,000
2003 General Obligation Bonds	5,000,000	3.00% to 4.80%	4,675,000
			<u>9,757,373</u>
Certificates of Obligation			
1994 Tax and Revenue Certificates of Obligation	1,900,000	5.00% to 6.50%	650,000
2000 Tax and Revenue Certificates of Obligation	6,960,000	5.00% to 7.00%	6,790,000
			<u>7,440,000</u>
Capital Lease	308,947	4.55%	131,893
Total Governmental Activities			<u>\$ 17,329,266</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%	\$ 1,100,000

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, 2005 follows:

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Unissued</u>
Fire Station	February 2002	<u>\$ 2,500,000</u>	<u>\$ 200,000</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, 2005. The amounts have been deferred in the fund financial statements until collected. Delinquent tax collections during the first sixty days subsequent to September 30, 2005 have not been recorded as revenue for the 2005 fiscal year as the amount is not considered material.

NOTE 8 – INTERFUND TRANSACTIONS

During the year ended September 30, 2005 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 10 - 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 2005 was \$ 3.6 million and the City's contributions were based on a payroll of \$3.3 million. Contributions made by employees totaled \$229,885, and the City made contributions of \$457,525 during the fiscal year ended September 30, 2005.

Three year trend information is presented below:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>
2003	\$ 401,489	100%
2004	406,212	100%
2005	457,525	100%

CITY OF JERSEY VILLAGE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – EMPLOYMENT RETIREMENT SYSTEM

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

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Actuarial Assumptions:	
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	None
Cost-of-Living Adjustments	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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Taxes:				
Property taxes	\$ 2,207,000	\$ 2,207,000	\$ 2,191,819	\$ (15,181)
Sales and use taxes	1,758,000	1,758,000	1,585,452	(172,548)
Franchise taxes	542,000	542,000	546,626	4,626
Licenses and permits	118,000	118,000	350,250	232,250
Charges for services	184,300	184,300	299,832	115,532
Fines and forfeitures	503,100	503,100	646,628	143,528
Investment earnings	28,000	28,000	92,521	64,521
Intergovernmental	665,022	660,022	621,895	(38,127)
Other	58,300	58,300	254,398	196,098
Total revenues	<u>6,063,722</u>	<u>6,058,722</u>	<u>6,589,421</u>	<u>530,699</u>
EXPENDITURES				
Current:				
General government	1,482,773	1,566,948	1,417,767	149,181
Public Safety	3,050,252	3,156,952	3,064,635	92,317
Public Works	1,828,191	1,858,191	1,646,731	211,460
Parks and recreation	518,377	518,377	420,755	97,622
Total Expenditures	<u>6,879,593</u>	<u>7,100,468</u>	<u>6,549,888</u>	<u>550,580</u>
Excess (deficiency) of revenues over expenditures	<u>(815,871)</u>	<u>(1,041,746)</u>	<u>39,533</u>	<u>1,081,279</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total other financing sources and uses	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in fund balances	<u>(515,871)</u>	<u>(741,746)</u>	<u>339,533</u>	<u>1,081,279</u>
Fund balances - beginning	<u>2,643,538</u>	<u>2,643,538</u>	<u>2,643,538</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,127,667</u>	<u>\$ 1,901,792</u>	<u>\$ 2,983,071</u>	<u>\$ 1,081,279</u>

CITY OF JERSEY VILLAGE

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION (UNAUDITED)

SEPTEMBER 30, 2005

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.

The City of Jersey Village has complied with budget for the year ended September 30, 2005. Several supplemental budget appropriations totaling \$220,000, were made for the General Fund for year ended September 30, 2005.

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, 2005.

CITY OF JERSEY VILLAGE
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2005

Exhibit 13

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
1999	\$ 1,087,017	\$ 2,563,472	42%	\$ 1,476,455	\$ 2,729,553	54%
2000	1,646,001	3,256,094	51%	1,610,093	2,651,813	61%
2001	2,324,494	4,046,025	57%	1,721,531	2,729,553	63%
2002	3,012,830	4,849,730	62%	1,836,900	2,816,073	65%
2003	3,788,097	6,158,253	62%	2,370,156	3,167,640	75%
2004	4,508,385	6,601,046	68%	2,092,660	3,173,576	66%

Fiscal Year	Annual Pension Cost (APC)	Percentage Contributed
2003	\$ 401,489	100%
2004	406,212	100%
2005	457,525	100%

Note: Annual covered payroll and annual required contributions are presented on a calendar year basis.

Valuation date	12/31/2004
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

**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, 2005

	Special Revenue Funds	
	Hotel Occupancy Tax	Court Security and Tech Fees
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 489,253	\$ 91,571
Due from other funds	4,828	8,076
Total assets	494,081	99,647
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	\$ 1,785
Total liabilities		1,785
Fund balances:		
Reserved for:		
Capital projects		
Other purposes	494,081	97,862
Total fund balances	494,081	97,862
Total liabilities and fund balances	\$ 494,081	\$ 99,647

Capital Projects Funds

General Obligation Bonds - Series 2002	General Obligation Bonds - Series 2003	Jones Road Extension	Total Nonmajor Governmental Funds
\$ 537,698	\$ 1,252,169	\$	\$ 2,370,691
<u>537,698</u>	<u>1,252,169</u>	223,459	236,363
<u><u>537,698</u></u>	<u><u>1,252,169</u></u>	<u><u>223,459</u></u>	<u><u>2,607,054</u></u>
\$ 4,020	\$ (22)	\$	\$ 5,783
<u>4,020</u>	<u>(22)</u>		<u>5,783</u>
<u><u>4,020</u></u>	<u><u>(22)</u></u>	<u><u></u></u>	<u><u>5,783</u></u>
533,678	1,252,191	223,459	2,009,328
<u>533,678</u>	<u>1,252,191</u>	<u>223,459</u>	<u>591,943</u>
<u><u>533,678</u></u>	<u><u>1,252,191</u></u>	<u><u>223,459</u></u>	<u><u>2,601,271</u></u>
\$ 537,698	\$ 1,252,169	\$ 223,459	\$ 2,607,054
<u><u>537,698</u></u>	<u><u>1,252,169</u></u>	<u><u>223,459</u></u>	<u><u>2,607,054</u></u>

CITY OF JERSEY VILLAGE, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2005*

	Special Revenue Funds	
	Hotel Occupancy Tax	Court Security and Tech Fees
REVENUES		
Hotel occupancy tax	\$ 68,816	\$
Fines and forfeitures		39,409
Investment earnings	11,990	
Total Revenues	80,806	39,409
EXPENDITURES		
Current:		
General government	38,555	
Public safety		45,814
Capital Outlay		
Total Expenditures	38,555	45,814
Changes in fund balance	42,251	(6,405)
Fund balances - beginning	451,830	104,267
Fund balances - End of Year	\$ 494,081	\$ 97,862

Capital Projects Funds

General Obligation Bonds - Series 2002	General Obligation Bonds - Series 2003	Jones Road Extension	Total Nonmajor Governmental Funds
\$	\$	\$	\$ 68,816
			39,409
15,240	34,526		61,756
15,240	34,526		169,981
			38,555
			45,814
166,964	350,738	235,431	753,133
166,964	350,738	235,431	837,502
(151,724)	(316,212)	(235,431)	(667,521)
685,402	1,568,403	458,890	3,268,792
\$ 533,678	\$ 1,252,191	\$ 223,459	\$ 2,601,271

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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, 2005

	Hotel Occupancy Tax		
	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Hotel occupancy tax	\$ 78,000	\$ 68,816	\$ (9,184)
Fines and forfeitures			
Investment earnings	5,000	11,990	6,990
Total revenues	<u>83,000</u>	<u>80,806</u>	<u>(2,194)</u>
EXPENDITURES			
Current:			
General government	39,700	38,555	1,145
Public safety			
Total Expenditures	<u>39,700</u>	<u>38,555</u>	<u>1,145</u>
Changes in fund balance	43,300	42,251	(1,049)
Fund balances - beginning	<u>451,830</u>	<u>451,830</u>	
Fund balances - End of Year	<u><u>\$ 495,130</u></u>	<u><u>\$ 494,081</u></u>	<u><u>\$ (1,049)</u></u>

Court Security and Tech Fees

Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 39,400	\$ 39,409	\$ 9
<u>39,400</u>	<u>39,409</u>	<u>9</u>
<u>45,550</u>	<u>45,814</u>	<u>(264)</u>
<u>45,550</u>	<u>45,814</u>	<u>(264)</u>
(6,150)	(6,405)	(255)
<u>104,267</u>	<u>104,267</u>	
<u>\$ 98,117</u>	<u>\$ 97,862</u>	<u>\$ (255)</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, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes:			
Property taxes	\$ 1,840,000	\$ 1,838,184	\$ (1,816)
Investment earnings	20,000	27,685	7,685
Total revenues	<u>1,860,000</u>	<u>1,865,869</u>	<u>5,869</u>
EXPENDITURES			
Debt Service:			
Principal	814,163	814,163	
Interest and other charges	<u>1,315,164</u>	<u>1,313,432</u>	<u>1,732</u>
Total Expenditures	<u>2,129,327</u>	<u>2,127,595</u>	<u>1,732</u>
Changes in Fund Balance	(269,327)	(261,726)	7,601
Fund balances - beginning of year	<u>982,984</u>	<u>982,984</u>	
Fund balances - End of Year	<u><u>\$ 713,657</u></u>	<u><u>\$ 721,258</u></u>	<u><u>\$ 7,601</u></u>

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF JERSEY VILLAGE, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended September 30, 2005

	Balance at September 30, 2004	Additions	Balance at September 30, 2005
General Government			
General administration and finance	\$ 1,872,866	\$ 55,133	\$ 1,927,999
Public Safety			
Police	1,632,471	29,487	1,661,958
Fire	3,110,686	85,062	3,195,748
	<u>4,743,157</u>	<u>114,549</u>	<u>4,857,706</u>
Public Works			
Infrastructure			
Streets and drainage	24,962,533	1,210,679	26,173,212
Community Services			
Parks and recreation	829,502		829,502
Swimming pool	584,030		584,030
	<u>1,413,532</u>		<u>1,413,532</u>
Internal Service fund equipment	<u>2,354,940</u>	<u>285,772</u>	<u>2,640,712</u>
	<u>\$ 35,347,028</u>	<u>\$ 1,666,133</u>	<u>\$ 37,013,161</u>

<u>Land, Buildings and Improvements</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 1,716,594	\$ 211,405		\$ 1,927,999
1,521,503	140,455		1,661,958
2,872,724	323,024		3,195,748
<u>4,394,227</u>	<u>463,479</u>		<u>4,857,706</u>
21,095,781	184,116	4,893,315	26,173,212
829,502			829,502
584,030			584,030
<u>1,413,532</u>			<u>1,413,532</u>
	<u>2,640,712</u>		<u>2,640,712</u>
<u>\$ 28,620,134</u>	<u>\$ 3,499,712</u>	<u>\$ 4,893,315</u>	<u>\$ 37,013,161</u>

CITY OF JERSEY VILLAGE, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE CHANGES BY SOURCE
For the Year Ended September 30, 2005

Capital Assets	Balance at September 30, 2004	Additions	Balance at September 30, 2005
Land	\$ 1,956,455	\$	\$ 1,956,455
Construction in progress	4,402,631	490,684	4,893,315
Infrastructure	20,199,164	242,325	20,441,489
Buildings and other improvements	5,744,521	477,669	6,222,190
Equipment	3,044,257	455,455	3,499,712
Total	<u>\$ 35,347,028</u>	<u>\$ 1,666,133</u>	<u>\$ 37,013,161</u>

Investment in Capital Assets Financed by:

General obligation bonds	\$ 11,218,867	\$ 490,684	\$ 11,709,551
Certificates of obligation	8,860,000		8,860,000
General governmental revenues	14,071,433	1,175,449	15,246,882
Annexation of utility districts	1,196,728		1,196,728
Total	<u>\$ 35,347,028</u>	<u>\$ 1,666,133</u>	<u>\$ 37,013,161</u>

DEBT SERVICE SCHEDULES

CITY OF JERSEY VILLAGE,
GOVERNMENTAL LONG - TERM DEBT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
September 30, 2005

	Annual Requirements for All Series			MUD No. 247 Refunding Series 1991		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 840,729	\$ 1,273,938	\$ 2,114,667	\$ 15,729	\$ 523,311 *	\$ 539,040
2007	862,094	1,213,905	2,075,999	12,094	511,946 *	524,040
2008	920,054	1,179,336	2,099,390	10,054	528,986 *	539,040
2009	947,732	1,113,318	2,061,050	7,732	516,308 *	524,040
2010	674,317	1,251,897	1,926,214	9,317	704,723 *	714,040
2011	567,447	1,220,886	1,788,333	7,447	706,593 *	714,040
2012	1,155,000	634,190	1,789,190	565,000	149,040 *	714,040
2013	1,235,000	557,575	1,792,575	615,000	103,275 *	718,275
2014	1,315,000	474,905	1,789,905	660,000	53,460 *	713,460
2015	695,000	386,359	1,081,359			
2016	730,000	349,230	1,079,230			
2017	770,000	313,230	1,083,230			
2018	805,000	278,263	1,083,263			
2019	855,000	241,143	1,096,143			
2020	900,000	201,784	1,101,784			
2021	950,000	160,221	1,110,221			
2022	1,005,000	116,289	1,121,289			
2023	870,000	74,345	944,345			
2024	535,000	41,625	576,625			
2025	565,000	14,125	579,125			
Totals	\$ 17,197,373	\$ 11,096,564	\$ 28,293,937	\$ 1,902,373	\$ 3,797,642	\$ 5,700,015

* Includes accreted interest on premium compound interest bonds

	MUD No. 199 Refunding Series 1996			General Obligation Refunding, Series 2000		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 110,000	\$ 30,400	\$ 140,400	\$ 125,000	\$ 29,200	\$ 154,200
2007	120,000	23,690	143,690	125,000	22,887	147,887
2008	125,000	16,250	141,250	125,000	16,513	141,513
2009	135,000	8,437	143,437	125,000	10,075	135,075
2010				130,000	3,412	133,412
2011						
2012						
2013						
2014						
2015						
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
Totals	\$ 490,000	\$ 78,777	\$ 568,777	\$ 630,000	\$ 82,087	\$ 712,087

Certificates of Obligation Series 1994		
Principal	Interest	Total
\$ 150,000	\$ 32,875	\$ 182,875
150,000	24,438	174,438
175,000	15,094	190,094
175,000	5,031	180,031
\$ 650,000	\$ 77,438	\$ 727,438

Certificates of Obligation Series 2000		
Principal	Interest	Total
\$ 180,000	\$ 387,488	\$ 567,488
190,000	374,537	564,537
205,000	360,713	565,713
215,000	346,012	561,012
230,000	330,438	560,438
245,000	313,812	558,812
260,000	296,138	556,138
275,000	277,412	552,412
295,000	257,463	552,463
310,000	236,287	546,287
330,000	214,094	544,094
350,000	194,000	544,000
370,000	176,000	546,000
395,000	156,875	551,875
420,000	136,500	556,500
445,000	114,875	559,875
475,000	91,875	566,875
500,000	67,500	567,500
535,000	41,625	576,625
565,000	14,125	579,125
\$ 6,790,000	\$ 4,387,769	\$ 11,177,769

General Obligation Bonds, Series 2002		
Principal	Interest	Total
\$ 85,000	\$ 100,691	\$ 185,691
85,000	94,954	179,954
90,000	89,160	179,160
95,000	83,979	178,979
100,000	79,348	179,348
100,000	74,598	174,598
105,000	69,729	174,729
110,000	64,623	174,623
115,000	59,279	174,279
125,000	53,579	178,579
130,000	47,523	177,523
135,000	41,195	176,195
140,000	34,525	174,525
150,000	27,420	177,420
155,000	19,948	174,948
165,000	12,231	177,231
175,000	4,156	179,156
\$ 2,060,000	\$ 956,938	\$ 3,016,938

General Obligation Bonds, Series 2003		
Principal	Interest	Total
\$ 175,000	\$ 169,973	\$ 344,973
180,000	161,453	341,453
190,000	152,620	342,620
195,000	143,476	338,476
205,000	133,976	338,976
215,000	125,883	340,883
225,000	119,283	344,283
235,000	112,265	347,265
245,000	104,703	349,703
260,000	96,493	356,493
270,000	87,613	357,613
285,000	78,035	363,035
295,000	67,738	362,738
310,000	56,848	366,848
325,000	45,336	370,336
340,000	33,115	373,115
355,000	20,258	375,258
370,000	6,845	376,845
\$ 4,675,000	\$ 1,715,913	\$ 6,390,913

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UNAUDITED STATISTICAL SECTION

CITY OF JERSEY VILLAGE, TEXAS
GENERAL GOVERNMENTAL EXPENDITURES - BY FUNCTION
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Parks and Recreation	Public Works	Capital Outlay
1996	\$ 554,444	\$ 1,224,660	\$ 200,510	\$ 780,232	\$ 557,603
1997	623,901	1,318,004	183,004	852,707	583,843
1998	919,141	1,372,878	232,094	955,147	539,329
1999	794,586	1,795,737	241,396	981,523	1,970,872
2000	950,181	1,991,631	256,004	1,412,506	435,820
2001	976,486	2,351,412	258,745	1,577,219	984,526
2002	1,039,668	2,986,696	313,056	1,587,215	2,821,767
2003	1,174,471	3,179,843	334,432	1,561,295	3,563,075
2004	1,382,334	2,816,576	404,845	1,629,596	3,670,023
2005	1,456,322	3,110,449	420,755	1,646,731	753,133

This Schedule includes revenues of all governmental fund types from 1996 forward.
Prior to 1995, amounts excluded Capital Projects Fund activity.

<u>Debt Service</u>	<u>Total</u>
\$ 448,388	\$ 3,765,837
482,423	4,043,882
461,946	4,480,535
2,308,393	8,092,507
1,265,144	6,311,286
1,767,003	7,915,391
1,900,473	10,648,875
2,047,635	11,860,751
2,308,297	12,211,671
2,127,595	9,514,985

CITY OF JERSEY VILLAGE, TEXAS
GENERAL GOVERNMENTAL REVENUES - BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Property Taxes	Other Taxes	Licenses and Permits	Fines and Forfeitures	Fees and Charges for Services
1996	\$ 1,910,704	\$ 968,365	\$ 57,656	\$ 208,879	\$ 30,880
1997	2,025,203	1,048,605	37,359	217,036	126,971
1998	2,098,134	1,102,110	120,499	250,481	176,192
1999	2,620,888	1,735,116	87,731	365,854	165,902
2000	2,974,775	2,556,441	123,410	472,585	165,102
2001	3,934,213	3,366,550	110,332	468,848	156,252
2002	5,055,432	3,443,582	123,202	409,250	94,653
2003	4,207,729	2,658,633	112,958	509,726	220,056
2004	3,958,147	2,396,574	147,798	691,302	210,915
2005	4,028,810	2,200,894	350,250	686,037	299,832

This Schedule includes revenues of all governmental fund types

Interest	Inter- governmental	Other	Total
\$ 167,821	\$ 34,153	\$ 72,161	\$ 3,450,619
186,110	28,411	79,348	3,749,043
215,028	736,954	47,118	4,746,516
257,625	51,021	186,891	5,471,028
386,234	101,079	120,225	6,899,851
393,051	63,959	91,942	8,585,147
198,752	25,578	316,269	9,666,718
119,206	457,206	115,472	8,400,986
89,968	1,031,083	107,337	8,633,124
181,962	621,895	254,398	8,624,078

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

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy	Total Tax Collection	Total Collections as a Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
1996	1995	\$ 0.6841	\$ 1,907,160	\$ 1,903,522	99.8%	\$ 55,208	2.9%
1997	1996	0.6841	2,004,325	2,003,970	100.0%	55,563	2.8%
1998	1997	0.6841	2,075,236	2,080,800	100.3%	49,999	2.4%
1999	1998	0.6841	2,653,532	2,620,888	98.8%	82,643	3.1%
2000	1999	0.6841	2,992,835	2,974,775	99.4%	100,703	3.4%
2001	2000	0.6750	3,965,845	3,891,013	98.1%	175,535	4.4%
2002	2001	0.6750	5,065,541	5,019,128	99.1%	221,948	4.4%
2003	2002	0.6750	4,150,683	4,157,118	100.2%	203,056	4.9%
2004	2003	0.6750	3,948,860	3,958,148	100.2%	230,192	5.8%
2005	2004	0.6750	3,959,202	3,972,986	100.3%	174,727	4.4%

Source - Tax department records of the City.

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

Fiscal Year	Tax Year	Assessed Value	Estimated Value	Ration of Assessed Value to Estimated Actual Value
1996	1995	\$ 278,791,996	\$ 286,530,390	97.30%
1997	1996	289,851,600	297,896,974	97.30%
1998	1997	298,945,530	313,892,807	95.24%
1999	1998	319,000,537	328,582,998	97.08%
2000	1999	429,510,881	453,549,380	94.70%
2001	2000	588,645,615	618,423,520	95.18%
2002	2001	719,759,660	779,699,490	92.31%
2003	2002	614,916,040	653,535,900	94.09%
2004	2003	578,873,570	629,547,760	91.95%
2005	2004	584,835,040	636,057,600	91.95%

Source - Tax department and Inspection records of the City.

CITY OF JERSEY VILLAGE
PROPERTY TAX RATES AND TAX LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City of Jersey Village</u>	<u>Cypress- Fairbanks ISD</u>	<u>Harris County</u>	<u>Port of Houston Authority</u>	<u>Harris County Flood Control</u>
Tax Rate					
1996	\$ 0.68408	\$ 1.7500	\$ 0.4068	\$ 0.0128	\$ 0.0760
1997	0.68408	1.7500	0.4248	0.01960	0.0797
1998	0.68408	1.7700	0.4187	0.02000	0.0796
1999	0.68408	1.7700	0.4166	0.02132	0.0800
2000	0.68408	1.7090	0.3984	0.02040	0.0800
2001	0.67500	1.7090	0.3590	0.01830	0.0617
2002	0.67500	1.7450	0.3839	0.01826	0.0476
2003	0.67500	1.7900	0.3881	0.01989	0.0417
2004	0.67500	1.7900	0.3880	0.02000	0.0417
2005	0.67500	1.8000	0.3999	0.01474	0.0332
Tax Levies					
1996	\$ 1,907,160	\$ 162,792,374	\$ 473,600,094	\$ 14,952,080	\$ 8,846,876
1997	2,004,325	173,088,071	523,916,738	24,162,556	98,265,975
1998	2,075,236	176,423,440	520,373,005	24,359,472	98,929,284
1999	2,653,532	171,055,799	547,937,258	28,031,572	105,183,974
2000	3,015,542	244,700,451	556,815,185	28,760,514	112,786,369
2001	3,965,846	240,329,904	553,216,000	26,304,113	88,729,666
2002	5,065,541	284,264,873	665,078,411	31,631,630	82,422,397
2003	4,150,683	307,971,301	682,111,039	34,954,368	73,353,210
2004	3,948,860	305,001,068	704,093,000	36,923,000	75,721,000
2005	3,959,202	334,771,398	774,610,000	32,403,000	76,384,001

Harris County Hospital District		Total	
\$	0.1238	\$	3.05348
	0.1238		3.08198
	0.1238		3.09618
	0.1238		3.09580
	0.1465		3.03841
	0.2027		3.02573
	0.1902		3.05998
	0.1902		3.10498
	0.1902		3.10497
	0.1922		3.11498
\$	144,111,169	\$	806,209,753
	152,708,834		974,146,499
	153,862,379		976,022,816
	162,785,387		1,017,647,522
	206,540,256		1,152,618,317
	291,328,832		1,203,874,361
	329,499,035		1,397,961,887
	334,272,017		1,436,812,618
	346,018,000		1,471,704,928
	364,592,000		1,586,719,601

CITY OF JERSEY VILLAGE, TEXAS
RATIO OF NET GENERAL LONG-TERM DEBT TO ASSESSED
VALUE AND NET GENERAL LONG-TERM DEBT PER CAPITA
Last Ten Fiscal Years

Fiscal Year	Estimated Population	Assessed Value	Gross General Long-Term Debt	Less Debt Service Funds Available	Net General Long-Term Debt
1996	5,000	\$ 278,791,996	\$ 3,275,000	\$ 301,779	\$ 2,973,221
1997	5,056	289,851,600	2,975,000	332,636	2,642,364
1998	5,310	298,945,530	2,675,000	371,512	2,303,488
1999	6,800	319,000,537	8,348,869	1,083,233	7,265,636
2000	6,800	429,510,881	16,455,405	1,039,866	15,415,539
2001	6,880	564,579,920	15,764,019	1,066,580	14,697,439
2002	6,900	719,759,660	17,225,849	1,281,907	15,943,942
2003	7,462	614,916,040	21,293,943	1,300,301	19,993,642
2004	7,300	578,873,570	20,182,890	982,984	19,199,906
2005	7,180	584,835,040	19,185,101	720,100	18,465,001

<u>Ratio of Net General Long- Term Debt To Assessed Value</u>	<u>Net General Long-Term Debt Per Capita</u>
1.07%	\$ 595
0.91%	523
0.77%	434
2.28%	1,068
3.59%	2,267
2.60%	2,136
2.22%	2,311
3.25%	2,679
3.32%	2,630
3.16%	2,572

CITY OF JERSEY VILLAGE, TEXAS
COMPUTATION OF DIRECT AND ESTIMATED
OVERLAPPING DEBT
September 30, 2005

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Debt Applicable to City</u>
Cypress- Fairbanks I.S.D.	\$ 943,431,855	3.60%	\$ 33,963,547
Harris County	1,873,551,589	0.35%	6,557,431
Harris County Flood Control District	53,599,985	0.35%	187,600
North Harris Montgomery Community College District	216,466,290	1.24%	2,684,182
Port of Houston Authority	<u>287,900,000</u>	0.35%	<u>1,007,650</u>
Total Net Overlapping Debt	3,374,949,719		44,400,409
City of Jersey Village	\$ 17,197,373	100.00%	<u>17,197,373</u>
Total Direct and Overlapping Net Debt			<u><u>61,597,782</u></u>
Ratio of total direct and overlapping net debt to 2004 assessed valuation			<u><u>10.64%</u></u>
Direct and overlapping net debt per capita			<u><u>\$ 8,438</u></u>

Source - Tax Department records of the various taxing authorities.

CITY OF JERSEY VILLAGE, TEXAS
PERCENT OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
LONG -TERM DEBT TO TOTAL GENERAL EXPENDITURES
Last Ten Fiscal Years

Fiscal Year	Principal	Interest and Fiscal Agent Fees	Total Debt Service	General Expenditures	Ratio of Debt Service to General Expenditures
1996	\$ 250,000	\$ 198,388	\$ 963,959	\$ 3,765,837	26%
1997	300,000	182,423	974,383	4,043,882	24%
1998	300,000	161,946	1,072,386	4,480,535	24%
1999	1,965,000	343,393	2,308,393	8,092,507	29%
2000	750,000	515,144	1,265,144	6,311,286	20%
2001	910,000	410,406	1,320,406	7,915,391	17%
2002	582,476	742,356	1,324,832	10,648,875	12%
2003	780,755	1,266,880	2,047,635	11,860,751	17%
2004	930,224	1,378,073	2,308,297	12,211,671	19%
2005	814,163	907,428	1,721,591	9,514,985	18%

CITY OF JERSEY VILLAGE, TEXAS
PROPERTY TAX RATE DISTRIBUTION
Last Ten Fiscal Years

<u>Fiscal year</u>	<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Tax Rate</u>
1996	1995	\$ 0.52802	\$ 0.15606	\$ 0.68408
1997	1996	0.51764	0.16644	0.68408
1998	1997	0.52966	0.15442	0.68408
1999	1998	0.53279	0.15129	0.68408
2000	1999	0.40535	0.27873	0.68408
2001	2000	0.41856	0.25644	0.67500
2002	2001	0.42452	0.25048	0.67500
2003	2002	0.34673	0.32827	0.67500
2004	2003	0.36545	0.30955	0.67500
2005	2004	0.33943	0.33557	0.67500

Note A - Per \$100 of assessed valuation.

CITY OF JERSEY VILLAGE, TEXAS
PRINCIPAL TAX PAYERS
September 30, 2005

<u>Taxpayer</u>	<u>Property Type</u>	<u>2004 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
1. BEELER SANDERS V LTD	REAL	\$ 31,019,410	5.3%
2. PCM STEEPLECHASE LP	REAL	25,800,000	4.4%
3. GOODMAN MANUFACTURING	PERSONAL	16,831,550	2.9%
4. CARSON LMC LP	REAL	12,590,850	2.2%
5. PROLOGIS	REAL	11,832,890	2.0%
6. JOE MYERS FORD II LP	PERSONAL	11,172,820	1.9%
7. SONIC-LS CHEVROLET	PERSONAL	10,744,120	1.8%
8. JOE MYERS TOYOTA INC	PERSONAL	9,224,710	1.6%
9. FMC CORP-WELLHEAD EQ	PERSONAL	8,948,460	1.5%
10. JOE MYERS DEALERSHIP	PERSONAL	8,933,560	1.5%
		<u>147,098,370</u>	<u>25.2%</u>
Other taxpayers		<u>437,736,670</u>	<u>74.8%</u>
Total Assessed Valuation		<u><u>\$ 584,835,040</u></u>	<u><u>100.0%</u></u>

Note A - Total assessed valuation is net of exemptions.

Source - Tax department records of the City.

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income - A</u>	<u>Median Age</u>	<u>Unemployment Rate - B</u>
1996	5,000	\$ 54,225	41	5.2%
1997	5,056	56,394	40	5.2%
1998	5,310	57,521	40	4.5%
1999	6,800	59,534	40	4.0%
2000	6,800	61,022	40	4.0%
2001	6,880	61,937	40	4.0%
2002	6,900	62,000	40	4.5%
2003	7,462	63,000	41	4.0%
2004	7,300	63,000	41	4.0%
2005	7,180	60,000	40	4.0%

Note A - Source: Estimated

Note B - Source: Texas Workforce Commission

CITY OF JERSEY VILLAGE, TEXAS
 MISCELLANEOUS STATISTICAL DATA
 September 30, 2005

Date of Incorporation	April 16, 1956
Date of Present Charter	August 1986
Form of Government	Home Rule
Area	2283 acres
Miles of Streets	
Streets - paved	31
Streets - unpaved	none
Fire Protection	
Number of stations	1
Number of employees (full time equivalent)	4
Number of volunteers	35
Police Protection	
Number of stations	1
Number of employees (full time equivalent)	25
Number of patrol units	3
Recreation	
Number of parks	7
Size of parks	61 acres
Number of golf courses	1
Number of swimming pools	1
City Employees	
Department heads	7
Number of golf courses	1
Number of swimming pools	1

CITY OF JERSEY VILLAGE, TEXAS
MISCELLANEOUS STATISTICAL DATA
September 30, 2005

Source	Surface and Ground water
Average daily consumption	
Purchased from the City of Houston	1,001,000 Gallons
Pumped from Jersey Village Wells	143,825 Gallons
Maximum daily capacity	
Purchased from the City of Houston	1,800,000 Gallons
Pumped from Jersey Village Wells	2,353,000 Gallons
Water mains	46 miles
Number of connections	2,185

Education	Number
Cy-Fair Independent School District	
Elementary	1
Junior High Schools	0
High Schools	1
Number of teachers	296
Number of students	4001