

**CITY OF LAKE JACKSON, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**PREPARED BY THE  
CITY OF LAKE JACKSON FINANCE DEPARTMENT**

**PAM EAVES, FINANCE DIRECTOR**

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# CITY OF LAKE JACKSON

Lake Jackson, Texas

*Comprehensive Annual Financial Report  
For the Year Ended September 30, 2012*

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Lake Jackson, Texas

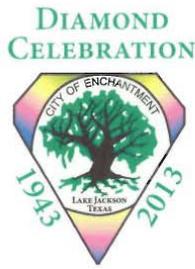
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## **INTRODUCTORY SECTION**

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## CITY OF LAKE JACKSON

25 OAK DRIVE • LAKE JACKSON, TEXAS 77566-5289 • 979-415-2400 • FAX 979-297-9804

March 26, 2013

To the Honorable Mayor, Members of City Council,  
and Citizens of Lake Jackson, Texas:

We are pleased to submit the Comprehensive Annual Financial Report for the City of Lake Jackson, Texas for the fiscal year ended September 30, 2012. The City's Finance Department prepared this report in conjunction with our auditors, Kennemer, Masters and Lunsford, LLC. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

This Comprehensive Annual Financial Report incorporates Government Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Statement No. 34 was developed to make annual financial reports of state and local governments easier to understand and more useful to those who make decisions using governmental financial information.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

To the best of our knowledge the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

### PROFILE OF THE CITY

The City provides a full range of municipal services. These services include police and fire protection, emergency ambulance service, the construction and maintenance of streets and drainage systems, building inspection, recreational facilities and activities, and park facilities and maintenance.

In addition, the City provides water, sewer and sanitation services, including curbside recycling for persons residing within its city limits. The City has an agreement with the Brazosport Water Authority (BWA) to obtain 2,000,000 gallons of surface water per day on a take or pay basis. The surface water is supplemented by the City's twelve water wells. The water wells and BWA have a peak production capacity of 10.5 million gallons

per day. Water storage capacity includes five elevated tanks (2.55 million gallons total capacity) and four ground storage tanks (4.0 million gallons total capacity). The City distributes an average of 3.5 million gallons per day.

Sewer treatment is provided for the City by one water reclamation facility. This facility has a permitted capacity of 5.89 million gallons per day. Wastewater generated throughout the city flows through a series of lift stations prior to reaching the treatment plant. There are currently four “master” lift stations that pump directly to the treatment plant, and 38 lift stations that serve various subdivisions and convey wastewater to a “master” lift station.

Each residence in the city receives regular garbage collection service two times per week; collection of large items and brush twice a month; and curbside recycling once a week. The recycling program includes the collection of co-mingled items. Each resident is asked to place plastic and aluminum in a blue bag. Residents may also recycle cardboard, newspaper and magazines in a separate bag.

## HISTORY AND BACKGROUND

Lake Jackson is part of Texas history. The land that Lake Jackson is built on was part of Stephen F. Austin’s original land grant from the Mexican government. The City of Lake Jackson derives its name from Major Abner Jackson, who, in the 1800’s, built his home on an oxbow lake, which he called Lake Jackson. Development of the City began in December, 1941. The City incorporated in 1944. On January 30, 1954, the City adopted a Home Rule Charter and approved the Council/Manager form of government.

The City of Lake Jackson encompasses 18 square miles and has produced an orderly, well planned residential community. Lake Jackson is located 50 miles south of Houston, 45 miles southwest of Galveston and 8 miles north of the Gulf of Mexico. The City is readily accessible via State Highway 332, State Highway 288, FM 2004, and the Port Freeport. The City has a population of approximately 28,000 people; and is part of a larger community of cities known as the Brazosport Area. This area represents a population of over 70,000 and includes: Lake Jackson, Clute, Freeport, Oyster Creek, Quintana, Angleton and Brazoria. Lake Jackson serves as the regional retail and medical center.

The City of Lake Jackson operates under the Council/Manager form of government with a Mayor and five City Council members, elected on an “at-large”, non-partisan basis for a term of two years. Operating under a Home Rule Charter and the Council/Manager plan, the City Council is the legislative body of the City. The City Manager, who is responsible for the general administration of the City, is appointed by the City Council.

## AREA ECONOMY

The Dow Chemical Company (Dow), the world’s leading producer of chemicals and plastics, continues to be the major contributor to the area economy. Dow employs over 50,000 people globally. Dow’s more than 5,000 products are manufactured at 197 sites in 36 countries across the globe. Texas Operations in Freeport, TX, is Dow’s largest integrated site. The three major complexes – Plant A, Plant B, and Oyster Creek – operate as an integrated unit serving all eight of Dow’s Global Business Groups. The

site contains more than 3,200 acres of waterways and pipeline corridors and houses more than 1,900 buildings across the site. The products manufactured on site are transported by rail, truck, marine vessels and pipeline to customers around the world. Texas Operations manufactures more than 44 percent of Dow's products sold in the United States and more than 20 percent of Dow's products sold globally

Over the last year and a half, Dow has announced over \$ 4 billion in plant construction at the Freeport site. The new plants are expected to bring 325 new permanent jobs and upwards of 4,500 construction jobs over the next several years.

Announced late in 2010, the new chlor-alkali facility is expected to begin operations in mid-2013, and will create approximately 50 long-term jobs. This will be followed by a Propylene production unit expected to start up in 2015 (120 jobs, 1500 construction jobs), an Ethylene Cracker to start up in 2017 (150 jobs, 2000 construction jobs) and Dow AgroSciences Plant (10 jobs, 150 construction jobs).

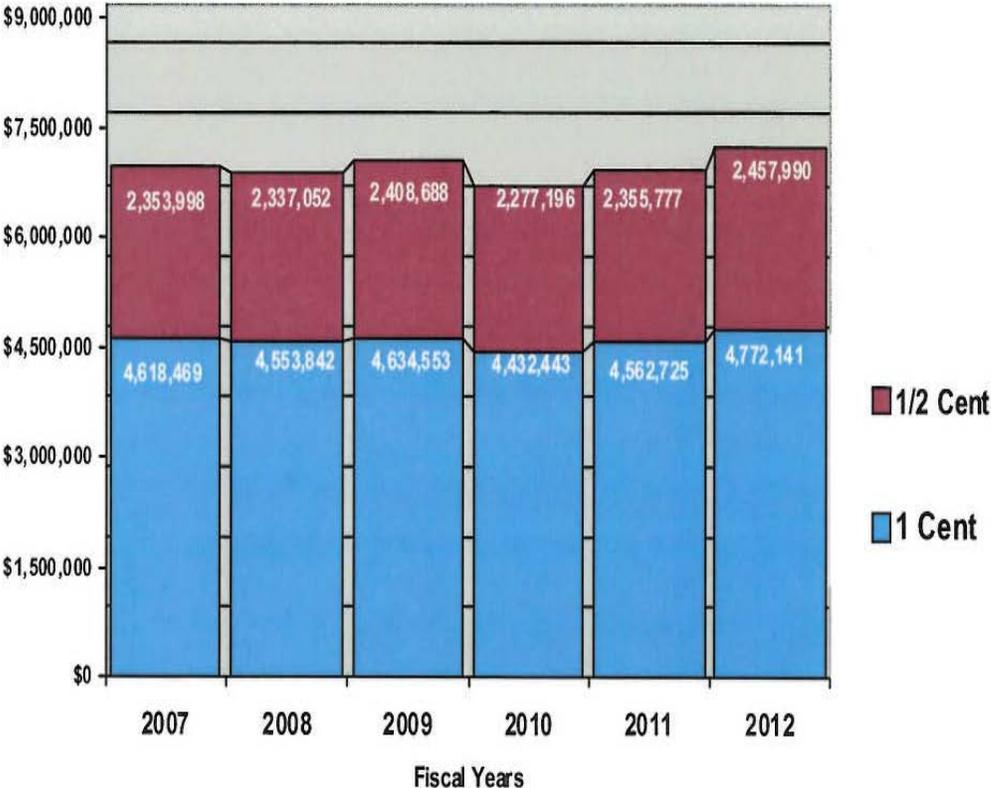
The economic impact to the city of these projects is already being felt. Sales Tax year to date in FY 2013 is up over 5% compared to the same time period last year.

In addition to the announced Dow Chemical projects, Freeport LNG is planning on receiving regulatory approval and beginning construction of its natural gas liquefaction project. Engineering and permitting on the project began in 2010 and they are hopeful construction will commence in 2013. The LNG terminal was originally constructed to import natural gas and is now being expanded to liquefy and export natural gas to take advantage of the abundance of natural gas being produced in the Eagle Ford Shale and other fracturing regions. Construction will take four to five years and generate 3,500 construction jobs.

#### CITY ECONOMY

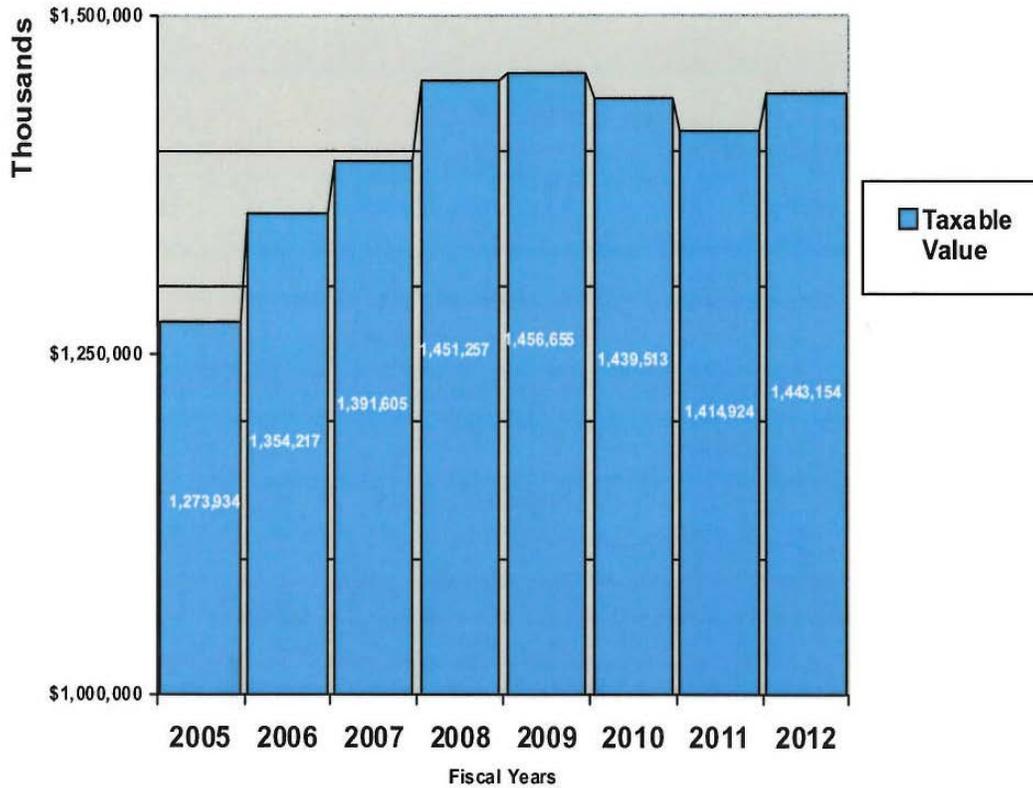
The City's portion of the 8.25% sales tax rate is 1.5% -- of which 1% is allocated to the General Fund, and ½ % is allocated to the Economic Development Fund. In fiscal 2012, sales tax collections totaled \$ 7,230,131, a 4.5% increase from the previous year. Of the total sales tax revenue, approximately \$ 4.8 million was allocated to the General Fund, and approximately \$ 2.4 million to the Economic Development Fund.

### Sales Tax Revenue



After two years of declining taxable assessed values, the values for the 2012 tax year (fiscal year 2013) have increased approximately 2%. With the ongoing construction at the industrial complexes and a planned addition to the Oyster Bend subdivision, it is anticipated this upward trend will continue.

### Taxable Assessed Property Valuations



### MAJOR ISSUES AND INITIATIVES

**Industrial District Agreement.** The City of Jackson along with the cities of Clute and Freeport have entered into an Industrial District Contract with Dow Chemical Company, BASF Corporation and the Brock Interests. The revised contract calls for industry to make payments to the cities in lieu of being annexed and paying the full tax rate. In exchange, this relieves the cities from having to provide full city services, such as police and fire, to the industrial complexes. The Industrial District contract was renegotiated in December 2011; and ends December, 2026. \$ 4.1 million was paid to the City of Lake Jackson in Fiscal Year 2012 and this amount will remain the same for Fiscal Year 2013. Starting in Fiscal Year 2014, the payments will be calculated in accordance with the application of a growth factor based on the Consumer Price Index – All Urban Consumers (“CPI-U”).

**Bond Issues.** In May, 2010, the citizens of Lake Jackson authorized the issuance of \$ 7 million in bonds. These bonds were planned to be issued in two phases. The first \$ 3 million phase was sold in July 2010. This issue encompassed primarily drainage improvements which are currently in the engineering/construction phase. The second \$ 4 million phase will be sold in June/July of 2013. The proceeds from this sale will be used primarily for street reconstruction which includes water and sewer rehab on those

streets. Because, without the issuance these bonds the debt repayment portion of the city's tax rate would have decreased in fiscal year 2011, 2012 and subsequent years, an increase in the tax rate was not necessary.

Additionally, in 2013 \$ 2 million in Certificates of Obligations (CO's) will be issued to fund the construction of the South Parking Place portion of the Downtown revitalization. Along with street, water, sewer and pedestrian improvements the South Parking Place project will include a pavilion. It is planned the pavilion will host such events as a farmers market several times a year.

\$ 2 million in Water and Sewer Revenue Bonds are also planned. The initial intent was to fund numerous maintenance and repair type projects with these bonds. However, the prospects for development in the airport area have heightened the need for City water and sewer services in the area. \$ 1 million of these bonds will now be used for the first phase of water expansion to the area.

### **Looking ahead.**

Along with increasing the chances of development around the airport, beginning the extension of water and sewer services to the north will increase the possibility that Cresco Companies (a development group) who purchased the 990 acres on the north side of town will proceed with their development plans. The current conceptual plan for this area includes 2,200 +/- single family residential units, 630 +/- multi-family residential units, and approximately 185 acres of commercial development. The project is expected to take 15 years to complete; and will add approximately \$ 450 million to the City's property tax roll.

In the more immediate future, the expansion of the Oyster Bend subdivision is in the planning phase. As currently planned, this development will add 244 homes and build out is expected to take 5-10 years.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROLS**

The City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1.) The cost of a control should not exceed the benefits likely to be derived; and
- (2.) The valuation of costs and benefits requires estimates and judgments by management.

**Budgetary Controls.** The City maintains a system of budgetary controls. The objective of these budgetary controls is to ensure compliance with the annual budget appropriations ordinance approved by City Council. Activities of each of the City's funds are included in the appropriations ordinance. Annual budgets are adopted for all significant governmental fund types (general fund, special revenue funds, and debt

service funds) and proprietary fund type (enterprise fund). The budgets for the capital projects funds are prepared on a project basis with costs being incurred over the project period. The City's Finance Office monitors expenditure activity on a monthly basis against budgeted amounts and reports significant variances to the city manager, who in turn reports to the City Council. A financial report is submitted to the City Council on a monthly basis. The City continues to follow and improve upon its strong and fiscally conservative policies that lead to its sound financial condition.

## DEBT ADMINISTRATION

It is the City's policy to structure each new series of General Obligation Bonds, Revenue Bonds and Certificates of Obligation with a repayment schedule featuring level principal payments as opposed to level debt payments. This results in a declining debt service schedule. The required debt service payment will only increase if new debt is issued. As part of the annual budget a debt capacity analysis is performed. The objective of this analysis is to minimize the impact future bond issues have on the tax or utility rates. Because of the declining debt schedule, new issues are generally planned for years in which the largest decreases in debt service will take place.

## INDEPENDENT AUDIT

Pursuant to Article III, Section 3.14 of the City Charter, an audit of the accounts and financial statements has been completed by the City's independent Certified Public Accountants -- Kennemer, Masters and Lunsford, LLC. Their report is included in this report.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial Reporting to the City of Lake Jackson for its comprehensive annual financial report for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efforts of the entire Finance Department staff. Additionally, we would like to thank our auditors, Kennemer, Masters and Lunsford, LLC; whose professional expertise and advice have resulted in continuing improvements in the quality of the City's financial reporting.

Respectfully submitted,



William P. Yenne  
City Manager



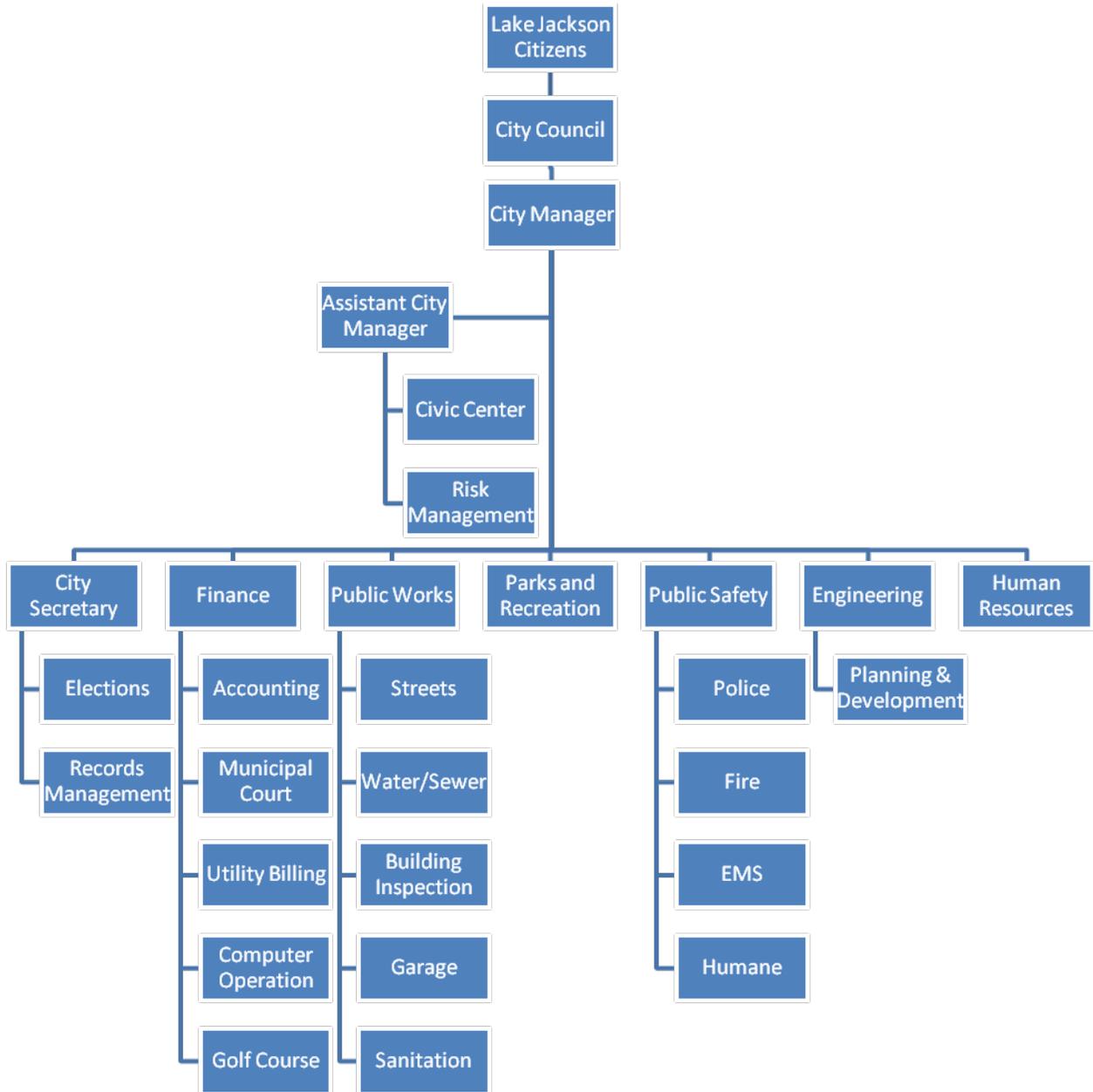
Pamela K. Eaves, CPA  
Finance Director

# City of Lake Jackson

## Council-Manager Government



# Organization Administration Chart



## Elected Officials

<b>Official</b>	<b>Title</b>	<b>Years of Service</b>	<b>Term Expires</b>	<b>Occupation</b>
** Joe Rinehart	Mayor	1	2014	Retired
* Will Brooks	Councilmember	1	2014	Engineer
Glenda Mendoza Rose	Councilmember	1	2013	Law Enforcement
Heather Melass	Councilmember	1	2014	Retired
Scott Schwertner	Councilmember	3	2014	Tax Consultant
Jon Baker	Councilmember	2	2013	Law Enforcement

\* Served 2 years as Council member 2008-2010.

\*\* Served as Councilmember 2003-2009 and 2011; prior to becoming mayor.

### City Officials

<b>Name</b>	<b>Title</b>	<b>Length of Service</b>
* <i>William P. Yenne</i>	<i>City Manager</i>	<i>33 years</i>
<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>18 years</i>
<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>23 years</i>
<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>34 years</i>
<i>Sherri Russell</i>	<i>City Attorney</i>	<i>6 years</i>
<i>First Southwest Company</i>	<i>Financial Advisors</i>	<i>8 years</i>

\* *Served 11 years as Assistant City Manager. Has been City Manager since 1991.*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lake Jackson  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

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.



*Christopher P. Morrell*

President

*Jeffrey R. Emer*

Executive Director

## **FINANCIAL SECTION**

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# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS  
Limited Liability Company

Lake Jackson Office:  
8 West Way Court  
Lake Jackson, Texas 77566  
(979) 297-4075 Fax: (979) 297-6648  
(800) 399-4075

Houston Office:  
10260 Westheimer, Suite 410  
Houston, Texas 77042  
(281) 974-3416 Fax: (281) 974-3764

## Independent Auditor's Report

March 26, 2013

To The Honorable Mayor and  
Members of Council  
City of Lake Jackson  
Lake Jackson, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund, and budgetary comparison information of the City of Lake Jackson (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and budgetary comparison of the City, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

[www.kmkwllc.com](http://www.kmkwllc.com) – Email: [kmkw@kmkwllc.com](mailto:kmkw@kmkwllc.com)

To The Honorable Mayor and  
Members of Council  
City of Lake Jackson  
March 26, 2013  
Page 2

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Combining and Individual Fund Statements and Schedules and Other Schedules*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying information identified in the table of contents as combining and individual fund statements and schedules and other schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Introductory, Statistical and Continuing Financial Disclosure Sections*

The information identified in the table of contents as Introductory, Statistical and Continuing Disclosure Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Kennemer, Masters & Hurdford, LLC*

**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2012*

As management of the City of Lake Jackson, we offer 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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages ix-xvi of this report.

**Financial Highlights**

- The assets of the City of Lake Jackson exceeded its liabilities at the close of the most recent fiscal year by \$ 81,473,926 (net assets). This number must be viewed in the context that the vast majority of the City's net assets of \$ 59,757,546 (73.34%) are investments in capital assets (e.g. land, buildings, improvements, equipment, machinery, construction in progress), less any debt used to acquire those assets that is still outstanding. Most capital assets in government do not directly generate revenue nor can they be sold to generate liquid capital. Those net assets externally restricted for specific purposes total \$ 5,636,153 (6.92%). The remaining \$ 16,080,227 (19.74%) are unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 20,149,121. Within this total \$ 135,790 is non-spendable, \$ 6,444,130 is restricted by specific legal requirements, such as debt covenants, \$ 1,037,756 has been committed, and \$ 6,894,932 has been assigned to specific types of expenditures.
- At the end of the current fiscal year, the general fund balance was \$ 12,229,795. Of this amount, \$ 135,790 is non-spendable, \$ 1,037,756 has been committed for contingencies, such as emergencies, and \$ 5,419,736 has been assigned primarily for equipment replacement. The remaining \$ 5,636,513 is unassigned and can be used for any lawful purpose.

**Overview of the Financial Statements**

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City'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.

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The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when 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 the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the City include general government and administration, public safety, public works, and cultural and recreation. The *business-type activities* of the City include Water and Sewer, Sanitation, and Golf Course operations.

The government-wide financial statements can be found on pages 17-19 of this report.

**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 funds and proprietary funds.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses 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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains sixteen (16) 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, Economic Development, General Debt Service, and Downtown Revitalization; all of which are considered to be major funds. Data from the other twelve (12) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental funds financial statements can be found on pages 20-28 of this report.

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**Proprietary Funds.** The City maintains one category of *proprietary funds* - Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer, golf, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 30-34 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-73 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 76-130 of this report.

Other schedules can be found on pages 132-154 of this report following the combining statements. The statistical section can be found on pages 155-179 of this report following the other schedules. The continuing financial disclosures can be found on pages 183-200 of this report following the statistical section.

**Government-wide Financial Analysis**

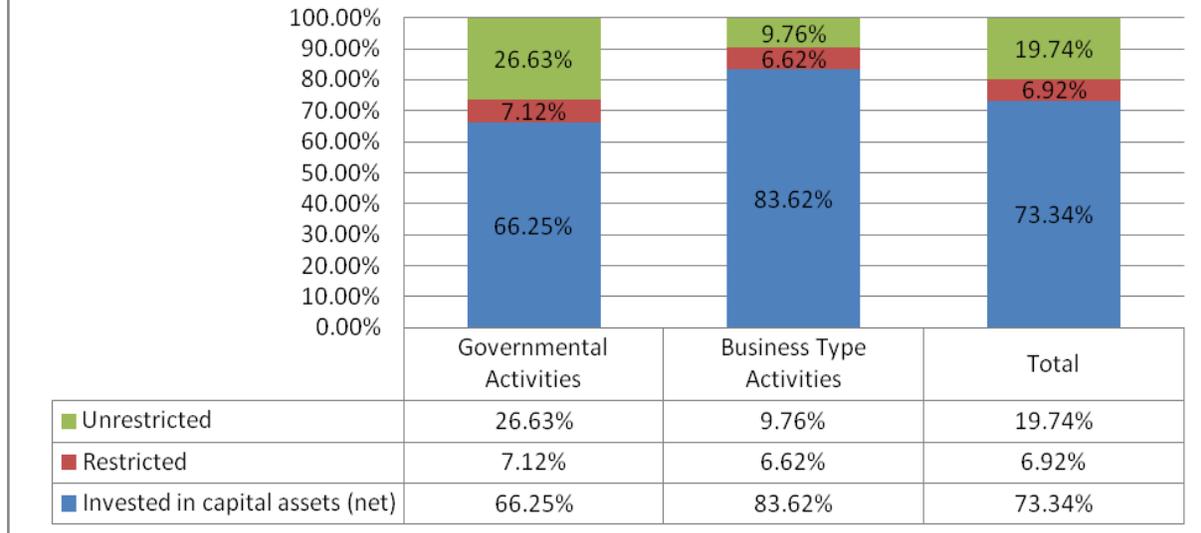
As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Lake Jackson, assets exceeded liabilities by \$ 81,473,926 as of September 30, 2012.

**CITY OF LAKE JACKSON'S NET ASSETS**

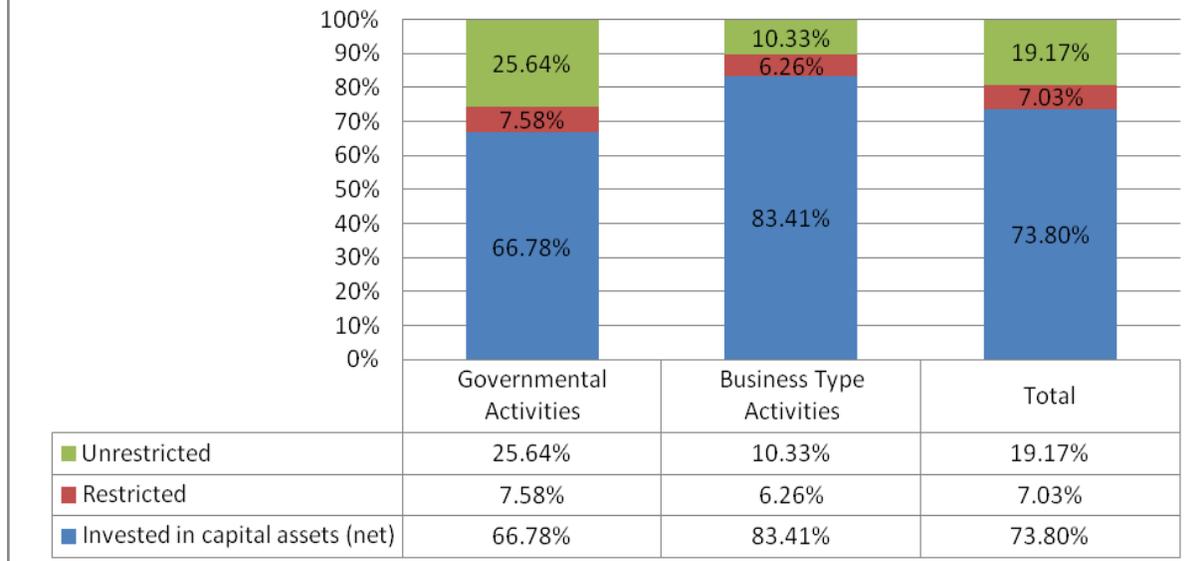
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 23,061,808	\$ 24,341,197	\$ 7,542,512	\$ 7,884,325	\$ 30,604,320	\$ 32,225,522
Capital assets	<u>56,216,257</u>	<u>55,278,523</u>	<u>38,187,052</u>	<u>39,461,256</u>	<u>94,403,309</u>	<u>94,739,779</u>
Total assets	<u>79,278,065</u>	<u>79,619,720</u>	<u>45,729,564</u>	<u>47,345,581</u>	<u>125,007,629</u>	<u>126,965,301</u>
Long-term liabilities	29,409,894	31,800,663	10,488,637	11,792,607	39,898,531	43,593,270
Other liabilities	<u>1,679,208</u>	<u>1,757,166</u>	<u>1,955,964</u>	<u>1,896,339</u>	<u>3,635,172</u>	<u>3,653,505</u>
Total liabilities	<u>31,089,102</u>	<u>33,557,829</u>	<u>12,444,601</u>	<u>13,688,946</u>	<u>43,533,703</u>	<u>47,246,775</u>
Net Assets:						
Invest in capital assets, net of related debt	31,925,095	30,758,109	27,832,451	28,073,361	59,757,546	58,831,470
Restricted	3,432,672	3,492,533	2,203,481	2,108,449	5,636,153	5,600,982
Unrestricted	<u>12,831,196</u>	<u>11,811,249</u>	<u>3,249,031</u>	<u>3,474,825</u>	<u>16,080,227</u>	<u>15,286,074</u>
Total net assets	<u>\$ 48,188,963</u>	<u>\$ 46,061,891</u>	<u>\$ 33,284,963</u>	<u>\$ 33,656,635</u>	<u>\$ 81,473,926</u>	<u>\$ 79,718,526</u>

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**2012 Percentage of Net Assets by Type**



**2011 Percentage of Net Assets by Type**



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As of September 30, 2012, 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 categories- governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$ 35,171 in restricted net assets and an increase of \$ 926,076 invested in capital assets, net of related debt. The increase in restricted net assets and the increase in invested in capital assets, net of related debt resulted from the net of refunding and use of bond funds and increase of current year capital transactions

**Analysis of the City's Operations**

**Governmental Activities:** Governmental activities increased the City of Lake Jackson's net assets by \$ 2,127,072. The increase mainly reflects the increase in charges for services, sales taxes, miscellaneous revenue and transfer from other funds and administration and public work expenditures.

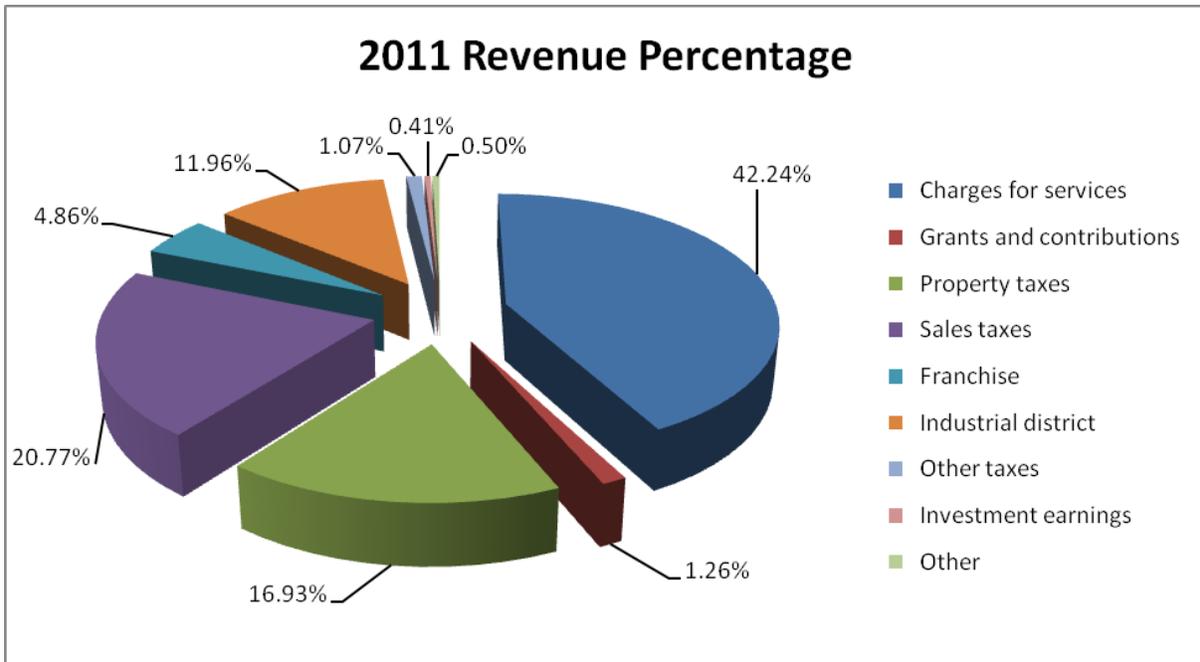
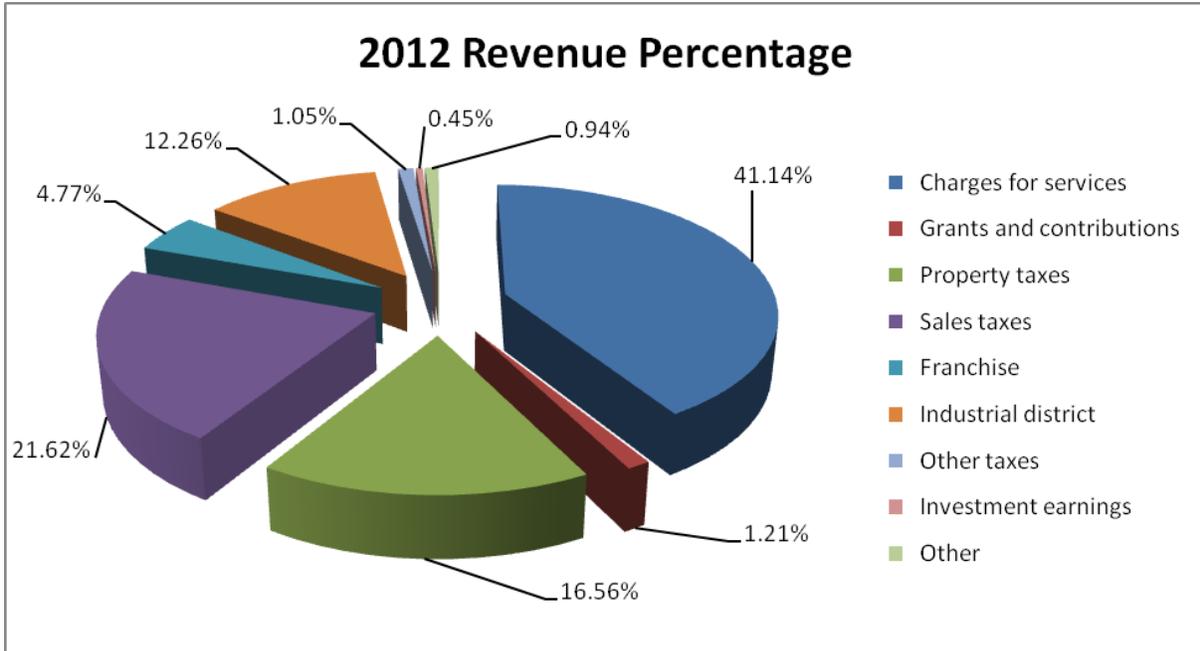
Total revenues for governmental activities increased from the previous year by \$ 412,627 (1.98%).

*Program revenues* decreased from last year by \$ 32,646. This is a result of a decrease in operating grants.

*General revenues* increased from last year by \$ 445,273. This is mainly resulted from increase in sales taxes and miscellaneous revenue.

**Business-type Activities:** Business activities decreased the City's net assets by \$ 371,672 (1.10%). Total revenues and total expenses decreased from the prior year by \$ 294,020 and \$ 135,285 respectively. Total revenues decreased from the prior year, due to a decrease in water/sewer consumption. Total expenses decreased at a normal rate of about 0.99%. The major decreases in 2012 expenses were Golf Course operating expenses and sanitation operating expenses.

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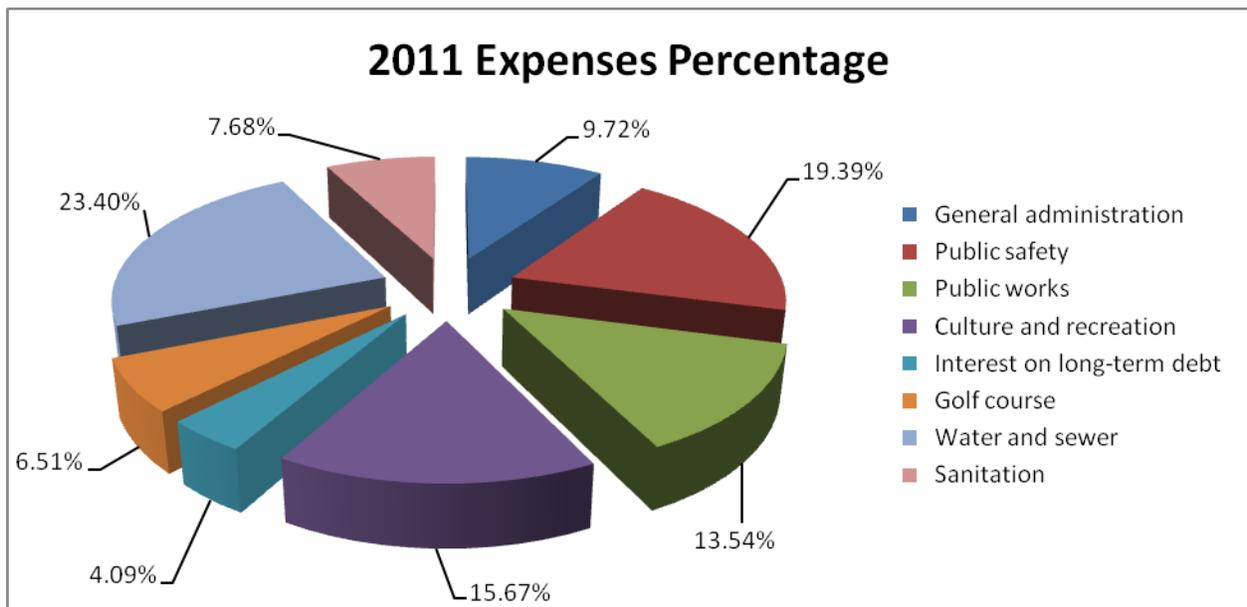
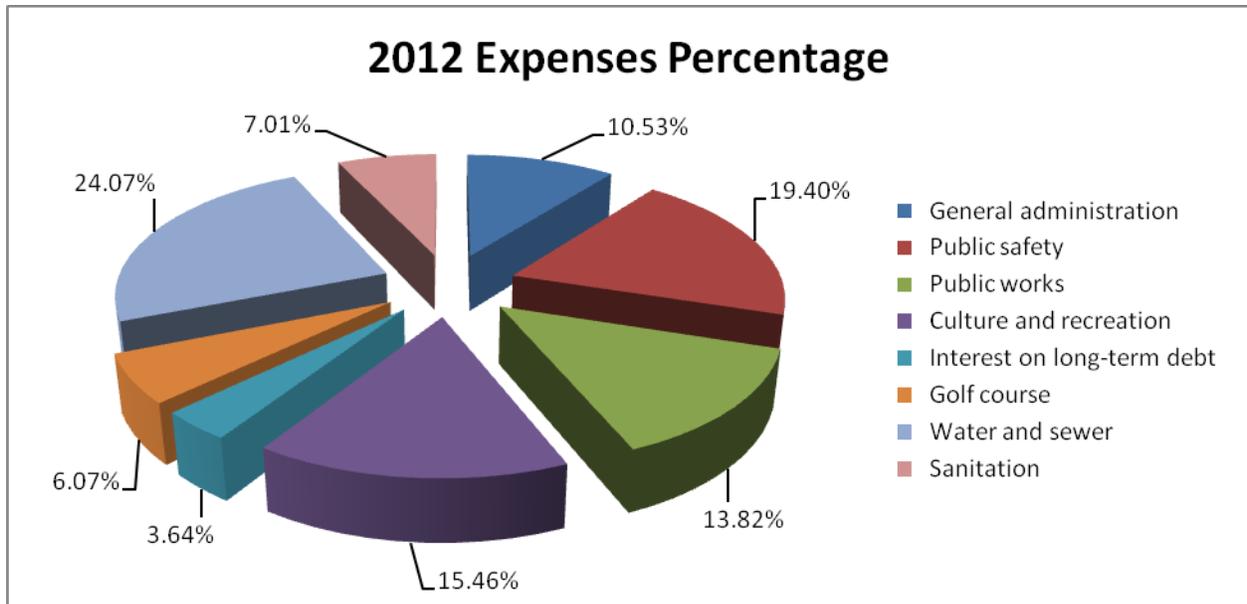
The following table provides a summary of the City's operations for the year ended September 30, 2012 with comparative tables for the year ended September 30, 2011.

**CITY OF LAKE JACKSON, TEXAS**  
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**CITY OF LAKE JACKSON'S CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 1,820,753	\$ 1,679,301	\$ 11,934,855	\$ 12,392,864	\$ 13,755,608	\$ 14,072,165
Operating grants and contributions	131,528	405,794			131,528	405,794
Capital grants and contributions	100,168		172,827	14,445	272,995	14,445
General Revenues:						
Property taxes	5,537,580	5,640,962			5,537,580	5,640,962
Sales taxes	7,230,131	6,918,501			7,230,131	6,918,501
Franchise taxes	1,593,448	1,619,883			1,593,448	1,619,883
Industrial district	4,100,000	3,984,300			4,100,000	3,984,300
Alcoholic beverages taxes	40,079	46,737			40,079	46,737
Criminal justice taxes	22,231	16,258			22,231	16,258
Apartment taxes	68,682	67,643			68,682	67,643
Occupancy taxes	219,915	226,240			219,915	226,240
Investment earnings	106,725	100,646	42,432	36,825	149,157	137,471
Miscellaneous	290,564	165,279			290,564	165,279
Gain on disposition of capital assets	22,367				22,367	-0-
Total revenues	<u>21,284,171</u>	<u>20,871,544</u>	<u>12,150,114</u>	<u>12,444,134</u>	<u>33,434,285</u>	<u>33,315,678</u>
Expenses:						
General government and administration	3,338,677	3,079,021			3,338,677	3,079,021
Public safety	6,146,043	6,140,172			6,146,043	6,140,172
Public works	4,378,048	4,288,666			4,378,048	4,288,666
Culture and recreation	4,896,044	4,961,616			4,896,044	4,961,616
Interest on long-term debt	1,151,619	1,293,892			1,151,619	1,293,892
Golf course			1,922,542	2,060,021	1,922,542	2,060,021
Water and sewer			7,626,596	7,410,839	7,626,596	7,410,839
Sanitation			2,219,316	2,432,879	2,219,316	2,432,879
Total expenses	<u>19,910,431</u>	<u>19,763,367</u>	<u>11,768,454</u>	<u>11,903,739</u>	<u>31,678,885</u>	<u>31,667,106</u>
Increase in net assets before transfers	1,373,740	1,108,177	381,660	540,395	1,755,400	1,648,572
Transfers	<u>753,332</u>	<u>420,114</u>	<u>( 753,332 )</u>	<u>( 420,114 )</u>	<u>-0-</u>	<u>-0-</u>
Increase (decrease) in net assets	2,127,072	1,528,291	( 371,672 )	120,281	1,755,400	1,648,572
Net assets, October 1	<u>46,061,891</u>	<u>44,533,600</u>	<u>33,656,635</u>	<u>33,536,354</u>	<u>79,718,526</u>	<u>78,069,954</u>
Net assets, September 30	<u>\$ 48,188,963</u>	<u>\$ 46,061,891</u>	<u>\$ 33,284,963</u>	<u>\$ 33,656,635</u>	<u>\$ 81,473,926</u>	<u>\$ 79,718,526</u>

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**CITY OF LAKE JACKSON, TEXAS**  
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**Financial Analysis of the City's Funds**

As noted earlier, the City of Lake Jackson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Lake Jackson'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.

As of the end of the current fiscal year, the City of Lake Jackson's governmental funds reported combined ending fund balances of \$ 20,149,121. 27.97% of this total amount (\$ 5,636,513) constitutes unassigned fund balance. The remainder of the fund balance has already been categorized as 1) non-spendable (\$ 135,790), 2) restricted (\$ 6,444,130), 3) committed (\$ 1,037,756, and 4) assigned (\$ 6,894,932).

In the General Fund, the City budgeted for a fund balance decrease of \$ 460,249. Due to actual expenditures being less than budgeted, the actual fund balance change was an increase for fiscal year 2012 of \$ 934,100. This better than budget performance is due to the City's continued emphasis on expenditure control.

The Economic Development fund is used to account for revenue from the half-cent sales tax. In 2012, the half-cent sales tax revenue, investment income, and transfer out in the Economic Development fund were less than the budget but more than capital outlay and transfers. As a result, the Economic Development fund balance decreased by \$ 318,581.

The Debt Service fund balance decreased by \$ 63,572, which was consistent with the City's budget. The Downtown Revitalization fund balance decreased by \$ 1,582,101 due to the capital outlay expenditures.

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

Unrestricted net assets at September 30, 2012 amounted to \$ 3,249,031. Total net assets decreased \$ 371,672. In 2012, the decrease in net assets for proprietary funds was a combination of a \$ 218,092 decrease in the Enterprise Fund and a \$ 153,580 decrease in the Golf Course Fund. Other factors concerning these funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights.** Revenue producing facility revenues exceeded budget by \$ 90,630 due to increased utilization of the Recreation and Civic Center. Miscellaneous revenue exceeded budget by \$ 264,548 due to increased capital contributions. Sales tax revenue continued its recovery and far exceeded expectations by finishing the year in excess of 3.5% over budget. Also Municipal Court revenues exceeded budgeted amounts by more than 15% as the result of a more concerted collection effort.

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The City's general fund expenditure budget exceeded the actual expenditures by \$ 706,018 primarily due to overall spending control. It is the City's policy to transfer budget savings in the General Operating Funds to the Capital Project Fund and/or the Park Fund. In fiscal year 2012, the City transferred fiscal 2011 budget savings of \$ 765,000 to the Capital Projects Fund.

**Capital Assets**

The City of Lake Jackson's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$ 94,403,309 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was \$ 336,470. (\$ 937,734 increase for governmental activities and \$ 1,274,204 decrease in business-type activities).

Major capital asset events during the current fiscal year included the following:

- Street and sidewalk improvements totaling \$ 149,745.
- \$ 1,596,288 for the Downtown Revitalization Project
- Drainage improvements of \$ 439,574; and
- Park project of \$ 532,905.

**Capital Assets at Year-end  
Net of Accumulated Depreciation**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,397,003	\$ 2,397,003	\$ 3,821,585	\$ 3,821,585	\$ 6,218,588	\$ 6,218,588
Buildings	15,612,953	16,156,917	2,057,504	2,251,696	17,670,457	18,408,613
Improvements other than buildings	7,941,502	7,537,801	13,810,491	14,157,866	21,751,993	21,695,667
Furniture, equipment and vehicles	3,327,821	3,521,598	4,808,900	4,986,778	8,136,721	8,508,376
Infrastructure	18,373,785	19,126,709	13,671,030	14,216,964	32,044,815	33,343,673
Construction in progress	<u>8,563,193</u>	<u>6,538,495</u>	<u>17,542</u>	<u>26,367</u>	<u>8,580,735</u>	<u>6,564,862</u>
Total	<u>\$ 56,216,257</u>	<u>\$ 55,278,523</u>	<u>\$ 38,187,052</u>	<u>\$ 39,461,256</u>	<u>\$ 94,403,309</u>	<u>\$ 94,739,779</u>

Additional information on the City of Lake Jackson's capital assets can be found in note 5 on pages 52-55 of this report.

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City of Lake Jackson had a total bonded debt and notes payable of \$ 37,675,000. Of this amount, \$ 27,125,000 compromises bonded debt backed by the full faith and credit of the City. These bonds will be retired with revenues from property and sales taxes. The remaining \$ 10,550,000 represents bonds secured by water and sewer revenues.

**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
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**Outstanding Long-Term Debt at Year End**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$	\$ 1,800,000	\$	\$	\$	\$ 1,800,000
Certificates of obligations	4,655,000	5,785,000			4,655,000	5,785,000
Limited tax bonds	22,470,000	22,740,000			22,470,000	22,740,000
Revenue bonds			10,550,000	11,765,000	10,550,000	11,765,000
Total	<u>\$ 27,125,000</u>	<u>\$ 30,325,000</u>	<u>\$ 10,550,000</u>	<u>\$ 11,765,000</u>	<u>\$ 37,675,000</u>	<u>\$ 42,090,000</u>

During the fiscal year, the City's total bonded debt decreased \$ 4,415,000 or 10.49% due to current debt payments. All of the outstanding Bonds of the City, payable from its limited taxes, are insured and are, therefore, rated "Aaa" by Moody's Investors Service Inc ("Moody's"), and "AAA" by Standard & Poor's ("S&P"). The underlying rating on all of such Bonds and other obligations payable from such source are "AA+" on the General Obligations and "AA" on the Revenue Bonds by S&P.

Additional information on the City of Lake Jackson's long term debt can be found in note 7 on pages 56-62 of this report.

**Economic Factors and Next Year's Budgets and Rates**

In the 2012-13 Budget, General fund revenues and transfers-in are budgeted to increase by 1.97% from the 2011-12 fiscal year. Sales tax continues to be the largest source of General Fund revenue at 28.6%. Property taxes account for 19.9% of the General Fund Revenues and assesses values reversed a trend of three declining years to increase 1.7%.

The Utility Fund 2012-13 budget is 1.8% more than the proceeding year's budget. For the fiscal year 2012-13 the Brazosport Water Authority is increasing rates by 2.8% from \$ 1.80/1000 gallons to \$ 1.85/1000 gallons. The City's base water rate for 2012-13 fiscal year will increase from \$ 11.00 per month to \$ 11.25 per month. Water rates for usage above the 2,000 gallon base amount will increase by \$ .05 per thousand. The rate for usage between 2,000 and 20,000 gallons will be \$ 3.10 per 1,000 gallons and the rate for 20,000 will be \$ 3.35. The base sewer rate for the 2012-13 budget year will increase from \$ 11.00 per month to \$ 11.25 per month. The over 2,000 gallon rate remains the same at \$ 3.30 per 1000.

**Request for Information**

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 25 Oak Drive, Lake Jackson, Texas, 77566, or call (979) 415-2400.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**STATEMENT OF NET ASSETS**

September 30, 2012

	Governmental Activities	Business- Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 19,537,148	\$ 3,776,183	\$ 23,313,331
Taxes receivable (net)	1,486,923		1,486,923
Due from other governments	486,082		486,082
Accounts receivable (net)	190,736	557,303	748,039
Investments	399,000		399,000
Inventories	130,525	31,303	161,828
Internal balances	3,360	( 3,360)	-0-
Deferred expenses	5,265	12,767	18,032
Bond issuance costs (net)	822,769	195,399	1,018,168
<b>Restricted Assets:</b>			
Temporarily Restricted:			
Cash and cash equivalents		2,967,599	2,967,599
Due from other governments		5,318	5,318
<b>Capital Assets (Net of Accumulated Depreciation):</b>			
Land	2,397,003	3,821,585	6,218,588
Buildings	15,612,953	2,057,504	17,670,457
Improvements other than buildings	7,941,502	13,810,491	21,751,993
Furniture, equipment, and vehicles	3,327,821	4,808,900	8,136,721
Infrastructure	18,373,785	13,671,030	32,044,815
Construction in progress	8,563,193	17,542	8,580,735
<b>Total assets</b>	<b><u>79,278,065</u></b>	<b><u>45,729,564</u></b>	<b><u>125,007,629</u></b>
<b>Liabilities:</b>			
Accounts payable	1,101,682	510,741	1,612,423
Cash bonds and taxes	390,022		390,022
Accrued wages	107,522	37,847	145,369
Unearned revenue	79,982	135,856	215,838
Liabilities payable from restricted assets		1,271,520	1,271,520
<b>Noncurrent liabilities:</b>			
Due within one year	3,320,632	791,429	4,112,061
Due in more than one year	26,089,262	9,697,208	35,786,470
<b>Total liabilities</b>	<b><u>31,089,102</u></b>	<b><u>12,444,601</u></b>	<b><u>43,533,703</u></b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	31,925,095	27,832,451	59,757,546
<b>Restricted For:</b>			
Debt service	918,448	2,132,119	3,050,567
Other	2,514,224	71,362	2,585,586
Unrestricted	12,831,196	3,249,031	16,080,227
<b>Total net assets</b>	<b><u>\$ 48,188,963</u></b>	<b><u>\$ 33,284,963</u></b>	<b><u>\$ 81,473,926</u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 3,338,677	\$ 550,251	\$	\$
Public safety	6,146,043		87,711	100,168
Public works	4,378,048	227,672	43,817	
Culture and recreation	4,896,044	1,042,830		
Interest on long-term debt	<u>1,151,619</u>			
Total governmental activities	<u>19,910,431</u>	<u>1,820,753</u>	<u>131,528</u>	<u>100,168</u>
Business-type Activities:				
Water and sewer	7,626,596	7,362,306		172,827
Sanitation	2,219,316	3,052,811		
Golf course	<u>1,922,542</u>	<u>1,519,738</u>		
Total business-type activities	<u>11,768,454</u>	<u>11,934,855</u>	<u>-0-</u>	<u>172,827</u>
Total	<u>\$ 31,678,885</u>	<u>\$ 13,755,608</u>	<u>\$ 131,528</u>	<u>\$ 272,995</u>

## General Revenue:

Taxes:	
Property taxes	
Sales taxes	
Franchise	
Occupancy	
Other	
Industrial district	
Investment earnings	
Gain on the disposition of capital assets	
Miscellaneous	
Transfers	

Total general revenues and transfers

Change in net assets

Net assets – beginning

Net assets – ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business- Type Activities	Total
\$( 2,788,426 )	\$	\$( 2,788,426 )
( 5,958,164 )		( 5,958,164 )
( 4,106,559 )		( 4,106,559 )
( 3,853,214 )		( 3,853,214 )
( 1,151,619 )		( 1,151,619 )
<u>( 17,857,982 )</u>	<u>-0-</u>	<u>( 17,857,982 )</u>
	( 91,463 )	( 91,463 )
	833,495	833,495
	<u>( 402,804 )</u>	<u>( 402,804 )</u>
<u>-0-</u>	<u>339,228</u>	<u>339,228</u>
<u>( 17,857,982 )</u>	<u>339,228</u>	<u>( 17,518,754 )</u>
5,537,580		5,537,580
7,230,131		7,230,131
1,593,448		1,593,448
219,915		219,915
130,992		130,992
4,100,000		4,100,000
106,725	42,432	149,157
22,367		22,367
290,564		290,564
<u>753,332</u>	<u>( 753,332 )</u>	<u>-0-</u>
<u>19,985,054</u>	<u>( 710,900 )</u>	<u>19,274,154</u>
2,127,072	( 371,672 )	1,755,400
<u>46,061,891</u>	<u>33,656,635</u>	<u>79,718,526</u>
<u>\$ 48,188,963</u>	<u>\$ 33,284,963</u>	<u>\$ 81,473,926</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

September 30, 2012

	<u>General Fund</u>	<u>Economic Development</u>	<u>General Debt Service</u>	<u>Downtown Revitalization</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and temporary investments	\$ 11,755,980	\$ 1,802,921	\$ 608,001	\$ 1,689,768	\$ 3,680,478	\$ 19,537,148
Receivables (Net of Allowance for Uncollectibles):						
Taxes	1,037,701	411,566	21,215		16,441	1,486,923
Accounts	87,200				37,455	124,655
Grants	190,736					190,736
Due from other funds		3,360			3,360	6,720
Investments	399,000					399,000
Inventories	130,525					130,525
Prepaid expenditures	<u>5,265</u>					<u>5,265</u>
Total assets	<u>\$ 13,606,407</u>	<u>\$ 2,217,847</u>	<u>\$ 629,216</u>	<u>\$ 1,689,768</u>	<u>\$ 3,737,734</u>	<u>\$ 21,880,972</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 770,963	\$ 9,923		\$ 101,651	\$ 219,145	\$ 1,101,682
Cash bonds and taxes	390,022					390,022
Accrued wages	107,522					107,522
Deferred revenue	108,105		21,160			129,265
Due to other funds					<u>3,360</u>	<u>3,360</u>
Total liabilities	<u>1,376,612</u>	<u>9,923</u>	<u>21,160</u>	<u>101,651</u>	<u>222,505</u>	<u>1,731,851</u>
Fund Balances:						
Non-spendable	135,790					135,790
Restricted		2,207,924	608,056	1,588,117	2,040,033	6,444,130
Committed	1,037,756					1,037,756
Assigned	5,419,736				1,475,196	6,894,932
Unassigned	<u>5,636,513</u>					<u>5,636,513</u>
Total fund balances	<u>12,229,795</u>	<u>2,207,924</u>	<u>608,056</u>	<u>1,588,117</u>	<u>3,515,229</u>	<u>20,149,121</u>
Total liabilities and fund balances	<u>\$ 13,606,407</u>	<u>\$ 2,217,847</u>	<u>\$ 629,216</u>	<u>\$ 1,689,768</u>	<u>\$ 3,737,734</u>	<u>\$ 21,880,972</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS**

September 30, 2012

Total fund balances – governmental funds balance sheet	\$ 20,149,121
<b>Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 141,204,494 in assets less \$ 84,988,237 in accumulated depreciation.	56,216,257
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 28,068 and \$ 21,215, respectively.	49,283
Judicial accounts receivables net of related allowance for uncollectible are unavailable to pay for current period expenditures and availability of funds are uncertain as to availability are not recorded in the funds. Judicial receivables of \$ 949,643 net of allowance for uncollectible accounts of \$ 588,216 of the general fund amounted to \$ 361,427.	361,427
Debt issuance costs on the issuance of bonds is an expenditure in the governmental funds, but the costs increase long-term assets in the statement of net assets. This amount is amortized over the life of the bond. Net bond issuance costs were \$ 822,769 (issuance costs of \$ 1,279,596 less amortization of \$ 456,827).	822,769
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 965,806 (premium on the sale of bonds of \$ 1,104,972 less amortization of \$ 139,166).	( 965,806)
Payables for bond principal and other long-term debt are not reported in the funds.	( 27,125,000)
Payables for bond interest are not reported in the funds.	( 55,798)
Net pension obligation is not reported in the funds.	( 722,992)
Payables for long-term compensated absences.	<u>( 540,298)</u>
Net assets of governmental activities – statement of net assets.	<u>\$ 48,188,963</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2012

	General Fund	Economic Development	General Debt Service	Downtown Revitalization	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes:						
Property	\$ 3,296,462	\$	\$ 2,253,191	\$	\$	\$ 5,549,653
Sales	4,772,141	2,457,990				7,230,131
Franchise	1,516,140				77,308	1,593,448
Occupancy					219,915	219,915
Other	130,992					130,992
Industrial district	4,100,000					4,100,000
Intergovernmental	5,316			43,817	82,395	131,528
Revenue producing facilities	1,042,830					1,042,830
Fines and fees	479,425				25,178	504,603
Licenses and permits	227,672					227,672
Investment income	75,352	12,731	7,175	2,966	8,501	106,725
Miscellaneous	321,548			11,220	57,964	390,732
Total revenues	15,967,878	2,470,721	2,260,366	58,003	471,261	21,228,229
<b>Expenditures:</b>						
Current:						
General government and administration	3,084,407	23,795		43,817	4,143	3,156,162
Public safety	5,600,724					5,600,724
Public works	2,454,131				262,894	2,717,025
Culture and recreation	3,810,251				206,919	4,017,170
Capital outlay	772,357	532,905		1,596,287	1,280,234	4,181,783
Debt Service:						
Principal retirement			1,649,471		1,180,529	2,830,000
Interest and fiscal charges			700,747		486,718	1,187,465
Total expenditures	15,721,870	556,700	2,350,218	1,640,104	3,421,437	23,690,329
Excess of revenues over (under) expenditures	246,008	1,914,021	( 89,852 )	( 1,582,101 )	( 2,950,176 )	( 2,462,100 )
<b>Other Financing Sources (Uses):</b>						
Proceeds from bond sales			3,360,000		4,000,000	7,360,000
Bond issuance premium			370,180		440,690	810,870
Sale of capital assets	73,120					73,120
Payment to bond refunding escrow agent			( 3,703,900 )		( 4,409,405 )	( 8,113,305 )
Transfers in	1,670,652				2,400,962	4,071,614
Transfers out	( 1,055,680 )	( 2,232,602 )			( 30,000 )	( 3,318,282 )
Total other financing sources (uses)	688,092	( 2,232,602 )	26,280	-0-	2,402,247	884,017
Net change in fund balances	934,100	( 318,581 )	( 63,572 )	( 1,582,101 )	( 547,929 )	( 1,578,083 )
Fund balances – beginning	11,295,695	2,526,505	671,628	3,170,218	4,063,158	21,727,204
Fund balances - ending	\$ 12,229,795	\$ 2,207,924	\$ 608,056	\$ 1,588,117	\$ 3,515,229	\$ 20,149,121

The notes to the financial statements are an integral part of this statement.

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

For the Year Ended September 30, 2012

Net change in fund balances – total governmental funds \$( 1,578,083)

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

Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay of \$ 4,181,783 exceeded depreciation of \$ 3,193,296 in the current period. 988,487

Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund and the debt service fund decreased by \$ 7,356 and \$ 4,717, respectively. ( 12,073)

Judicial revenues (resulting from accounts receivables net of related allowance for uncollectible) in the governmental activities statements of activities do not provide current available resources and are not reported as revenues in the funds. The change in these net receivables resulted in a decrease in revenues reported in the governmental activities statement of activities. 45,648

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for general obligation bonded debt \$ 2,830,000. 2,830,000

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net assets. Long-term proceeds in the governmental fund were \$ 7,360,000 for bonds. ( 7,360,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. The amount was for general obligation bonded debt in the amount of \$ 7,730,000. 7,730,000

Debt issuance costs on the issuance of bonds is an expenditure in the governmental funds, but the costs increase long-term assets in the statement of net assets. This amount is amortized over the life of the bond. Increase in issuance costs of \$ 534,167 less current amortization of \$ 191,090. 343,077

Discount on the issuance of bonds uses current financial resources in the governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. ( 6,293)

Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Current proceeds of \$ 810,870 less amortization of \$ 88,835. ( 722,035)

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt. ( 6,468)

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

For the Year Ended September 30, 2012

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in compensated absences.	\$( 10,830)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in net pension obligation.	( 63,605)
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of assets disposed was \$ 50,753 (cost of \$ 176,569 less accumulated depreciation of \$ 125,816).	<u>50,753</u>
Change in net assets of governmental activities	<u>\$ 2,127,072</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended September 30, 2012

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,286,757	\$ 3,286,757
Sales	4,608,100	4,608,100
Franchise	1,630,000	1,630,000
Other	54,000	54,000
Industrial district	4,100,000	4,100,000
Intergovernmental	120,500	120,500
Revenue producing facilities	952,200	952,200
Fines and fees	414,900	414,900
Licenses and permits	174,700	174,700
Investment income	58,000	58,000
Miscellaneous	57,000	57,000
Total revenues	15,456,157	15,456,157
Expenditures:		
Current:		
General government and administration	3,093,146	3,093,146
Public safety	5,665,067	5,665,067
Public works	2,724,780	2,724,780
Culture and recreation	4,017,883	4,017,883
Capital outlay	914,150	914,150
Total expenditures	16,415,026	16,415,026
Excess of revenues over (under) expenditures	( 958,869 )	( 958,869 )
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,625,620	1,625,620
Transfer out	( 362,000 )	( 1,127,000 )
Total other financing sources (uses)	1,263,620	498,620
Net change in fund balance	304,751	( 460,249 )
Fund balances - beginning	11,295,695	11,295,695
Fund balance - ending	\$ 11,600,446	\$ 10,835,446

The notes to the financial statements are an integral part of this statement.

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 3,296,462	\$	\$ 3,296,462	\$ 9,705
4,772,141		4,772,141	164,041
1,516,140		1,516,140	( 113,860)
130,992		130,992	76,992
4,100,000		4,100,000	-0-
5,316		5,316	( 115,184)
1,042,830		1,042,830	90,630
479,425		479,425	64,525
227,672		227,672	52,972
75,352		75,352	17,352
<u>321,548</u>		<u>321,548</u>	<u>264,548</u>
<u>15,967,878</u>	<u>-0-</u>	<u>15,967,878</u>	<u>511,721</u>
3,084,407	( 33)	3,084,374	8,772
5,600,724	( 9,083)	5,591,641	73,426
2,454,131	( 1,219)	2,452,912	271,868
3,810,251	( 2,527)	3,807,724	210,159
<u>772,357</u>		<u>772,357</u>	<u>141,793</u>
<u>15,721,870</u>	<u>( 12,862)</u>	<u>15,709,008</u>	<u>706,018</u>
<u>246,008</u>	<u>12,862</u>	<u>258,870</u>	<u>1,217,739</u>
73,120		73,120	73,120
1,670,652		1,670,652	45,032
<u>( 1,055,680)</u>		<u>( 1,055,680)</u>	<u>71,320</u>
<u>688,092</u>	<u>-0-</u>	<u>688,092</u>	<u>189,472</u>
934,100	12,862	946,962	1,407,211
<u>11,295,695</u>		<u>11,295,695</u>	<u>-0-</u>
<u>\$ 12,229,795</u>	<u>\$ 12,862</u>	<u>\$ 12,242,657</u>	<u>\$ 1,407,211</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND**

For the Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,373,500	\$ 2,373,500	\$ 2,457,990	\$ 84,490
Investment income	<u>12,225</u>	<u>12,225</u>	<u>12,731</u>	<u>506</u>
Total revenues	<u>2,385,725</u>	<u>2,385,725</u>	<u>2,470,721</u>	<u>84,996</u>
Expenditures:				
Current:				
Other			23,795	( 23,795)
Capital outlay	<u>550,000</u>	<u>550,000</u>	<u>532,905</u>	<u>17,095</u>
Total expenditures	<u>550,000</u>	<u>550,000</u>	<u>556,700</u>	<u>( 6,700)</u>
Excess of revenues over (under) expenditures	<u>1,835,725</u>	<u>1,835,725</u>	<u>1,914,021</u>	<u>78,296</u>
Other Financing Sources (Uses):				
Transfers out	<u>( 1,904,389)</u>	<u>( 1,904,389)</u>	<u>( 2,232,602)</u>	<u>( 328,213)</u>
Total other financing sources (uses)	<u>( 1,904,389)</u>	<u>( 1,904,389)</u>	<u>( 2,232,602)</u>	<u>( 328,213)</u>
Net change in fund balance	( 68,664)	( 68,664)	( 318,581)	( 249,917)
Fund balances - beginning	<u>2,526,505</u>	<u>2,526,505</u>	<u>2,526,505</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 2,457,841</u>	<u>\$ 2,457,841</u>	<u>\$ 2,207,924</u>	<u>\$( 249,917)</u>

The notes to the financial statements are an integral part of this statement.

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

September 30, 2012

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Assets</u>			
Current Assets:			
Cash and temporary investments	\$ 3,585,654	\$ 190,529	\$ 3,776,183
Receivables (Net of Allowance for Uncollectibles):			
Accounts	541,629	15,674	557,303
Inventory		31,303	31,303
Prepaid expenses		12,767	12,767
	<u>4,127,283</u>	<u>250,273</u>	<u>4,377,556</u>
Current Restricted Assets:			
Restricted Assets:			
Cash and temporary investments	670,080		670,080
Due from other governments	5,318		5,318
Total current restricted assets	<u>675,398</u>	<u>-0-</u>	<u>675,398</u>
Total current assets	<u>4,802,681</u>	<u>250,273</u>	<u>5,052,954</u>
Noncurrent Assets:			
Restricted Cash and Temporary Investments:			
Revenue bond covenant accounts	2,297,519		2,297,519
Total noncurrent restricted assets	<u>2,297,519</u>	<u>-0-</u>	<u>2,297,519</u>
Deferred charges	195,399		195,399
Capital Assets:			
Property, plant and equipment	62,125,420	8,908,510	71,033,930
Construction in progress	17,542		17,542
Less accumulated depreciation	( 30,513,920)	( 2,350,500)	( 32,864,420)
Total capital assets (net of accumulated depreciation)	<u>31,629,042</u>	<u>6,558,010</u>	<u>38,187,052</u>
Total noncurrent assets	<u>34,121,960</u>	<u>6,558,010</u>	<u>40,679,970</u>
Total assets	<u>38,924,641</u>	<u>6,808,283</u>	<u>45,732,924</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - Continued

September 30, 2012

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 467,413	\$ 43,328	\$ 510,741
Accrued wages	23,570	14,277	37,847
Accrued compensated absences	58,137		58,137
Deferred revenue		135,856	135,856
Deferred gain on rental		30,376	30,376
Revenue bonds payable	702,916		702,916
Due to other funds		3,360	3,360
	<u>1,252,036</u>	<u>227,197</u>	<u>1,479,233</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest	165,400		165,400
Customer deposits	604,036		604,036
Revenue bonds payable	502,084		502,084
Total current liabilities payable from restricted assets	<u>1,271,520</u>	<u>-0-</u>	<u>1,271,520</u>
Total current liabilities	<u>2,523,556</u>	<u>227,197</u>	<u>2,750,753</u>
Noncurrent Liabilities:			
Deferred gain on rental		70,876	70,876
Revenue bonds payable	9,345,000		9,345,000
Accrued compensated absences	82,071		82,071
Net pension obligation	199,261		199,261
Total noncurrent liabilities	<u>9,626,332</u>	<u>70,876</u>	<u>9,697,208</u>
Total liabilities	<u>12,149,888</u>	<u>298,073</u>	<u>12,447,961</u>
Net Assets:			
Invested in capital assets, net of related debt	21,274,441	6,558,010	27,832,451
Restricted For:			
Revenue bond retirement	2,132,119		2,132,119
Construction	71,362		71,362
Unrestricted	3,296,831	( 47,800)	3,249,031
Total net assets	<u>\$ 26,774,753</u>	<u>\$ 6,510,210</u>	<u>\$ 33,284,963</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS - PROPRIETARY FUNDS**

For the Year Ended September 30, 2012

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 3,569,045	\$	\$ 3,569,045
Sewer service	3,420,461		3,420,461
Garbage fees	3,052,811		3,052,811
Tapping and connection fees	231,060		231,060
Capital grant revenue	143,858		143,858
Golf course fees and charges		1,519,012	1,519,012
Other	141,740	726	142,466
	<u>10,558,975</u>	<u>1,519,738</u>	<u>12,078,713</u>
Total operating revenues			
Operating Expenses:			
Utility administration	430,312		430,312
Water production and treatment	2,834,877		2,834,877
Sewer collection	1,984,118		1,984,118
Sanitation	2,219,316		2,219,316
Golf course		1,559,409	1,559,409
Depreciation	1,975,138	357,089	2,332,227
	<u>9,443,761</u>	<u>1,916,498</u>	<u>11,360,259</u>
Total operating expenses			
Operating income (loss)	<u>1,115,214</u>	<u>( 396,760)</u>	<u>718,454</u>
Non-Operating Revenues (Expenses):			
Interest revenue	39,848	2,584	42,432
Interest expense and fiscal charges	( 402,151)	( 6,044)	( 408,195)
	<u>( 362,303)</u>	<u>( 3,460)</u>	<u>( 365,763)</u>
Total non-operating revenues (expenses)			
Income (loss) before contributions and transfers	752,911	( 400,220)	352,691
Capital contributions	28,969		28,969
Transfers in	290,680	250,000	540,680
Transfers out	( 1,290,652)	( 3,360)	( 1,294,012)
Change in net assets	<u>( 218,092)</u>	<u>( 153,580)</u>	<u>( 371,672)</u>
Net assets at beginning of year	<u>26,992,845</u>	<u>6,663,790</u>	<u>33,656,635</u>
Net assets at end of year	<u>\$ 26,774,753</u>	<u>\$ 6,510,210</u>	<u>\$ 33,284,963</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

For the Year Ended September 30, 2012

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 10,676,784	\$ 1,524,281	\$ 12,201,065
Payments to suppliers	( 4,342,340)	( 745,148)	( 5,087,488)
Payments to employees	( 2,985,707)	( 819,501)	( 3,805,208)
Payments to other funds		( 3,070)	( 3,070)
Net cash provided (used) by operating activities	<u>3,348,737</u>	<u>( 43,438)</u>	<u>3,305,299</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	290,680	250,000	540,680
Transfers out	( 1,290,652)	( 3,360)	( 1,294,012)
Net cash provided (used) by non-capital financing activities	<u>( 999,972)</u>	<u>246,640</u>	<u>( 753,332)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	( 1,058,023)		( 1,058,023)
Principal paid on capital debt	( 1,215,000)	( 129,623)	( 1,344,623)
Interest and fiscal charges paid on capital debt	( 389,850)	( 6,044)	( 395,894)
Net cash used for capital and related financing activities	<u>( 2,662,873)</u>	<u>( 135,667)</u>	<u>( 2,798,540)</u>
Cash Flows from Investing Activities:			
Interest received	<u>39,848</u>	<u>2,584</u>	<u>42,432</u>
Net cash provided by investing activities	<u>39,848</u>	<u>2,584</u>	<u>42,432</u>
Net increase (decrease) in cash and cash equivalents	( 274,260)	70,119	( 204,141)
Cash and cash equivalents at the beginning of year	<u>6,827,513</u>	<u>120,410</u>	<u>6,947,923</u>
Cash and cash equivalents at the end of year	<u>\$ 6,553,253</u>	<u>\$ 190,529</u>	<u>\$ 6,743,782</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS - Continued**

For the Year Ended September 30, 2012

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,115,214	\$( 396,760)	\$ 718,454
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,975,138	357,089	2,332,227
(Increase) decrease in accounts receivable	126,537	11,194	137,731
(Increase) decrease in inventory		7,149	7,149
(Increase) decrease in prepaid expenses		( 821)	( 821)
Increase (decrease) in accounts payable	71,464	( 14,821)	56,643
Increase (decrease) in accrued wages payable	3,656	3,253	6,909
Increase (decrease) in net pension obligation	18,055		18,055
Increase (decrease) in accrued compensated absences	18,432		18,432
Increase (decrease) in deferred revenue		( 6,651)	( 6,651)
Increase (decrease) in customer deposits	20,241		20,241
Increase (decrease) in due to other funds		( 3,070)	( 3,070)
Total adjustments	<u>2,233,523</u>	<u>353,322</u>	<u>2,586,845</u>
Net cash provided (used) by operating activities	<u>\$ 3,348,737</u>	<u>\$( 43,438)</u>	<u>\$ 3,305,299</u>
Non-cash Investing, Capital, and Financing Activities:			
Contribution of capital assets from other governments	\$ 28,969		\$ 28,969
Net effect of non-cash transactions	<u>\$ 28,969</u>	<u>\$ -0-</u>	<u>\$ 28,969</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

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# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### General Statement

The City of Lake Jackson (City) operates under a Home Rule Charter adopted in a special election on April 1, 1958. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public services, streets and drainage, sanitation, health and building inspections, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State And Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

#### Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations and its component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*.

Based upon the application of these criteria, the following entity is considered a blended component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Financial statements for this component unit can be obtained from the office of the City of Lake Jackson.

Blended component unit – The Lake Jackson Development Corporation, Inc.

On June 5, 1995, the City Council authorized the creation and approved the Articles of Incorporation and the Bylaws of the Lake Jackson Development Corporation, Inc. (the Corporation). The Articles of Incorporation were filed with the Office of the Secretary Of State of Texas on June 23, 1995. The Corporation, a nonprofit corporation, organized under Section 4b of the Development Corporation Act of 1979 was created to act on behalf of the City in the financing of projects.

The Corporation is governed by a seven-member board of directors appointed by the City Council, which includes three members of the City Council. All projects must have prior approval of the City Council. On May 6, 1995, the voters of Lake Jackson approved the levy and collection of a one-half cent sales tax, effective October 1, 1995, to fund the cost of land, buildings, equipment, facilities, and

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Financial Reporting Entity - Continued

improvements for public park purposes, recreational facilities, and for infrastructure improvements for development of new or expanded business enterprises. The corporation provides funding for the City's debt service payments of these approved projects. When the Corporation directly finances construction, the completed facilities are donated to the City upon completion. As the Corporation provides financing services entirely to the City, the Corporation is considered a blended component unit for financial reporting purposes and is reported as if it were part of the City's operations.

#### 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 financial information of the primary government and its component unit. Except for balances between governmental activities and business-type activities, 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 program 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 program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. 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 proprietary funds are reported as separate columns in the fund financial statements. The City has two proprietary funds.

#### 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 recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - Continued

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

The City has presented the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Economic Development Special Revenue Fund* accounts for the one-half cent Economic Development Sales tax and approved expenditures for providing parks and recreation facilities and infrastructure projects.

The *General Debt Service Fund* accounts for the accumulation of resources for the annual payment of general long-term debt principal and interest of governmental funds and to provide a reserve for such payment.

The *Downtown Revitalization Fund* accounts for the proceeds of the \$ 5 million bond issued for reconstruction of streets in the downtown area.

The City reports the following major proprietary funds:

The Enterprise Fund is used to account for the provision of water, sewer and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility and sanitation customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

The Golf Course Operating Fund is used to account for the operations of the City's Wilderness Golf Course. Activities of the fund include administration, operations and maintenance of the Wilderness Golf Course. All costs are financed through charges for customer's use of the golf course and government capital contributions and transfers.

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

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - Continued

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund and Golf Course Operating Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

Operating expenses for the Enterprise Fund and the Golf Course Operating Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

#### New Pronouncements

GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", was issued April 2009. This statement provides guidance on classification of fund equity. The statement was implemented and is reflected in the governmental financial statements.

GASB No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2011.

GASB No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34", was issued November 2010. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2012.

GASB No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was issued December 2010. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2011.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2011.

GASB No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-and amendment of GASB Statements No. 53", was issued June 2011. This statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after June 15, 2011.

GASB No. 65, "Items Previously Reported as Assets and Liabilities", was issued March 2012. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City, although it will reclassify items previously recorded as assets and liabilities within the Corporation's financial statements as outflow and inflows of resources. This statement is effective for periods beginning after December 15, 2012.

GASB No. 66, "Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62", was issued March 2012. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2012.

#### Budgetary Data

All departments of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to members of the City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level without approval of a majority of the Council. Line item and department budgets may exceed appropriated amounts at the discretion of management as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

The City adopts annual budgets for all significant governmental fund types (general fund, special revenue funds, and debt service funds) and proprietary fund types (Enterprise Fund and Golf Course Operating Fund). The budgets for the capital projects funds are prepared on a project basis with costs being incurred over the project period.

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General, Economic Development Special Revenue, Enterprise Fund and Golf Course Operating Fund to provide a meaningful comparison of actual results with the budget.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

**Budgetary Data** - Continued

Governmental Fund Types:

1. Encumbrances which do not lapse at year-end are treated as budgeted expenditures in the year the commitment to purchase is made.
2. Budgetary amounts do not include provisions for current adjustments in accrued wages.

Proprietary Fund Type:

1. Encumbrances which do not lapse at year-end are treated as budgeted expenditures in the year the commitment to purchase is made.
2. Budgetary amounts do not include provisions for current adjustments in the following:
  - 1). Accrued compensated absences or accrued wages.
  - 2). Depreciation.
  - 3). Accrued interest on long-term debt.

The following reconciles the differences between the legally enacted budget basis and the GAAP basis of accounting for the year ended September 30, 2012:

Governmental Fund Types:

	<u>General Fund</u>
Excess of revenues over (under) expenditures - GAAP basis	\$ 246,008
Adjustments of accrued wages	<u>12,862</u>
Excess of revenues over (under) expenditures - on budget basis	<u>\$ 258,870</u>

Proprietary Fund Types:

	<u>Enterprise Fund</u>
Change in net assets - GAAP basis	\$( 218,092)
Provisions for Current Adjustments To:	
Accrued absences and accrued wages	22,088
Depreciation	1,975,138
Amortization of bond issuance costs	<u>45,369</u>
Change in net assets - budgetary basis	<u>\$ 1,824,503</u>

	<u>Golf Course Operating Fund</u>
Change in net assets - GAAP basis	\$( 153,580)
Provisions for Current Adjustments To:	
Depreciation	<u>357,089</u>
Change in net assets - budgetary basis	<u>\$ 203,509</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. At September 30, 2012, no encumbrances were reported in the general fund.

#### Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and short-term investments with an original maturity date of three months or less. Temporary investments are stated at cost. State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

The City maintains a cash and investment pool that is available for use by all funds. Substantially all cash and/or investment transactions of the various funds are conducted through the general fund. During the year, these transactions are recorded in the participating funds due to/from accounts. At year-end, the cash and temporary investments, and investments are prorated to participating funds, thus eliminating related due to/from balances. Negative cash and temporary investments, and investment balances remain in that fund's due to/from accounts.

The City elected to implement GASB Statement No. 31 (GASB 31), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* as of September 30, 1996. As a governmental entity other than an external investment pool in accordance with GASB 31, the City's investments are stated at fair value, except for interest-earning investment contracts and external investment pools (See Note 2).

In applying GASB 31, the City utilizes the following methods and assumptions as of September 30.

1. Fair value is based on quoted market prices as of the valuation date.
2. The portfolio did not hold investments in any of the following:
  - a. Items required to be reported at amortized cost,
  - b. Items in external pools that are not SEC-registered,
  - c. Items subject to involuntary participation in an external pool,
  - d. Items associated with a fund other than the fund to which the income is assigned;
3. Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments' balance exceeds the cumulative value of those investments subject to GASB 31;
4. The gain/loss resulting from valuation is reported within the revenue account "investment income" on the Statement of Revenues, Expenditures and Changes in Fund Balances.

The City's policy is to hold investments until maturity, or until fair values equal or exceed cost.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Interfund Receivables, Payables and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The City had no advances between funds. All activity between funds was for short-term cash flow requirements. See Note 4 for additional discussion of interfund receivables, payables and transfers.

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. No interest was capitalized during the year ended September 30, 2012.

Assets capitalized have an original cost of \$ 5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 Years
Infrastructure	20-40 Years
Furniture, equipment and vehicles	5-10 Years
Improvements other than buildings	10-25 Years

#### Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the City is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the City, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Property Taxes - Continued

The assessed value of the property tax roll on August 1, 2011, upon which the levy for the 2011-12 fiscal year was based, was \$ 1,411,883,220. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2012, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.231514 and \$ 0.158486 per \$ 100 valuation, respectively, for a total of \$ 0.3900 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2012 were 100.04% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2012, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 28,068 and \$ 21,215 for the general and debt service funds, respectively.

#### Compensated Absences

The City's vacation policy provides that employees are credited with vacation at rates of from 12 to 20 days each calendar year, depending on their length of employment by the City. Employees may accumulate and carry over up to 10 days of vacation to the next calendar year and may sell back accumulated vacation days after having used 6 days during the calendar year. Upon termination, employees are paid for all days of unused accumulated vacation.

The City's sick leave policy provides that employees are credited with sick leave at the rate of 12 days each calendar year. Employees may accumulate up to 90 sick days, however, upon termination, employees are not eligible for payment of accumulated sick days.

The estimated liabilities include required salary related payments. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable. As of September 30, 2012, there is no maturing compensated absences payable in the General Fund. Accrued compensated absences reported in the Enterprise Fund at September 30, 2012 totaled \$ 140,208.

#### Pension Plans

It is the policy of the City to fund pension costs annually. In the fiscal year ended September 30, 1999, the City implemented GASB Statement 27, Accounting for Pensions by State and Local Governmental Employers, which standardizes financial reporting for pensions by state and local governmental employers for the Emergency Services Personnel Retirement Fund (the Fund) upon the Fund's adoption of GASB 25. For fiscal year ended September 30, 1998, the City implemented GASB Statement 27 for the Texas Municipal Retirement System (TMRS). At the date of transition and implementation of GASB Statement 27, there was no pension liability or pension asset (see Note 9).

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Inventories

The City employs the consumption method of accounting for inventory. Inventories are valued at cost using the first-in first-out method. Purchases are recorded at cost as inventory when purchased, and then charged out as expenditures when used. The reserve for inventory has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Inventory at September 30, 2012 consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 81,783	\$
Supplies held for resale	<u>48,742</u>	<u>31,303</u>
	<u>\$ 130,525</u>	<u>\$ 31,303</u>

#### Long-Term Obligations

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

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

#### Fund Equity

The City Council of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The City's Unassigned General Fund Balance is maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the City Council. Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action by the City Council. When it is appropriate for fund balance to be assigned, the City Council delegates authority to the City Manager or the Finance Director. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

The City implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The following schedule presents details of fund balance components at September 30, 2012 (committed fund balance resolution was approved by the city council):

	<u>General Fund</u>	<u>Economic Development</u>	<u>General Debt Service</u>	<u>Downtown Revitalization</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Non-spendable:						
Inventory	\$ 130,525					\$ 130,525
Prepaid expenditures	5,265					5,265
Restricted:						
Debt service			608,056			608,056
Capital projects				1,588,117	1,733,733	3,321,850
Economic development		2,207,924				2,207,924
Traffic safety					48,533	48,533
Program education					75,138	75,138
Encourage tourism					39,718	39,718
Law enforcement					142,911	142,911
Committed:						
Contingencies	1,037,756					1,037,756
Assigned:						
General construction					1,475,196	1,475,196
Unemployment insurance	194,179					194,179
Equipment replacement	4,909,100					4,909,100
Special events	31,881					31,881
Park improvement	284,576					284,576
Unassigned	5,636,513					5,636,513
Total fund balances	<u>\$ 12,229,795</u>	<u>\$ 2,207,924</u>	<u>\$ 608,056</u>	<u>\$ 1,588,117</u>	<u>\$ 3,515,229</u>	<u>\$ 20,149,121</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

**Net Assets**

Net assets represents the differences between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net assets, as presented in the government-wide Statement of Net Assets, are reported when constraints placed on the use of net assets are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

The following schedule presents details of net asset balance components at September 30, 2012.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets:			
Invested in Capital Assets, net of related debt	\$ 31,925,095	\$ 27,832,451	\$ 59,757,546
Restricted:			
Debt service	918,448		918,448
Economic development	2,207,924		2,207,924
Traffic safety	48,533		48,533
Encourage tourism	75,138		75,138
Contributor purpose	39,718		39,718
Law enforcement	142,911		142,911
Revenue bond retirement		2,132,119	2,132,119
Construction		71,362	71,362
Unrestricted	<u>12,831,196</u>	<u>3,249,031</u>	<u>16,080,227</u>
Total net assets	<u>\$ 48,188,963</u>	<u>\$ 33,284,963</u>	<u>\$ 81,473,926</u>

**NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES**

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased it has maturity of three months or less. Cash and temporary investments, and investments, as reported on the government-wide Statement of Net Assets at September 30, 2012, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 10,383	\$	\$ 10,383
Financial Institution Deposits:			
Demand deposits	6,594,363	833,428	7,427,791
Local Government Investment Pools:			
Texpool	5,768,979	736,866	6,505,845
Lone Star Investment Pool	7,670,866	979,792	8,650,658
TexSTAR	<u>3,268,740</u>	<u>417,513</u>	<u>3,686,253</u>
	<u>\$ 23,313,331</u>	<u>\$ 2,967,599</u>	<u>\$ 26,280,930</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Investments:			
Financial Institution Deposits:			
Certificates of deposit	\$ <u>399,000</u>	\$ _____	\$ <u>399,000</u>
	\$ <u>399,000</u>	\$ <u>-0-</u>	\$ <u>399,000</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the depository must have a bond or in lieu thereof, deposited or pledged securities (or other security) with the City or an independent third party agent, an amount equal to the highest daily balance of all deposits the City may have during the term of the depository contract, less any applicable FDIC insurance.

At September 30, 2012, in addition to petty cash of \$ 10,383, the carrying amount of the City's cash, savings, and time deposits was \$ 7,826,791. The financial institutions balances were \$ 8,226,785 at September 30, 2012. Bank balances of \$ 791,628 were covered by federal depository insurance, and \$ 7,435,157 was covered by collateral pledged in the City's name. The pledged collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

The City's Investment Officer submits an investment report each quarter to the Council. The report details the investment positions of the City and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

#### Investments - Continued

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States, or its agencies and instrumentalities, and government sponsored enterprises; and have a maximum stated maturity of five (5) years or less;
2. Certificates of deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations that are described in Section 2256.009 (a) of the Government Code;
3. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities. These shall be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. A masters repurchase agreement must be signed by the bank/dealer prior to investment in a repurchase agreement;
4. No load money market mutual funds that are registered and regulated by the Securities and Exchange Commission, with a dollar weighted average stated maturity of 90 days or fewer and includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share. Money market mutual funds must provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934 (Section 2256.014 (a) Government Code);
5. Local government investment pools that have been authorized by the governing body by rule, ordinance or resolution. The investment pool must maintain a rating no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency; and
6. Interest bearing checking accounts at the City's banking services provider.

The City participates in three Local Government Investment Pools (LGIP): TexPool, Lone Star Investment Pool, and TexSTAR. The State Comptroller oversees TexPool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over Lone Star investment Pool and TexSTAR, advisory boards consisting of participants or their designees, maintains oversight responsibility for Lone Star and TexSTAR.

The City invests in TexPool, Lone Star Investment Pool, and TexSTAR to provide its liquidity needs. TexPool, Lone Star Investment Pool, and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Lone Star Investment Pool, and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool, Lone Star Investment Pool, and TexSTAR are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2012 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 41 days, 38 days, and 46 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 41 days, 38 days, and 46 days, respectively, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES** - Continued

**Investments** - Continued

The City is invested in certificates of deposit at four different local financial institutions to provide its liquidity needs. All of the City's investments are insured, registered, or the City's agent holds the securities in the City's name; therefore, the City is not exposed to custodial credit risk.

The following table includes the portfolio balances of all investment types of the City at September 30, 2012.

	<u>Maturity Date</u>	<u>Rate %</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Investments:				
Local Government Investment Pools:				
Texpool	N/A	Varies daily	41.00	\$ 6,505,845
Lone Star Investment Pool	N/A	Varies daily	38.00	8,650,658
TexSTAR	N/A	Varies daily	46.00	<u>3,686,253</u>
Total local government investment pools			39.76	<u>18,842,756</u>
Certificate of deposit	06-20-13	0.50%	232.00	100,000
Certificate of deposit	11-13-12	0.59%	44.00	99,000
Certificate of deposit	11-30-12	1.09%	61.00	100,000
Certificate of deposit	02-04-13	0.40%	127.00	<u>100,000</u>
Total certificates of deposit			2.41	<u>399,000</u>
Total investments			42.17	<u>\$ 19,241,756</u>

Credit Risk - As of September 30, 2012, the LGIP's (which represent approximately 97.93% of the portfolio are rated AAAM by Standard and Poor's, while the certificates of deposits (2.07% of the portfolio) are fully insured.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements.

**Derivatives**

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The City made no direct investments in derivatives during the year ended September 30, 2012, and holds no direct investments in derivatives at September 30, 2012.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 3 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of September 30, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 28,068	\$
Delinquent property taxes receivable (debt service fund)	21,160	
Recreation memberships and deposits	<u>                    </u>	<u>80,037</u>
Total deferred/unearned revenue from governmental funds	\$ <u>49,228</u>	\$ <u>80,037</u>

As of September 30, 2012, the components of unearned revenue reported in the proprietary funds were as follows:

	<u>Unearned</u>
Service deposits	\$ <u>135,856</u>

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Interfund Receivables and Payables**

Interfund balances at September 30, 2012 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Economic Development Fund:		
Golf Course Debt Service Fund	\$ <u>3,360</u>	\$ <u>                    </u>
Golf Course Debt Service:		
Economic Development Fund		3,360
Golf Course	<u>3,360</u>	<u>                    </u>
Total Golf Course Debt Service	<u>3,360</u>	<u>3,360</u>
Proprietary Funds:		
Golf Course:		
Golf Course Debt Service	<u>                    </u>	<u>3,360</u>
Total	\$ <u>6,720</u>	\$ <u>6,720</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS** - Continued

**Interfund Receivables and Payables** - Continued

Interfund receivables and payables represent short-term borrowings primarily for cash flow purposes. These include short-term borrowings for reimbursement grants and some revenue or expenditures/expense adjustments between funds at or near year-end.

**Interfund Transfers**

Interfund transfers for the year ended September 30, 2012 consisted of the following individual fund transfers in and transfers out.

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>Governmental Funds</u>		<u>Proprietary Funds</u>		
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Golf Course Fund</u>	
Governmental Funds:					
General Fund	\$	\$ 765,000	\$ 290,680	\$	\$ 1,055,680
Economic development	350,000	1,632,602		250,000	2,232,602
Non-major governmental	30,000				30,000
Proprietary Funds:					
Enterprise	1,290,652				1,290,652
Golf Course		3,360			3,360
	<u>\$ 1,670,652</u>	<u>\$ 2,400,962</u>	<u>\$ 290,680</u>	<u>\$ 250,000</u>	<u>\$ 4,612,294</u>

These transfers were approved by the City Council as transfers of operational funds to cover planned expenditures/expenses.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Balance</u> <u>10/01/11</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>09/30/12</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,397,003	\$	\$	\$ 2,397,003
Construction in progress	<u>6,538,495</u>	<u>3,458,825</u>	<u>1,434,127</u>	<u>8,563,193</u>
Total capital assets, not being depreciated	<u>8,935,498</u>	<u>3,458,825</u>	<u>1,434,127</u>	<u>10,960,196</u>
Capital Assets, Being Depreciated:				
Buildings	26,202,247			26,202,247
Improvements	14,862,469	822,889		15,685,358
Equipment	11,347,263	594,567	176,569	11,765,261
Infrastructure	<u>75,851,803</u>	<u>739,629</u>		<u>76,591,432</u>
Total capital assets, being depreciated	<u>128,263,782</u>	<u>2,157,085</u>	<u>176,569</u>	<u>130,244,298</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/11</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>09/30/12</u>
Less Accumulated Depreciation For:				
Buildings	\$ 10,045,330	\$ 543,964	\$	\$ 10,589,294
Improvements	7,324,668	545,004	125,816	7,743,856
Equipment	7,825,665	611,775		8,437,440
Infrastructure	<u>56,725,094</u>	<u>1,492,553</u>		<u>58,217,647</u>
Total accumulated depreciation	<u>81,920,757</u>	<u>3,193,296</u>	<u>125,816</u>	<u>84,988,237</u>
Total capital assets, being depreciated, net	<u>46,343,025</u>	<u>( 1,036,211)</u>	<u>50,753</u>	<u>45,256,061</u>
Governmental activities capital assets, net	<u>\$ 55,278,523</u>	<u>\$ 2,422,614</u>	<u>\$ 1,484,880</u>	<u>\$ 56,216,257</u>
	<u>Balance</u> <u>10/01/11</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>09/30/12</u>
Business-type Activities (Utility Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>26,367</u>	\$ <u>521,852</u>	\$ <u>530,677</u>	\$ <u>17,542</u>
Total capital assets, not being depreciated	<u>26,367</u>	<u>521,852</u>	<u>530,677</u>	<u>17,542</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	27,982,325	671,476		28,653,801
Equipment	8,642,150	303,986	55,612	8,890,524
Infrastructure	<u>19,089,762</u>	<u>91,386</u>		<u>19,181,148</u>
Total capital assets, being depreciated	<u>61,114,184</u>	<u>1,066,848</u>	<u>55,612</u>	<u>62,125,420</u>
Less Accumulated Depreciation:				
Buildings	3,908,354	132,533		4,040,887
Improvements other than buildings	15,748,205	865,743		16,613,948
Equipment	4,065,037	339,542	55,612	4,348,967
Infrastructure	<u>4,872,798</u>	<u>637,320</u>		<u>5,510,118</u>
Total accumulated depreciation	<u>28,594,394</u>	<u>1,975,138</u>	<u>55,612</u>	<u>30,513,920</u>
Total capital assets, being depreciated, net	<u>32,519,790</u>	<u>( 908,290)</u>	<u>-0-</u>	<u>31,611,500</u>
Business-type activities capital assets, net	<u>\$ 32,546,157</u>	<u>\$ ( 386,438)</u>	<u>\$ 530,677</u>	<u>\$ 31,629,042</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 5 - CAPITAL ASSETS** - Continued

	<u>Balance</u> <u>10/01/11</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/12</u>
Business-type Activities (Golf Course Fund):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$ _____	\$ _____	\$ 3,821,585
Total capital assets, not being depreciated	<u>3,821,585</u>	<u>-0-</u>	<u>-0-</u>	<u>3,821,585</u>
Capital Assets, Being Depreciated:				
Buildings	1,222,546			1,222,546
Improvements other than buildings	3,052,855			3,052,855
Equipment	<u>1,175,560</u>		<u>364,036</u>	<u>811,524</u>
Total capital assets, being depreciated	<u>5,450,961</u>	<u>-0-</u>	<u>364,036</u>	<u>5,086,925</u>
Less Accumulated Depreciation:				
Buildings	462,443	61,659		524,102
Improvements other than buildings	1,129,109	153,108		1,282,217
Equipment	<u>765,895</u>	<u>142,322</u>	<u>364,036</u>	<u>544,181</u>
Total accumulated depreciation	<u>2,357,447</u>	<u>357,089</u>	<u>364,036</u>	<u>2,350,500</u>
Total capital assets, being depreciated, net	<u>3,093,514</u>	<u>( 357,089)</u>	<u>-0-</u>	<u>2,736,425</u>
Business-type activities capital assets, net	\$ <u>6,915,099</u>	\$ <u>( 357,089)</u>	\$ <u>-0-</u>	\$ <u>6,558,010</u>
	<u>Balance</u> <u>10/01/11</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/12</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$ _____	\$ _____	\$ 3,821,585
Construction in progress	<u>26,367</u>	<u>521,852</u>	<u>530,677</u>	<u>17,542</u>
Total capital assets, not being depreciated	<u>3,847,952</u>	<u>521,852</u>	<u>530,677</u>	<u>3,839,127</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	31,035,180	671,476		31,706,656
Equipment	9,817,710	303,986	419,648	9,702,048
Infrastructure	<u>19,089,762</u>	<u>91,386</u>		<u>19,181,148</u>
Total capital assets, being depreciated	<u>66,565,145</u>	<u>1,066,848</u>	<u>419,648</u>	<u>67,212,345</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 5 - CAPITAL ASSETS** - Continued

	<u>Balance</u> <u>10/01/11</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/12</u>
Less Accumulated Depreciation:				
Buildings	\$ 4,370,797	\$ 194,192	\$	\$ 4,564,989
Improvements other than buildings	16,877,314	1,018,851		17,896,165
Equipment	4,830,932	481,864	419,648	4,893,148
Infrastructure	<u>4,872,798</u>	<u>637,320</u>		<u>5,510,118</u>
Total accumulated depreciation	<u>30,951,841</u>	<u>2,332,227</u>	<u>419,648</u>	<u>32,864,420</u>
Total capital assets, being depreciated, net	<u>35,613,304</u>	<u>( 1,265,379)</u>	<u>-0-</u>	<u>34,347,925</u>
Business-type activities capital assets, net	<u>\$ 39,461,256</u>	<u>\$ ( 743,527)</u>	<u>\$ 530,677</u>	<u>\$ 38,187,052</u>

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

Governmental Activities:

General government	\$ 167,157
Public safety	517,432
Public works, including depreciation of infrastructure	1,648,804
Culture and recreation	<u>859,903</u>
Total depreciation expense-governmental activities	<u>\$ 3,193,296</u>

Business-type Activities:

Water and sewer	\$ 1,769,279
Sanitation	205,859
Golf course	<u>357,089</u>
Total depreciation expense-business-type activities	<u>\$ 2,332,227</u>

**Governmental Fund Construction Commitments**

The City has entered into contracts for construction as of September 30, 2012, as follows:

	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>to Date</u>	<u>Commitment</u>
Downtown Revitalization Construction	\$ 4,062,341	\$ 3,044,612	\$ 1,017,729
Downtown Revitalization Engineering	<u>243,976</u>	<u>162,335</u>	<u>81,641</u>
Total	<u>\$ 4,306,317</u>	<u>\$ 3,206,947</u>	<u>\$ 1,099,370</u>

**Proprietary Fund Construction Commitments**

The City has no proprietary fund construction commitment at September 30, 2012.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 6 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

#### Taxes

Ad valorem taxes receivable are reserved based on historical experience and evaluation of collectivity as the lesser of a percentage of the original levy and the current receivable for each levy year. The following is a summary of the allowance for uncollectible taxes by fund:

General Fund	\$ 28,342
Debt Service Fund	<u>17,859</u>
Total	<u>\$ 46,201</u>

#### Customer Receivables

The allowance for uncollectible receivables related to City services is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2012 was \$ 47,095.

#### Special Assessments

The special assessments against property owners for capital improvements were financed with currently available resources of the capital projects funds. As only special assessments received are considered both measurable and available, the balance of the special assessment is recorded as deferred revenue. The allowance for uncollectible special assessment receivables related to special assessments against property owners for capital improvements in prior years is determined based on historical experience and evaluation of collectability in relation to aging of the special assessments. The City has recorded an allowance of \$ 91,640 for the year ended September 30, 2012.

#### Judicial Receivables

Municipal Court Receivables - Municipal court receivables are reported in the governmental activities statements of net assets. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2012 was \$ 588,216.

### NOTE 7 - LONG-TERM DEBT

#### General Obligation Bonds\Certificates of Obligation

On January 20, 2001 the voters authorized the issuance of \$ 10,800,000 in general obligation bonds. In April 2001, the City issued \$ 3,600,000 of these City of Lake Jackson, Texas, General Obligation Bonds, Series 2001 for constructing and improving street, drainage, sidewalk, and water and sewer improvements. In December 2002, the City issued another \$ 3,600,000 of these bonds, the City of Lake Jackson, Texas, Limited Tax Bonds, Series 2002A for the construction of Fire and EMS facilities. During the year ended September 30, 2004, the City sold the remaining \$ 3,600,000 of these bonds, the City of Lake Jackson, Texas, Limited Tax Bonds, Series 2004 for constructing or reconstructing and improving streets, drainage, sidewalks, water and sewer improvements, and other infrastructure projects.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 7 - LONG-TERM DEBT - Continued

#### General Obligation Bonds\Certificates of Obligation - Continued

In May 2002, the City issued City of Lake Jackson, Texas, Limited Tax Bonds, Series 2002, in the amount of \$ 6,000,000 for financing the construction of a golf course facility. The Bonds were authorized at an election held on January 18, 1997.

In May 2003, the City issued \$ 1,200,000 of City of Lake Jackson, Texas Certificates of Obligation, Series 2003, for additional golf course construction costs.

In May 2003, the City advance refunded the remaining City of Lake Jackson, Texas, General Obligation Bonds, Series 1989 and Series 1993, for \$ 1,750,000 and \$ 770,000 respectfully. The City issued \$ 2,615,000 of limited tax refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's accounts. This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$ 239,054 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$ 205,745. These defeased bonds were called prior to September 30, 2003; therefore, there are no outstanding bonds that are considered to be defeased.

On May 16, 2007, the City issued City of Lake Jackson, Texas, Limited Tax Bonds, Series 2007, in the amount of \$ 5,300,000 for financing the construction of the municipal court, emergency operation and dispatch center, and street and drainage improvements in the Brazos Oaks subdivision. The Bonds were authorized at an election held May 7, 2005.

On March 3, 2009, the City issued City of Lake Jackson, Texas, Limited Tax Bonds, Series 2009, in the amount of \$ 2,400,000 for financing street reconstruction, and water and sewer repairs on Jasmine, Winding Way and the remaining stretch of Oak Drive. The Bonds were authorized at an election held May 7, 2005.

On May 12, 2009, the City refunded the remaining City of Lake Jackson, Texas, Combination Tax and Revenue Certificates of Obligation Series 1996, Certificates of Obligation Series 1997, General Obligation Bonds Series 1997, and General Obligation Bonds Series 1999, for \$ 2,920,000, \$ 900,000, \$ 1,000,000, and \$ 2,025,000 respectfully. The City issued \$ 6,845,000 of limited tax refunding bonds to provide resources to provide full payment of the debt and the liability has been removed from the City's accounts. This refunding was undertaken to reduce total debt service payments over the next ten years by \$ 426,192 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$ 360,046.

In December 2009, the City issued city of Lake Jackson, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2009, in the amount of \$ 5,000,000 for phase 2 of Downtown revitalization project.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

In July 2010, the City issued City of Lake Jackson, Texas, Limited Tax Bonds, Series 2010, in the amount of \$ 3,000,000 for drainage projects and arterial street spot repairs.

On October 18, 2011, the City sold \$ 7,360,000 of Limited Tax Refunding Bonds, Series 2011. The net proceeds of \$ 8,015,573 along with \$ 97,731 from the general fund, a total of \$ 8,113,304, were placed in escrow for the defeasement of the City of Lake Jackson, Texas, General Obligation Bond, Series 2001; the Limited Tax Bond, Series 2002; the Certificates of Obligation, Series 2002A; and the Certificates of Obligation, Series 2003 (Golf Course) bonds, for \$ 1,800,000, \$ 3,650,000, \$ 1,620,000, and \$ 660,000 respectfully. These refunding bonds were issued for the purpose of generating resources and decreasing the total debt service payments. This refunding issue defeased the bond issuance noted above. All future debt service payments on the original bonds were provided for by placing the proceeds of the refunding bonds in an irrevocable trust. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's basic financial statements. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 925,425. The economic gain resulting from the transaction was \$ 781,257. The balance of the escrow account and the liability for the defeased bonds as of September 30, 2012, was \$ 5,390,024 and \$ 5,270,000, respectively.

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2012, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/12
		Issued	Maturity	Callable	
General Obligation	4.00 -				
Bond - Series 2002	5.00	2002	2023	2013	\$ 280,000
Limited Tax	2.75 -				
Bond - Series 2002A	4.50	2002	2022	2013	180,000
Certificates of Obligation	2.50 -				
Series 2003	3.50	2003	2013	N/A	155,000
Limited Tax Bond	3.30 -				
Series 2004	4.20	2004	2024	2013	2,160,000
Limited Tax Bond	3.875 -				
Series 2007	4.00	2007	2027	2017	3,975,000
Limited Tax Bond	3.75 -				
Series 2009	5.25	2009	2029	2018	2,040,000
Limited Tax Refunding	3.875 -				
Series 2009	4.00	2009	2019	N/A	3,975,000
Certificates of Obligation	3.50 -				
Series 2010	5.00	2010	2030	2019	4,500,000
Limited Tax	3.50 -				
Series 2010	5.00	2010	2030	2020	2,700,000
Limited Tax Refunding	2.00 -				
Series 2011	4.00	2011	2023	2020	<u>7,160,000</u>
<b>Total</b>					<b><u>\$ 27,125,000</u></b>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

General obligation bond transactions for the year ended September 30, 2012 were as follows:

Bonds outstanding, October 1	\$ 30,325,000
Issued	7,360,000
Refunded	( 7,730,000)
Maturities	<u>( 2,830,000)</u>
Bonds outstanding, September 30	\$ <u>27,125,000</u>

The bond ordinances require that a tax be levied sufficient to pay current interest and create a sinking fund of not less than two percent of the principal of the then outstanding bonds or the amount to pay current principal, whichever is greater. For the year ended September 30, 2012, the amount of ad valorem taxes collected for interest and sinking was \$ 2,253,191. The debt service requirements for principal and interest was \$ 4,017,465. In addition, \$ 1,635,962 was transferred to the debt service funds. The bond resolutions provide no express remedies in the event of default and make no provision for acceleration of maturity of the bonds.

The following is a summary of general obligation bond requirements for governmental activities by year as of September 30, 2012:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 2,785,000	\$ 960,631	\$ 3,745,631
2014	2,395,000	874,620	3,269,620
2015	2,385,000	796,335	3,181,335
2016	2,375,000	718,665	3,093,665
2017	2,375,000	636,570	3,011,570
2018-2022	8,710,000	2,071,775	10,781,775
2023-2027	4,660,000	724,268	5,384,268
2028-2030	<u>1,440,000</u>	<u>86,132</u>	<u>1,526,132</u>
Total	\$ <u>27,125,000</u>	\$ <u>6,868,996</u>	\$ <u>33,993,996</u>

Revenue Bonds Payable

On May 1, 2007, the City issued City of Lake Jackson, Texas, Waterworks and Sewer System Revenue bonds, Series 2007, in the amount of \$ 2,000,000 for financing repairs on lift stations and sewer lines. The bonds were authorized at an election held on May 7, 2005.

In December 2009, the City issued City of Lake Jackson, Texas, Waterworks and Sewer System Revenue Bonds, Series 2009, in the amount of \$ 1,680,000 for proceeds to fund three water wells.

In December 2009, the City refunded the remaining of Revenue Bonds, Series 1993A and Revenue Bonds, Series 1996 for \$ 220,000 and \$600,000 respectively. The City issued \$ 860,000 of Waterworks and Sewer System Revenue Refunding Bonds, Series 2009 to provide resources to provide full payment of the debt and the liability has been removed from the City's accounts. This refunding was undertaken to reduce total debt services payment over next six years by \$ 42,233 and to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$ 38,608.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 7 - LONG-TERM DEBT** - Continued

**Revenue Bonds Payable** - Continued

In May 2010, the City refunded the remaining of Revenue Bonds, Series 2000 for \$ 8,800,000. The City issued \$ 9,600,000 of Waterworks and Sewer System Revenue Refunding Bonds, Series 2010 to provide resources to provide full payment of the debt and the liability has been removed from the City's accounts. This refunding was undertaken to reduce total debt services payment over next ten years by \$ 553,269 and to obtain an economic gain (difference between the present value of one debt service payment of the refunded and refunding bonds) of \$ 463,714.

Revenue bonds payable for business-type activities at September 30, 2012, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/12
		Issued	Maturity	Callable	
Revenue Bonds	4.00 -				
Series 2007	5.00	2007	2027	2017	\$ 1,500,000
Revenue Bonds -	3.50 -				
Series 2009	4.50	2009	2030	2018	1,520,000
Revenue Bonds Refunding -	2.00 -				
Series 2009	3.00	2009	2016	N/A	485,000
Revenue Bonds Refunding -	2.00 -				
Series 2010	4.00	2010	2021	N/A	<u>7,045,000</u>
<b>Total</b>					<b><u>\$ 10,550,000</u></b>

Revenue bond transactions for the year ended September 30, 2012 were as follows:

Bonds outstanding, October 1	\$ 11,765,000
Maturities	<u>( 1,215,000)</u>
Bonds outstanding, September 30	<u>\$ 10,550,000</u>

The bond ordinances require that amounts sufficient to pay the next scheduled principal and interest payment be paid into a sinking account in equal monthly installments. At September 30, 2012, the required balance in the sinking fund was \$ 651,813. Additionally, bond ordinances require a Reserve Fund in an amount equal to the succeeding fiscal year's interest and principal payment be accumulated and maintained. This fund is to be accumulated within sixty-one months from the date additional bonds are issued. At September 30, 2012, the required balance in the reserve fund was \$ 1,501,462. At September 30, 2012, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 796,058; and the designated amount for the reserve totaled \$ 1,501,462. The total account balance of \$ 2,297,519 is sufficient to cover the combined reserve and sinking requirement of \$ 2,153,275.

The bond ordinances require that before new revenue bonds can be issued, the net earnings of the system for the last fiscal year, or for any twelve consecutive calendar month period ending not more than ninety days prior to the adoption of the ordinance authorizing the issuance of such additional bonds, were at least 1.25 times the average annual principal and interest requirements for all then outstanding parity bonds and for the series of additional bonds then proposed to be issued.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

The following is a summary of revenue bond requirements for business-type activities by year as of September 30, 2012:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 1,205,000	\$ 359,350	\$ 1,564,350
2014	1,100,000	331,050	1,431,050
2015	1,085,000	301,025	1,386,025
2016	1,065,000	271,125	1,336,125
2017	955,000	237,750	1,192,750
2018-2022	3,970,000	660,875	4,630,875
2023-2027	925,000	170,375	1,095,375
2028-2030	<u>245,000</u>	<u>21,825</u>	<u>266,825</u>
Total	<u>\$ 10,550,000</u>	<u>\$ 2,353,375</u>	<u>\$ 12,903,375</u>

Capital Leases

During the year ended September 30, 2007, the City purchased golf course machinery and equipment under capital leases, with effective interest rates of 5.35% to 7.21%. During the fiscal year ended September 30, 2008, the City purchased golf course machinery and equipment under capital lease, with an effective interest rate of 2.972%. Current requirements for principal and interest expenditures accounted for in the Golf Course Operating Fund were \$ 222,972 and \$ 6,044, respectively. However, the City only paid principal and interest expenditures of \$ 104,000 and \$ 1,452, respectively. The rest of the capital lease payments of \$ 118,871 were cancelled and the cancelled balance was recorded as deferred revenue and will be accreted over the life of the new operating lease. Accretion amount for the current year was \$ 17,719.

The following is the accretion schedule over the life of the operating lease:

2013	\$ 30,376
2014	30,376
2015	30,376
2016	<u>10,124</u>
Total	<u>\$ 101,252</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 7 - LONG-TERM DEBT** - Continued

**Changes in Outstanding Debt**

Transactions for the year ended September 30, 2012 are summarized as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>10-01-11</u>	<u>Additions</u>	<u>Reductions</u>	<u>09-30-12</u>	<u>One Year</u>
Governmental Type Activities:					
General obligation bonds	\$ 1,800,000	\$	\$ 1,800,000	\$ -0-	\$
Certificates of obligation bonds	5,785,000		1,130,000	4,655,000	405,000
Limited tax bonds	22,740,000	7,360,000	7,630,000	22,470,000	2,380,000
Components of Bonded Debt:					
Premiums on bonds	243,771	810,869	88,834	965,806	91,434
Discounts on bonds	( 6,293)	28	6,265	-0-	
Accrued interest payable	49,330	55,798	49,330	55,798	55,798
Net pension obligation	659,387	63,605		722,992	
Compensated absences	<u>529,468</u>	<u>431,653</u>	<u>420,823</u>	<u>540,298</u>	<u>388,400</u>
Total governmental activities	<u>31,800,663</u>	<u>8,721,953</u>	<u>11,125,252</u>	<u>29,409,894</u>	<u>3,320,632</u>
Business-Type Activities:					
Revenue bonds	11,765,000		1,215,000	10,550,000	1,205,000
Capital leases	230,875		230,875		
Components of Bonded Debt:					
Accrued interest payable	178,747	165,400	178,747	165,400	165,400
Net pension obligation	181,206	18,055		199,261	
Compensated absences	<u>121,776</u>	<u>113,924</u>	<u>95,492</u>	<u>140,208</u>	<u>58,137</u>
Total business-type activities	12,477,604	297,379	1,720,114	11,054,869	1,428,537
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	506,250		4,166	502,084	502,084
Accrued interest payable	<u>178,747</u>	<u>165,400</u>	<u>178,747</u>	<u>165,400</u>	<u>165,400</u>
Net business-type activities	<u>11,792,607</u>	<u>131,979</u>	<u>1,537,201</u>	<u>10,387,385</u>	<u>761,053</u>
Total government (net)	<u>\$ 43,593,270</u>	<u>\$ 8,853,932</u>	<u>\$ 12,662,453</u>	<u>\$ 39,797,279</u>	<u>\$ 4,081,685</u>

**Compensated Absences**

Compensated absences represent the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

**Net Pension Obligation**

General fund and water and sewer enterprise fund have been used to liquidate the net pension obligation in prior years.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 8 - LEASING OPERATIONS**

**Lessor**

The City is involved in various operating leases as lessor. These leases are for such as building, office facilities, and other equipment. These rental facilities are leased through 2014. The City has not determined the cost of these facilities as of September 30, 2012. Minimum future rentals to be received on noncancelable leases, as of September 30, 2012, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2013	\$ 89,501
2014	<u>91,830</u>
	<u>\$ 181,331</u>

**Lessee**

The City is involved in various operating leases as lessee. These leases are for such as copier equipment, postage equipment, and golf cart and other golf course equipment. Minimum future rentals to be received on noncancelable leases, as of September 30, 2012, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2013	\$ 78,144
2014	75,744
2015	74,029
2016	34,838
2017	<u>3,403</u>
	<u>\$ 266,158</u>

**NOTE 9 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN**

**Plan Description**

The City provides pension benefits for all of its eligible employees, except volunteer firefighters, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provides provisions that have been adopted by the City are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

NOTE 9 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN - Continued

Plan Description - Continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year <u>2011</u>	Plan Year <u>2012</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%	100%
	Repeating, Transfers	Repeating, Transfers
Annual Increase (to retirees)	70% of CPI	70% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Protected Unit Credit actuarial cost method. The City discloses the annual pension costs based on the calculated rates for the City's fiscal year. The required rate for calendar year 2012 and 2011 was 13.88% and 16.14%, respectively. In response to the increase in the required contribution rate, the City has elected the 8-year-phase-in period to increase contributions to the required rate. The (elected) phase-in rate for calendar year 2012 and 2011 was 13.44% and 13.21% respectively. However, the City changed the contribution rate to full rate of 13.88% in April 2012. This rate consists of the normal cost contribution rate and the prior service cost contributions rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annual Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows:

Annual required contributions (ARC)	\$ 1,362,029
Interest on net pension obligation (NPO)	63,044
Adjustment to ARC	<u>( 59,744)</u>
Annual pension cost (APC)	1,365,329
Contributions made ( at phase-in rate)	<u>( 1,283,699)</u>
Increase in NPO	81,660
NPO, beginning of year	<u>840,593</u>
NPO, end of year	<u><u>\$ 922,253</u></u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 9 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN - Continued**

**Contributions - Continued**

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset) Current</u>	<u>Net Pension Obligation/ (Asset) Cumulative</u>
2010	\$ 1,383,844	\$ 1,066,728	77.08%	\$ 317,116	\$ 546,224
2011	1,483,952	1,189,583	80.16%	294,369	840,593
2012	1,365,329	1,283,670	94.02%	81,660	922,253

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additionally information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation date	12-31-09	12-31-10	12-31-11
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected unit Credit
Amortization Method	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll
GASB 25 Equivalent Single Amortization Period	28.0 years; closed period	27.0 years; closed period	26.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions: Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age & service	Varies by age & service	Varies by age & service
*Includes Inflation rate at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 9 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN - Continued**

**Funded Status and Funding Progress**

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)-</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(1)	(2)	(3) (1)/(2)	(4) (2)-(1)	(5)	(6) (4)/(5)
2011	39,974,294	45,022,092	88.8%	5,047,798	9,025,587	55.9%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Required Supplementary Information**

Texas Municipal Retirement System  
Schedule of Funding Process (unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)-</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(1)	(2)	(3) (1)/(2)	(4) (2)-(1)	(5)	(6) (4)/(5)
2009	\$ 22,856,959	\$ 31,454,105	72.7%	\$ 8,597,146	\$ 9,101,166	94.5%
2010	37,113,178	42,683,835	86.9%	5,570,657	9,030,795	61.7%
2011	39,974,294	45,022,092	88.8%	5,047,798	9,025,587	55.9%

**OPEB-Supplemental Death Benefits Fund**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 9 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN - Continued**

**OPEB-Supplemental Death Benefits Fund - Continued**

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered a post-employment benefit other than pension benefit (OPEB or other post-employment benefit) and is a fixed amount of \$ 7,500.

	<u>2010</u>	<u>2011</u>	<u>2012</u>
City Specific:			
Supplemental death benefit:			
For active employees (Y/N)	Y	Y	Y
For retirees (Y/N)	Y	Y	Y
Actuarial Information -	<u>2007</u>	<u>2008</u>	<u>2010</u>
1) Valuation date	12-31-07	12-31-08	12-31-09
2) Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
3) Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
4) Amortization period	25 years open period	25 years open period	25 years open period
5) Asset valuation method	Fund Value	Fund value	Fund value
6) Assumptions:			
Investment return	4.25%	4.25%	4.25%
Projected salary increases	None	None	None
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	None	None	None

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. Such rates were 0.19% and 0.24% in 2012 and 2011, respectively, as a percentage of covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers. As an employer, the City contributions to the SDBF for the years ended September 30, 2012, 2011, and 2010 were \$ 19,185, \$ 21,227, and \$ 19,363, respectively, which equaled 100% of the required contributions each year.

Financial reports that include financial statements and supplementary information are publicly available by writing or calling the following: Texas Municipal Retirement System, PO Box 149153, Austin, TX 78714-9153, (877) 634-8595.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 10 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND

#### Plan Description

The Fire Fighters' Pension Commissioner is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2010, there were 199 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

The table below summarizes the TESRS membership as of August 31, 2010:

Retirees and beneficiaries currently receiving benefits	2,167
Terminated participants entitled to benefits but not yet receiving them	2,106
Current active participants (vested and non-vested)	4,371

The above membership count does not include retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) fund before merging into S.B.411. Of the 4,371 current members, 6 were covered by Lake Jackson Emergency Services Department (ESD) and 36 were covered by the Lake Jackson Voluntary Fire Department (VFD).

Senate Bill 411, 65th Legislature, Regular Session (1977) created TESRS and established the applicable benefit provisions. The 79<sup>th</sup> Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Member are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump-sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 10 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND -**  
Continued

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislative, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010 total contributions (dues and prior service) of \$ 2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2008 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2010 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2010 (\$ 502,941 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contributions amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$ 500,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011 are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process.

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) <sup>1</sup> - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered (b-a)/(c)
8/31/06	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
8/31/08 <sup>2</sup>	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/10 <sup>3</sup>	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984

Notes:

<sup>1</sup> The actuarial accrued liability is based upon the entry age actuarial cost method.

<sup>2</sup> Changes in actuarial assumptions were reflected in this valuation.

<sup>3</sup> Changes in actuarial assumptions and method were reflected in this valuation.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

NOTE 10 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND - Continued

Required Supplementary Information - Schedule of Funding Progress - Continued

Fiscal Year Ending	Three-Year Trend Information		
	Annual Required Contributions (ARC)	Actual Contributions	Percentage of ARC Contributed
August 31, 2008	\$ 3,160,764 <sup>1</sup>	\$ 11,239,339 <sup>3</sup>	356%
August 31, 2009	2,698,271 <sup>2</sup>	2,698,271	100%
August 31, 2010	2,875,103 <sup>2</sup>	2,875,103	100%

<sup>1</sup> Based on the August 31, 2006 actuarial valuation.

<sup>2</sup> Based on the August 31, 2008 actuarial valuation.

A report may be obtained by contacting the Texas Comptroller, Post Office Box 13528, Capitol Station, Austin, Texas 78711-3528.

NOTE 11 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the ICMA Retirement Corporation (ICMA). On January 1, 1997, ICMA transferred all Plan assets and income, as described in IRC Section 457, subsection (b)(6), into a trust for the exclusive benefit of the participants and their beneficiaries. At that time, the City adopted GASB Statement No. 32. As the City does not hold the Plan assets in a trustee capacity, the Plan is not considered a Trust and Agency Fund and is not included in the City's financial statements.

The plan, available to all City employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants and their beneficiaries.

The City has no liability for losses under the plan but does have the duty of care that would be required of an ordinary prudent investor.

NOTE 12 - CONTINGENT LIABILITIES

The City is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the City at September 30, 2012.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

### NOTE 13 - RISK POOL PARTICIPATION

The City is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of liability, property, worker's compensation and medical insurance claims. The City pays annual premiums to the pool for the coverage stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Property and liability insurance provide varying and appropriate coverage, with most claims subject to a \$ 5,000 deductible. Workers compensation claims are managed by the Texas Municipal League. For medical insurance claims, the City pays insurance premiums for full coverage and has no liability for claims filed by employees or their covered dependents.

### NOTE 14 - INDUSTRIAL DISTRICT CONTRACT

In 2011, the City of Lake Jackson in conjunction with the Cities of Clute and Freeport has entered into a new contract with the Dow Chemical Company, BASF Corporation, and the Brock interests.

In this contract the City removed the need to determine what value was in each City's jurisdiction and instead simply created an all inclusive "district" where all industrial value is "taxed" at 50% of value at a set 55 cent district "tax rate" as one of the potential growth factors.

This new 15 year contract set a floor payment of \$ 9 million. This floor payment will stay in place for the first two years of the contract. Then that floor payment will go up based on the higher percentage growth factor of either the Department of Labor's CPI-U or the value based formula described above.

A ceiling was also set in which no payment could exceed what would be generated by the industrial values at 80% at the 55 cent Industrial District tax rate.

Payments could only drop below the \$ 9 million floor in the event of a natural disaster (such as a hurricane) negatively affecting property values.

The initial \$ 9 million payment is split as follows:

Clute	\$ 1,400,000
Freeport	3,500,000
Lake Jackson	<u>4,100,000</u>
Total	<u>\$ 9,000,000</u>

In year three of the contract the higher percentage of the CPI-U or growth in the Industrial District values will be applied to each City's allotment to determine that year's payment.

This contract will help provide certainty to both the cities and industry for the next 15 years. It also keeps our Industrial District among the most competitive along the Gulf Coast, in order to encourage industry's efforts to grow this site. Recent announcements by industry seem to indicate this had the desired effect – at least it wasn't a hindrance.

The industrial district revenues received during the year ended September 30, 2012 amounted to \$ 4,100,000.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

**NOTE 15 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES**

During the year ended September 30, 2012, the City applied for and received federal and state grants related to various activities. The operations of these grants are reported in the General Fund and Capital Projects. These grants are reimbursement type grants; therefore, revenues equal expenditures. Grant revenues are classified as intergovernmental revenues.

	<u>General Fund</u>	<u>Downtown Revitalization</u>	<u>Non-major Government Fund</u>	<u>Total</u>
Federal:				
U.S. Department of Housing and Urban Development: Community Development Block Grant (Drainage Project)	\$	\$ 43,817	\$	\$ 43,817
U.S. Department of Justice: Bulletproof Vest Partnership Program	5,316			5,316
U.S. Department of Energy: Energy Efficiency and Conservation Block Grant			<u>82,395</u>	<u>82,395</u>
Total	<u>\$ 5,316</u>	<u>\$ 43,817</u>	<u>\$ 82,395</u>	<u>\$ 131,528</u>

As of September 30, 2012, all cash and in-kind matching requirements had been met for those grants requiring local matching.

During the year ending September 30, 2000, the City received a \$ 16,000,000 loan from the Texas Water Development Board, which represents pass-through Federal assistance from the Environmental Protection Agency. This loan is accounted for in the Enterprise Fund with the liability included in revenue bonds payable (See Note 7). Requirements of the Single Audit Act and OMB Circular A-133 do not apply.

**NOTE 16 - INTERLOCAL AGREEMENT**

During the year ended September 30, 2003, the City entered into an Interlocal Agreement with the City of Freeport, City of Clute, and the Society for the Prevention of Cruelty of Animals of Brazoria County (the SPCA), and the Southern Brazoria County Animal Shelter (the Shelter) to provide an animal shelter and related programs facility. This agreement is for twenty (20) years, being effective as of March 1, 2003 and ending on February 28, 2023. The Cities of Clute and Freeport each contributed \$ 150,000, with the SPCA contributing \$ 250,000 to the City of Lake Jackson as a cash grant to pay for the design and construction of the facility. The City of Lake Jackson agreed as its capital contribution to enter into a twenty (20) year lease subject to renewal on the same terms, as the agreement is renewed, for 5 acres of land and a \$ 1.1 million dollar facility that the City of Lake Jackson will own. The City of Lake Jackson's capital contribution has an agreed cash value of \$ 565,000.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2012

NOTE 16 - INTERLOCAL AGREEMENT - Continued

The Shelter hired the SPCA to provide all administrative services necessary to administer the programs on behalf of the Cities and the SPCA. Each of the three Cities and the SPCA agreed to appropriate to the Shelter for the first year of the term of the agreement, in addition to their capital contribution, a stated amount for use in carrying out the programs developed by the Shelter and for its administrative operating services. For the year ending September 30, 2012, the City paid the Shelter \$ 111,072 under this agreement.

NOTE 17 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 26, 2013, the date which the financial statements were available to be issued.

NOTE 18 - EXCESS OF EXPENDITURES OVER APROPRIATIONS

During the year ended September 30, 2012, expenditures exceeded appropriations in the funds as follows:

Economic Development Special Revenue Fund	\$	6,700
Memorial Garden Fund		4,167
Police Seizure Fund		16,620
Program Education Fund		2,170

The budget was not amended; however, the City Council approved these expenditures as required by City budget procedures.

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***COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES***

## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

#### **Special Revenue Funds**

Red Light Camera Fund – This fund is used to account for funds generated from red light camera citations to be used for traffic safety programs, including pedestrian safety programs, public safety programs, intersection improvements, and traffic enforcement.

Motel Occupancy Tax Fund – This fund is used to account for resources generated from the local hotel/motel occupancy tax. Revenue from this fund has been distributed to the Fine Arts Council, the Museum of Natural Science, Brazosport Area Chamber of Commerce and other pursuits as determined by the City Council pursuant to State law.

Memorial Garden – This fund is used to account for donations received from individuals and/or organizations for planting on City access.

Police Seizure Fund – This fund is used to account for monies obtained through a federal equitable share program for assistance in federal narcotics investigations and monies obtained from local narcotics investigations, authorized by state chapter 59 C.C.P. These monies must be used for law enforcement purposes according to the guidelines set forth in Chapter 59 C.C.P. and the federal equitable sharing agreement.

Program Education Fund – This fund is used to account for revenue generated from a 1% fee paid by local video providers. In addition, the video providers are required to provide PEG channels. PEG revenue may only be spent as allowed by federal law, which provides that expenditures must be for capital costs for PEG facilities.

#### **Debt Service Funds**

Economic Development Debt Service Fund – This fund is used to account for the accumulation of resources for the annual payment of economic development principal and interest and to provide a reserve for such payment.

Golf Course Debt Service Fund – This fund is used to account for the accumulation of resources for the annual payment of the golf course principal and interest and to provide a reserve for such payment.

#### **Capital Projects Funds**

General Construction Fund – This fund is used to account for resources and expenditures dedicated to small general capital improvements. Projects primarily include street rehabilitation and drainage projects, as well as some public facility enhancements. Projects supported by this fund are typically small and do not warrant a bond issue.

## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

#### **Capital Projects Funds - Continued**

Court/Emergency Operations Center/Brazos Oaks Construction Fund – This fund accounts for the proceeds of the \$ 5.3 million bond issue for providing renovations of the old fire station into an expanded municipal court facility, emergency dispatch and operation center, and to account for the Downtown Revitalization Fund and reconstruction of streets and drainage in the Brazos Oaks subdivision.

2004 Infrastructure Fund – This fund is used to account for the proceeds of various bond issues for constructing or reconstructing and improving street, drainage, sidewalks, water and sewer improvements, and other infrastructure projects.

2009 Construction Fund – This fund accounts for the proceeds of the 2009 Limited Tax Bonds issued for financing street reconstruction and water and sewer repairs on Jasmine, Winding Way, and the remaining stretch of Oak Drive.

2010 Drainage Infrastructure Fund – This fund accounts for the proceeds of the 2010 Limited Tax Bonds issued for financing drainage projects and arterial street spot repairs.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2012

	Special Revenue Funds			
	Red Light Camera	Motel Occupancy Tax	Memorial Garden	Police Seizure
<b>Assets:</b>				
Cash and temporary investments	\$ 66,449	\$ 39,718	\$ -	\$ 142,911
Receivables (Net of Allowance for Uncollectibles):				
Taxes				
Accounts				
Due from other funds				
Total assets	<u>\$ 66,449</u>	<u>\$ 39,718</u>	<u>\$ -0-</u>	<u>\$ 142,911</u>
<b>Liabilities:</b>				
Accounts payable	\$ 17,916	\$ -	\$ -	\$ -
Due to other funds				
Total liabilities	<u>17,916</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund Balances:</b>				
Restricted:				
Capital projects				
Traffic safety	48,533			
Program education				
Encourage tourism		39,718		
Law enforcement				142,911
Assigned				
Total fund balances	<u>48,533</u>	<u>39,718</u>	<u>-0-</u>	<u>142,911</u>
Total liabilities and fund balances	<u>\$ 66,449</u>	<u>\$ 39,718</u>	<u>\$ -0-</u>	<u>\$ 142,911</u>

Debt Service			Capital Projects		
Program Education	Economic Development	Golf Course	General Construction	Court/Emergency Operations Center Brazos Oaks Construction	2004 Infrastructure
\$ 60,867	\$	\$	\$ 1,489,260	\$ 133,929	\$ 221,743
16,441			37,455		
		3,360			
<u>\$ 77,308</u>	<u>\$ -0-</u>	<u>\$ 3,360</u>	<u>\$ 1,526,715</u>	<u>\$ 133,929</u>	<u>\$ 221,743</u>
\$ 2,170	\$	\$	\$ 51,519	\$ 104,150	\$
		3,360			
<u>2,170</u>	<u>-0-</u>	<u>3,360</u>	<u>51,519</u>	<u>104,150</u>	<u>-0-</u>
				29,779	221,743
75,138			1,475,196		
<u>75,138</u>	<u>-0-</u>	<u>-0-</u>	<u>1,475,196</u>	<u>29,779</u>	<u>221,743</u>
<u>\$ 77,308</u>	<u>\$ -0-</u>	<u>\$ 3,360</u>	<u>\$ 1,526,715</u>	<u>\$ 133,929</u>	<u>\$ 221,743</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS - Continued

September 30, 2012

	Capital Projects		
	2009 Construction	2010 Drainage Infrastructure	Total Non-major Governmental Funds
Assets:			
Cash and temporary investments	\$ 5	\$ 1,525,596	\$ 3,680,478
Receivables (Net of Allowance for Uncollectibles):			
Taxes			16,441
Accounts			37,455
Due from other funds			<u>3,360</u>
 Total assets	 <u>\$ 5</u>	 <u>\$ 1,525,596</u>	 <u>\$ 3,737,734</u>
 Liabilities:			
Accounts payable	\$	\$ 43,390	\$ 219,145
Due to other funds			<u>3,360</u>
 Total liabilities	 <u>-0-</u>	 <u>43,390</u>	 <u>222,505</u>
 Fund Balances:			
Restricted:			
Capital projects	5	1,482,206	1,733,733
Traffic safety			48,533
Program education			75,138
Encourage tourism			39,718
Law enforcement			142,911
Assigned			<u>1,475,196</u>
 Total fund balances	 <u>5</u>	 <u>1,482,206</u>	 <u>3,515,229</u>
 Total liabilities and fund balances	 <u>\$ 5</u>	 <u>\$ 1,525,596</u>	 <u>\$ 3,737,734</u>

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# CITY OF LAKE JACKSON

Lake Jackson, Texas

## COMBINING STATEMENT OF REVENUES, EXPENDITURE AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2012

	Special Revenue Funds			
	Red Light Camera	Motel Occupancy Tax	Memorial Garden	Police Seizure
Revenues:				
Franchise tax	\$	\$	\$	\$
Motel occupancy tax		219,915		
Intergovernmental				
Fines and fees	25,178			
Investment income		296	10	333
Other				37,531
Total revenues	25,178	220,211	10	37,864
Expenditures:				
Current:				
Cultural and Recreation:				
Contribution to Fine Arts Council		27,091		
Contribution to Museum of Natural Science		47,414		
Contribution to Chamber of Commerce		85,000		
Contribution to Historical Museum		47,414		
Other		4,235	4,167	
Seizures administration				4,143
Traffic control	107,958			
Capital outlay				12,477
Debt Service:				
Principal				
Interest and fiscal charges				
Total expenditures	107,958	211,154	4,167	16,620
Excess (deficiency) of revenues over (under) expenditures	( 82,780)	9,057	( 4,157)	21,244
Other Financing Sources (Uses):				
Proceeds from bond sales				
Bond issuance premium				
Payment to bond refunding escrow agent				
Transfers in				
Transfers out		( 30,000)		
Total other financing sources (uses)	-0-	( 30,000)	-0-	-0-
Net changes in fund balances	( 82,780)	( 20,943)	( 4,157)	21,244
Fund balance – beginning	131,313	60,661	4,157	121,667
Fund balance – ending	\$ 48,533	\$ 39,718	\$ -0-	\$ 142,911

Program Education	Debt Service		Capital Projects		
	Economic Development	Golf Course	General Construction	Court/Emergency Operations Center Brazos Oaks Construction	2004 Infrastructure
\$ 77,308	\$	\$	\$	\$	\$
			82,395		
			5,472		223
			20,433		
<u>77,308</u>	<u>-0-</u>	<u>-0-</u>	<u>108,300</u>	<u>-0-</u>	<u>223</u>
2,170			144,364		
			606,946	73,968	
	850,529	330,000			
	251,861	234,857			
<u>2,170</u>	<u>1,102,390</u>	<u>564,857</u>	<u>751,310</u>	<u>73,968</u>	<u>-0-</u>
<u>75,138</u>	<u>( 1,102,390)</u>	<u>( 564,857)</u>	<u>( 643,010)</u>	<u>( 73,968)</u>	<u>223</u>
		4,000,000			
		440,690			
		( 4,409,405)			
	1,102,390	533,572	765,000		
<u>-0-</u>	<u>1,102,390</u>	<u>482,867</u>	<u>765,000</u>	<u>-0-</u>	<u>-0-</u>
75,138	-0-	-0-	121,990	( 73,968)	223
		-0-	1,353,206	103,747	221,520
<u>\$ 75,138</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,475,196</u>	<u>\$ 29,779</u>	<u>\$ 221,743</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMBINING STATEMENT OF REVENUES, EXPENDITURE AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS - Continued**

For the Year Ended September 30, 2012

	Capital Projects		
	2009	2010	Total
	Construction	Drainage Infrastructure	Non-major Governmental Funds
Revenues:			
Franchise Tax	\$	\$	\$ 77,308
Motel occupancy tax			219,915
Intergovernmental			82,395
Fines and fees			25,178
Investment income		2,167	8,501
Other			57,964
Total revenues	-0-	2,167	471,261
Expenditures:			
Current:			
Cultural and Recreation:			
Contribution to Fine Arts Council			27,091
Contribution to Museum of Natural Science			47,414
Contribution to Chamber of Commerce			85,000
Contribution to Historical Museum			47,414
Other			154,936
Public Safety:			
Seizures administration			4,143
Traffic control			107,958
Capital outlay		586,843	1,280,234
Debit Service:			
Principal			1,180,529
Interest and fiscal charges			486,718
Total expenditures	-0-	586,843	3,421,437
Excess (deficiency) of revenues over (under) expenditures	-0-	( 584,676)	( 2,950,176)
Other Financing Sources (Uses):			
Proceeds from bond sales			4,000,000
Bond issuance premium			440,690
Payment to bond refunding escrow agent			( 4,409,405)
Transfers in			2,400,962
Transfers out			( 30,000)
Total other financing sources (uses)	-0-	-0-	2,402,247
Net changes in fund balances	-0-	( 584,676)	( 547,929)
Fund balance – beginning	5	2,066,882	4,063,158
Fund balance – ending	\$ 5	\$ 1,482,206	\$ 3,515,229

**SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

***Special Revenue and Debt Service Funds***

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Red Light Camera Fund**

For the Year Ended September 30, 2012  
With Comparative Actual Total for 2011

	2012			Variance with Final Budget- Positive (Negative)	2011
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Fines and fees	\$ 40,000	\$ 40,000	\$ 25,178	\$( 14,822)	\$ 25,661
Total revenues	40,000	40,000	25,178	( 14,822)	25,661
Expenditures:					
Current:					
Public Safety:					
Traffic control	138,125	138,125	107,958	30,167	
Total expenditures	138,125	138,125	107,958	30,167	-0-
Excess of revenues over (under) expenditures	( 98,125)	( 98,125)	( 82,780)	15,345	25,661
Net changes in fund balances	( 98,125)	( 98,125)	( 82,780)	15,345	25,661
Fund balance – beginning	131,313	131,313	131,313	-0-	105,652
Fund balance – ending	\$ 33,188	\$ 33,188	\$ 48,533	\$ 15,345	\$ 131,313

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Motel Occupancy Tax Fund**

For the Year Ended September 30, 2012  
With Comparative Actual Totals for 2011

	2012			Variance with Final Budget- Positive (Negative)	2011
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Occupancy tax	\$ 218,000	\$ 218,000	\$ 219,915	\$ 1,915	\$ 226,240
Investment income	500	500	296	(204)	368
Total revenues	<u>218,500</u>	<u>218,500</u>	<u>220,211</u>	<u>1,711</u>	<u>226,608</u>
Expenditures:					
Current:					
Culture and recreation	<u>216,775</u>	<u>216,775</u>	<u>211,154</u>	<u>5,621</u>	<u>236,188</u>
Total expenditures	<u>216,775</u>	<u>216,775</u>	<u>211,154</u>	<u>5,621</u>	<u>236,188</u>
Excess of revenues over (under) expenditures	<u>1,725</u>	<u>1,725</u>	<u>9,057</u>	<u>7,332</u>	<u>(9,580)</u>
Other Financing Sources (Uses):					
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-0-</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-0-</u>	<u>(30,000)</u>
Net changes in fund balance	<u>(28,275)</u>	<u>(28,275)</u>	<u>(20,943)</u>	<u>7,332</u>	<u>(39,580)</u>
Fund balance – beginning	<u>60,661</u>	<u>60,661</u>	<u>60,661</u>	<u>-0-</u>	<u>100,241</u>
Fund balance – ending	<u>\$ 32,386</u>	<u>\$ 32,386</u>	<u>\$ 39,718</u>	<u>\$ 7,332</u>	<u>\$ 60,661</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Memorial Garden Fund**

For the Year Ended September 30, 2012  
With Comparative Actual Totals for 2011

	2012			Variance with Final Budget- Positive (Negative)	2011
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$	\$	\$ 10	\$ 10	\$ 24
Miscellaneous				-0-	145
Total revenues	-0-	-0-	10	10	169
Expenditures:					
Current:					
Public safety:					
Culture and recreation			4,167	( 4,167)	-0-
Total expenditures			4,167	( 4,167)	-0-
Excess of revenues over (under) expenditures	-0-	-0-	( 4,157)	( 4,157)	169
Net changes in fund balances			( 4,157)	( 4,157)	169
Fund balance – beginning	4,157	4,157	4,157	-0-	3,988
Fund balance – ending	<u>\$ 4,157</u>	<u>\$ 4,157</u>	<u>\$ -0-</u>	<u>\$( 4,157)</u>	<u>\$ 4,157</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Police Seizure Fund**

For the Year Ended September 30, 2012  
With Comparative Actual Totals for 2011

	2012			Variance with Final Budget- Positive (Negative)	2011
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$	\$	\$ 333	\$ 333	\$ 54
Other			37,531	37,531	106,031
Total revenues	-0-	-0-	37,864	37,864	106,085
Expenditures:					
Current:					
Public Safety:					
Seizures administration			4,143	( 4,143)	3,280
Capital outlay			12,477	( 12,477)	-0-
Total expenditures			16,620	( 16,620)	3,280
Excess of revenues over (under) expenditures	-0-	-0-	21,244	21,244	102,805
Fund balance – beginning	121,667	121,667	121,667	-0-	18,862
Fund balance – ending	\$ 121,667	\$ 121,667	\$ 142,911	\$ 21,244	\$ 121,667

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Program Education Fund**

For the Year Ended September 30, 2012  
With Comparative Actual Totals for 2011

	2012			Variance with Final Budget- Positive (Negative)	2011
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Franchise tax	\$	\$	\$ 77,308	\$ 77,308	\$ -0-
Total revenues	-0-	-0-	77,308	77,308	-0-
Expenditures:					
Current:					
Culture and recreation			2,170	( 2,170)	-0-
Total expenditures			2,170	( 2,170)	-0-
Excess of revenues over (under) expenditures	-0-	-0-	75,138	75,138	-0-
Fund balance – beginning	-0-	-0-	-0-	-0-	-0-
Fund balance – ending	\$ -0-	\$ -0-	\$ 75,138	\$ 75,138	\$ -0-

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Economic Development Debt Service Fund**

For the Year Ended September 30, 2012  
With Comparative Actual Total for 2011

	2012			Variance with Final Budget- Positive (Negative)	2011
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	850,529	850,529	850,529		857,837
Interest and fiscal charges	<u>253,861</u>	<u>253,861</u>	<u>251,861</u>	<u>2,000</u>	<u>281,237</u>
Total expenditures	<u>1,104,390</u>	<u>1,104,390</u>	<u>1,102,390</u>	<u>2,000</u>	<u>1,139,074</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 1,104,390)</u>	<u>( 1,104,390)</u>	<u>( 1,102,390)</u>	<u>2,000</u>	<u>( 1,139,074)</u>
Other Financing Sources (Uses):					
Transfers in	<u>1,104,390</u>	<u>1,104,390</u>	<u>1,102,390</u>	<u>( 2,000)</u>	<u>1,139,074</u>
Total other financing sources (uses)	<u>1,104,390</u>	<u>1,104,390</u>	<u>1,102,390</u>	<u>( 2,000)</u>	<u>1,139,074</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning	_____	_____	_____	-0-	_____
Fund balance – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**Golf Course Debt Service Fund**

For the Year Ended September 30, 2012

With Comparative Actual Totals for 2011

	2012			Variance with Final Budget- Positive (Negative)	2011
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	330,000	330,000	330,000		320,000
Interest and fiscal charges	<u>223,360</u>	<u>223,360</u>	<u>234,857</u>	( 11,497 )	<u>235,730</u>
Total expenditures	<u>553,360</u>	<u>553,360</u>	<u>564,857</u>	( 11,497 )	<u>555,730</u>
Excess of revenues over (under) expenditures	( <u>553,360</u> )	( <u>553,360</u> )	( <u>564,857</u> )	( 11,497 )	( <u>555,730</u> )
Other Financing Sources (Uses):					
Proceeds from bond sales			4,440,690	4,440,690	
Payment to bond refunding escrow agent			( 4,409,405 )	( 4,409,405 )	
Transfers in	<u>553,360</u>	<u>553,360</u>	<u>533,572</u>	( 19,788 )	<u>555,730</u>
Total other financing sources (uses)	<u>553,360</u>	<u>553,360</u>	<u>564,857</u>	( 11,497 )	<u>555,730</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning	_____	_____	_____	-0-	_____
Fund balance – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

***General Fund***

These supplementary statements and schedules are included to provide management additional information for financial analysis.

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE BALANCE SHEETS -  
General Fund**

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and temporary investments	\$ 11,755,980	\$ 10,760,344
Receivable (Net of Allowance for Uncollectibles):		
Taxes	1,037,701	1,018,259
Accounts	87,200	62,830
Grants	190,736	190,736
Due from other funds		6,430
Investments	399,000	399,000
Inventories	130,525	111,605
Prepaid expenditures	<u>5,265</u>	<u>67,970</u>
 Total assets	 <u>\$ 13,606,407</u>	 <u>\$ 12,617,174</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 770,963	\$ 664,843
Cash bonds and taxes	390,022	300,589
Accrued wages	107,522	94,659
Due to other funds		150,157
Deferred revenue	<u>108,105</u>	<u>111,231</u>
 Total liabilities	 <u>1,376,612</u>	 <u>1,321,479</u>
Fund Balance:		
Non-spendable:		
Inventory	130,525	111,605
Prepaid expenditures	5,265	67,970
Committed:		
General contingencies	1,037,756	1,032,819
Assigned:		
Unemployment insurance	194,179	203,627
Equipment replacement	4,909,100	4,033,149
Special events	31,881	6,660
Park	284,576	336,842
Unassigned	<u>5,636,513</u>	<u>5,503,023</u>
 Total fund balance	 <u>12,229,795</u>	 <u>11,295,695</u>
 Total liabilities and fund balance	 <u>\$ 13,606,407</u>	 <u>\$ 12,617,174</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

### General Fund

For the Year Ended September 30, 2012

With Comparative Actual Totals for 2011

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,286,757	\$ 3,286,757
Sales	4,608,100	4,608,100
Franchise	1,630,000	1,630,000
Other	54,000	54,000
Industrial district	4,100,000	4,100,000
Intergovernmental	120,500	120,500
Revenue producing facilities	952,200	952,200
Fines and fees	414,900	414,900
Licenses and permits	174,700	174,700
Investment income	58,000	58,000
Miscellaneous	57,000	57,000
Total revenues	15,456,157	15,456,157
Expenditures:		
Current:		
General government and administration	3,093,146	3,093,146
Public safety	5,665,067	5,665,067
Public works	2,724,780	2,724,780
Culture and recreation	4,017,883	4,017,883
Capital outlay	914,150	914,150
Total expenditures	16,415,026	16,415,026
Excess of revenues over (under) expenditures	( 958,869)	( 958,869)
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,625,620	1,625,620
Transfers out	( 362,000)	( 1,127,000)
Total other financing sources (uses)	1,263,620	498,620
Net change in fund balance	304,751	( 460,249)
Fund balance – beginning	11,295,695	11,295,695
Fund balance - ending	\$ 11,600,446	\$ 10,835,446

2012			2011	
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,296,462	\$	\$ 3,296,462	\$ 9,705	\$ 3,396,094
4,772,141		4,772,141	164,041	4,562,724
1,516,140		1,516,140	( 113,860)	1,619,883
130,992		130,992	76,992	130,638
4,100,000		4,100,000	-0-	3,984,300
5,316		5,316	( 115,184)	150,724
1,042,830		1,042,830	90,630	1,005,931
479,425		479,425	64,525	392,875
227,672		227,672	52,972	213,772
75,352		75,352	17,352	64,144
<u>321,548</u>		<u>321,548</u>	<u>264,548</u>	<u>160,422</u>
<u>15,967,878</u>	<u>-0-</u>	<u>15,967,878</u>	<u>511,721</u>	<u>15,681,507</u>
3,084,407	( 33)	3,084,374	8,772	2,850,899
5,600,724	( 9,083)	5,591,641	73,426	5,559,479
2,454,131	( 1,219)	2,452,912	271,868	2,354,769
3,810,251	( 2,527)	3,807,724	210,159	3,839,959
<u>772,357</u>	<u>-0-</u>	<u>772,357</u>	<u>141,793</u>	<u>910,764</u>
<u>15,721,870</u>	<u>( 12,862)</u>	<u>15,709,008</u>	<u>706,018</u>	<u>15,515,870</u>
<u>246,008</u>	<u>12,862</u>	<u>258,870</u>	<u>1,217,739</u>	<u>165,637</u>
73,120		73,120	73,120	28,330
1,670,652		1,670,652	45,032	1,579,112
( 1,055,680)		( 1,055,680)	71,320	( 1,235,428)
<u>688,092</u>	<u>-0-</u>	<u>688,092</u>	<u>189,472</u>	<u>372,014</u>
934,100	12,862	946,962	1,407,211	537,651
<u>11,295,695</u>	<u>-0-</u>	<u>11,295,695</u>	<u>-0-</u>	<u>10,758,044</u>
<u>\$ 12,229,795</u>	<u>\$ 12,862</u>	<u>\$ 12,242,657</u>	<u>\$ 1,407,211</u>	<u>\$ 11,295,695</u>

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**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

***Economic Development Fund***

These supplementary statements and schedules are included to provide management additional information for financial analysis.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE BALANCE SHEETS-**  
Economic Development Fund

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and temporary investments	\$ 1,802,921	\$ 2,130,907
Receivable (Net of Allowance for Uncollectibles):		
Taxes	411,566	395,598
Due from other funds	<u>3,360</u>	<u>          </u>
Total assets	<u>\$ 2,217,847</u>	<u>\$ 2,526,505</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ <u>9,923</u>	\$ <u>          </u>
Total liabilities	<u>9,923</u>	<u>-0-</u>
Fund Balances:		
Unreserved:		
Undesignated	<u>2,207,924</u>	<u>2,526,505</u>
Total fund balance	<u>2,207,924</u>	<u>2,526,505</u>
Total liabilities and fund balance	<u>\$ 2,217,847</u>	<u>\$ 2,526,505</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
Economic Development Fund**

For the Year Ended September 30, 2012  
With Comparative Actual Totals for 2011

	2012			Variance with Final Budget- Positive (Negative)	2011
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 2,373,500	\$ 2,373,500	\$ 2,457,990	\$ 84,490	\$ 2,355,777
Investment income	<u>12,225</u>	<u>12,225</u>	<u>12,731</u>	<u>506</u>	<u>13,038</u>
Total revenues	<u>2,385,725</u>	<u>2,385,725</u>	<u>2,470,721</u>	<u>84,996</u>	<u>2,368,815</u>
Expenditures:					
Current:					
General government and administration			23,795	( 23,795)	-0-
Capital outlay	<u>550,000</u>	<u>550,000</u>	<u>532,905</u>	<u>17,095</u>	<u>8,061</u>
Total expenditures	<u>550,000</u>	<u>550,000</u>	<u>556,700</u>	<u>( 6,700)</u>	<u>8,061</u>
Excess of revenues over (under) expenditures	<u>1,835,725</u>	<u>1,835,725</u>	<u>1,914,021</u>	<u>78,296</u>	<u>2,360,754</u>
Other Financing Sources (Uses):					
Transfers out	<u>( 1,904,389)</u>	<u>( 1,904,389)</u>	<u>( 2,232,602)</u>	<u>( 328,213)</u>	<u>( 2,238,374)</u>
Total other financing sources (uses)	<u>( 1,904,389)</u>	<u>( 1,904,389)</u>	<u>( 2,232,602)</u>	<u>( 328,213)</u>	<u>( 2,238,374)</u>
Net changes in fund balance	( 68,664)	( 68,664)	( 318,581)	( 249,917)	122,380
Fund balances – beginning	<u>2,526,505</u>	<u>2,526,505</u>	<u>2,526,505</u>	<u>-0-</u>	<u>2,404,125</u>
Fund balances – ending	<u>\$ 2,457,841</u>	<u>\$ 2,457,841</u>	<u>\$ 2,207,924</u>	<u>\$( 249,917)</u>	<u>\$ 2,526,505</u>

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***SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES***

***General Debt Service Fund***

These supplementary statements and schedules are included to provide management additional information for financial analysis.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE BALANCE SHEETS-  
General Debt Service Fund**

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and temporary investments	\$ 608,001	\$ 671,573
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>21,215</u>	<u>25,932</u>
Total assets	<u>\$ 629,216</u>	<u>\$ 697,505</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Deferred revenue	\$ <u>21,160</u>	\$ <u>25,877</u>
Total liabilities	<u>21,160</u>	<u>25,877</u>
Fund Balance:		
Restricted For:		
Debt service	<u>608,056</u>	<u>671,628</u>
Total fund balance	<u>608,056</u>	<u>671,628</u>
Total liabilities and fund balance	<u>\$ 629,216</u>	<u>\$ 697,505</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
General Debt Service Fund**

For the Year Ended September 30, 2012  
With Comparative Actual Totals for 2011

	2012			Variance with Final Budget- Positive (Negative)	2011
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Taxes	\$ 2,250,000	\$ 2,250,000	\$ 2,253,191	\$ 3,191	\$ 2,251,006
Investment income	<u>8,000</u>	<u>8,000</u>	<u>7,175</u>	<u>( 825)</u>	<u>7,265</u>
Total revenues	<u>2,258,000</u>	<u>2,258,000</u>	<u>2,260,366</u>	<u>2,366</u>	<u>2,258,271</u>
Expenditures:					
Debt Service:					
Principal	1,629,471	1,629,471	1,649,471	( 20,000)	1,537,163
Interest and fiscal charges	<u>681,984</u>	<u>681,984</u>	<u>700,747</u>	<u>( 18,763)</u>	<u>755,296</u>
Total expenditures	<u>2,311,455</u>	<u>2,311,455</u>	<u>2,350,218</u>	<u>( 38,763)</u>	<u>2,292,459</u>
Excess of revenues over (under) expenditures	<u>( 53,455)</u>	<u>( 53,455)</u>	<u>( 89,852)</u>	<u>( 36,397)</u>	<u>( 34,188)</u>
Other Financing Sources (Uses):					
Proceeds from bond sales			3,360,000	3,360,000	
Bond issuance premium			370,180	370,180	
Payment to bond refunding escrow agent			<u>( 3,703,900)</u>	<u>( 3,703,900)</u>	
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>26,280</u>	<u>26,280</u>	<u>-0-</u>
Net changes in fund balance	<u>( 53,455)</u>	<u>( 53,455)</u>	<u>( 63,572)</u>	<u>( 10,117)</u>	<u>( 34,188)</u>
Fund balance – beginning	<u>671,628</u>	<u>671,628</u>	<u>671,628</u>	<u>-0-</u>	<u>705,816</u>
Fund balance – ending	<u>\$ 618,173</u>	<u>\$ 618,173</u>	<u>\$ 608,056</u>	<u>\$( 10,117)</u>	<u>\$ 671,628</u>

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**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

***Proprietary Funds***

These supplementary statements and schedules are included to provide management additional information for financial analysis.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF NET ASSETS**  
Enterprise Fund

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 3,585,654	\$ 3,533,757
Receivables (Net of Allowance for Uncollectibles):		
Accounts	<u>541,629</u>	<u>639,200</u>
	<u>4,127,283</u>	<u>4,172,957</u>
Restricted Assets:		
Cash and temporary investments	670,080	1,816,480
Due from other governments	<u>5,318</u>	<u>5,318</u>
Total restricted assets	<u>675,398</u>	<u>1,821,798</u>
Total current assets	<u>4,802,681</u>	<u>5,994,755</u>
Noncurrent Assets:		
Restricted Cash and Temporary Investments:		
Revenue bond covenant accounts	<u>2,297,519</u>	<u>1,477,276</u>
Total noncurrent restricted assets	<u>2,297,519</u>	<u>1,477,276</u>
Deferred charges	<u>195,399</u>	<u>221,048</u>
Capital Assets:		
Property, plant and equipment	62,125,420	61,114,184
Construction in process	17,542	26,367
Less accumulated depreciation	<u>( 30,513,920)</u>	<u>( 28,594,394)</u>
Total capital assets (net of accumulated depreciation)	<u>31,629,042</u>	<u>32,546,157</u>
Total noncurrent assets	<u>34,121,960</u>	<u>34,244,481</u>
Total assets	<u>38,924,641</u>	<u>40,239,236</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF NET ASSETS**  
Enterprise Fund - Continued

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 467,413	\$ 354,803
Accrued wages	23,570	19,914
Accrued compensated absences	58,137	121,776
Revenue bonds payable	<u>702,916</u>	<u>708,750</u>
	<u>1,252,036</u>	<u>1,205,243</u>
Current Liabilities Payable from Restricted Assets:		
Accounts payable		41,149
Accrued interest	165,400	178,748
Customer deposits	604,036	583,795
Revenue bonds payable	<u>502,084</u>	<u>506,250</u>
Total current liabilities payable from restricted assets	<u>1,271,520</u>	<u>1,309,942</u>
Total current liabilities	<u>2,523,556</u>	<u>2,515,185</u>
Noncurrent Liabilities:		
Revenue bonds payable (net of unamortized discounts)	9,345,000	10,550,000
Accrued compensated absences	82,071	
Net pension obligation	<u>199,261</u>	<u>181,206</u>
Total noncurrent liabilities	<u>9,626,332</u>	<u>10,731,206</u>
Total liabilities	<u>12,149,888</u>	<u>13,246,391</u>
Net Assets:		
Invested in capital assets, net of related debt	21,274,441	21,389,137
Restricted For:		
Revenue bond retirement	2,132,119	1,992,631
Construction	71,362	115,818
Unrestricted	<u>3,296,831</u>	<u>3,495,259</u>
Total net assets	<u>\$ 26,774,753</u>	<u>\$ 26,992,845</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
Enterprise Fund**

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Water service	\$ 3,569,045	\$ 3,822,176
Sewer service	3,420,461	3,548,656
Garbage fees	3,052,811	3,036,999
Tapping and connection fees	231,060	214,696
Capital grant revenue	143,858	
Other	<u>141,740</u>	<u>198,922</u>
Total operating revenues	<u>10,558,975</u>	<u>10,821,449</u>
Operating Expenses:		
Utility administration	430,312	408,299
Water production, treatment and distribution	2,834,877	2,779,698
Sewer collection and treatment	1,984,118	1,928,321
Sanitation	2,219,316	2,298,919
Depreciation	<u>1,975,138</u>	<u>1,996,758</u>
Total operating expenses	<u>9,443,761</u>	<u>9,411,995</u>
Operating income	<u>1,115,214</u>	<u>1,409,454</u>
Non-Operating Revenues (Expenses):		
Interest revenue	39,848	34,569
Interest expense and fiscal charges	<u>( 402,151)</u>	<u>( 431,723)</u>
Total non-operating revenues (expenses)	<u>( 362,303)</u>	<u>( 397,154)</u>
Income (loss) before contributions and transfers	752,911	1,012,300
Capital contributions	28,969	
Transfers in	290,680	585,428
Transfers out	<u>( 1,290,652)</u>	<u>( 1,199,112)</u>
Change in net assets	<u>( 218,092)</u>	398,616
Net assets at beginning of year	<u>26,992,845</u>	<u>26,594,229</u>
Net assets at end of year	<u>\$ 26,774,753</u>	<u>\$ 26,992,845</u>

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF CASH FLOWS -  
Enterprise Fund**

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 10,676,784	\$ 10,743,881
Payments to suppliers	( 4,342,340)	( 4,415,201)
Payments to employees	( 2,985,707)	( 2,934,842)
Net cash provided by operating activities	<u>3,348,737</u>	<u>3,393,838</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	290,680	585,428
Transfers out	( 1,290,652)	( 1,199,112)
Net cash used for non-capital financing activities	<u>( 999,972)</u>	<u>( 613,684)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	( 1,058,023)	( 2,209,109)
Principal paid on capital debt	( 1,215,000)	( 1,260,000)
Interest and fiscal charges paid on capital debt	( 389,850)	( 398,581)
Net cash used for capital and related financing activities	<u>( 2,662,873)</u>	<u>( 3,867,690)</u>
Cash Flows from Investing Activities:		
Interest received	<u>39,848</u>	<u>34,569</u>
Net cash provided by investing activities	<u>39,848</u>	<u>34,569</u>
Net decrease in cash and cash equivalents	( 274,260)	( 1,052,967)
Cash and cash equivalents at the beginning of year	<u>6,827,513</u>	<u>7,880,480</u>
Cash and cash equivalents at the end of year	<u>\$ 6,553,253</u>	<u>\$ 6,827,513</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF CASH FLOWS -  
Enterprise Fund - Continued**

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ <u>1,115,214</u>	\$ <u>1,409,454</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	1,975,138	1,996,758
(Increase) decrease in accounts receivable	126,537	( 48,050)
Increase (decrease) in accounts payable	71,464	23,800
Increase (decrease) in accrued wages payable	3,656	( 44,398)
Increase (decrease) in net pension obligation	18,055	67,656
Increase (decrease) in accrued compensated absences	18,432	( 4,817)
Increase (decrease) in customer deposits	<u>20,241</u>	<u>( 6,565)</u>
Total adjustments	<u>2,233,523</u>	<u>1,984,384</u>
Net cash provided by operating activities	\$ <u><u>3,348,737</u></u>	\$ <u><u>3,393,838</u></u>
Non-cash Investing, Capital, and Financing Activities:		
Contributions of capital assets from government	\$ <u>28,969</u>	\$ <u>-0-</u>
Net effect of non-cash transactions	\$ <u><u>28,969</u></u>	\$ <u><u>-0-</u></u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ACTUAL COMPARED TO BUDGETARY BASIS Enterprise Fund

For the Year Ended September 30, 2012  
With Comparative Actual Totals for 2011

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 3,624,943	\$ 3,624,943
Sewer service	3,406,571	3,406,571
Garbage fees	3,116,123	3,116,123
Tapping and connection fees	197,200	197,200
Capital grant revenue		
Other	125,120	125,120
Total revenues	10,469,957	10,469,957
Operating Expenses:		
Utility administration	444,960	444,960
Water production, treatment and distribution	2,731,375	2,859,375
Sewer collection and treatment	2,282,441	2,282,441
Sanitation	2,900,298	2,900,298
Depreciation		
Total operating expenses	8,359,074	8,487,074
Operating income	2,110,883	1,982,883
Non-operating Revenues (Expenses):		
Interest revenue	15,000	15,000
Interest expense and fiscal charge	( 610,789)	( 610,789)
Total non-operating revenues (expenses)	( 595,789)	( 595,789)
Income before contributions and transfers	1,515,094	1,387,094
Contributions		
Transfers in	70,400	70,400
Transfers out	( 1,585,494)	( 1,585,494)
Change in net assets	-0-	( 128,000)
Fund balances - beginning	26,992,845	26,992,845
Net assets ending	\$ 26,992,845	\$ 26,864,845

2012			2011	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,569,045	\$	\$ 3,569,045	\$ ( 55,898 )	\$ 3,822,176
3,420,461		3,420,461	13,890	3,548,656
3,052,811		3,052,811	( 63,312 )	3,036,999
231,060		231,060	33,860	214,696
143,858		143,858	143,858	
141,740		141,740	16,620	198,922
<u>10,558,975</u>	<u>-0-</u>	<u>10,558,975</u>	<u>89,018</u>	<u>10,821,449</u>
430,312	( 2,471 )	427,841	17,119	408,299
2,834,877	( 6,489 )	2,828,388	30,987	2,779,698
1,984,118	( 11,806 )	1,972,312	310,129	1,928,321
2,219,316	( 1,322 )	2,217,994	682,304	2,298,919
1,975,138	( 1,975,138 )			1,996,758
<u>9,443,761</u>	<u>( 1,997,226 )</u>	<u>7,446,535</u>	<u>1,040,539</u>	<u>9,411,995</u>
<u>1,115,214</u>	<u>1,997,226</u>	<u>3,112,440</u>	<u>1,129,557</u>	<u>1,409,454</u>
39,848		39,848	24,848	34,569
( 402,151 )	45,369	( 356,782 )	254,007	( 431,723 )
( 362,303 )	45,369	( 316,934 )	278,855	( 397,154 )
752,911	2,042,595	2,795,506	1,408,412	1,012,300
28,969		28,969	28,969	
290,680		290,680	220,280	585,428
( 1,290,652 )		( 1,290,652 )	294,842	( 1,199,112 )
( 218,092 )	2,042,595	1,824,503	1,952,503	398,616
<u>26,992,845</u>	<u></u>	<u>26,992,845</u>	<u>-0-</u>	<u>26,594,229</u>
<u>\$ 26,774,753</u>	<u>\$ 2,042,595</u>	<u>\$ 28,817,348</u>	<u>\$ 1,952,503</u>	<u>\$ 26,992,845</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF NET ASSETS**

Golf Course Operating Fund

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 190,529	\$ 120,410
Receivables (Net of Allowance for Uncollectibles):		
Accounts	15,674	26,868
Inventory	31,303	38,452
Prepays	<u>12,767</u>	<u>11,946</u>
Total current assets	<u>250,273</u>	<u>197,676</u>
Capital Assets:		
Property, plant and equipment	8,908,510	9,272,546
Less accumulated depreciation	<u>( 2,350,500 )</u>	<u>( 2,357,447 )</u>
Total capital assets (net of accumulated depreciation)	<u>6,558,010</u>	<u>6,915,099</u>
Total noncurrent assets	<u>6,558,010</u>	<u>6,915,099</u>
Total assets	<u>6,808,283</u>	<u>7,112,775</u>

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF NET ASSETS**  
Golf Course Operating Fund - Continued

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 43,328	\$ 58,149
Accrued wages	14,277	11,024
Deferred revenues	135,856	142,507
Deferred gain on rental	30,376	
Capital leases payable - current		222,972
Due to other funds	<u>3,360</u>	<u>6,430</u>
Total current liabilities	<u>227,197</u>	<u>441,082</u>
Noncurrent Liabilities:		
Deferred gain on rental	70,876	
Capital leases payable – net of current		<u>7,903</u>
Total noncurrent liabilities	<u>70,876</u>	<u>7,903</u>
Total liabilities	<u>298,073</u>	<u>448,985</u>
Net Assets:		
Invested in capital assets, net of related debt	6,558,010	6,684,224
Unrestricted	<u>(47,800)</u>	<u>(20,434)</u>
Total net assets	<u>\$ 6,510,210</u>	<u>\$ 6,663,790</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
Golf Course Operating Fund**

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Course and ground	\$ 842,671	\$ 857,675
Cart	227,564	248,149
Pro shop	153,927	161,959
Range	63,965	63,650
Food and beverage	230,885	239,978
Other	<u>726</u>	<u>4</u>
Total operating revenues	<u>1,519,738</u>	<u>1,571,415</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	107,173	115,832
Food and beverage	90,445	95,132
Payroll and related benefits	822,753	833,834
Other expenses	453,941	541,452
Management fee	85,097	70,000
Depreciation	<u>357,089</u>	<u>394,155</u>
Total operating expenses	<u>1,916,498</u>	<u>2,050,405</u>
Operating income (loss)	<u>( 396,760)</u>	<u>( 478,990)</u>
Non-Operating Revenues (Expenses):		
Interest revenue	2,584	2,256
Interest expense and fiscal charges	<u>( 6,044)</u>	<u>( 9,616)</u>
Total non-operating revenues (expenses)	<u>( 3,460)</u>	<u>( 7,360)</u>
Income (loss) before contributions and transfers	<u>( 400,220)</u>	<u>( 486,350)</u>
Capital contributions		14,445
Transfers in	250,000	200,000
Transfers out	<u>( 3,360)</u>	<u>( 6,430)</u>
Change in net assets	<u>( 153,580)</u>	<u>( 278,335)</u>
Net assets at beginning of year	<u>6,663,790</u>	<u>6,942,125</u>
Net assets at end of year	<u>\$ 6,510,210</u>	<u>\$ 6,663,790</u>

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF CASH FLOWS -  
Golf Course Operating Fund**

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,524,281	\$ 1,581,671
Payments from (to) other funds	( 3,070)	2,400
Payments to suppliers	( 745,148)	( 754,239)
Payments to employees	( 819,501)	( 860,572)
Net cash used for operating activities	<u>( 43,438)</u>	<u>( 30,740)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	250,000	200,000
Transfers out	<u>( 3,360)</u>	<u>( 6,430)</u>
Net cash provided by non-capital financing activities	<u>246,640</u>	<u>193,570</u>
Cash Flows from Capital and Related Financing Activities:		
Principal paid on capital debt	( 129,623)	( 140,965)
Interest and fiscal charges paid on capital debt	<u>( 6,044)</u>	<u>( 9,616)</u>
Net cash used for capital and related financing activities	<u>( 135,667)</u>	<u>( 150,581)</u>
Cash Flows from Investing Activities:		
Interest received	<u>2,584</u>	<u>2,256</u>
Net cash provided by investing activities	<u>2,584</u>	<u>2,256</u>
Net increase in cash and cash equivalents	70,119	14,505
Cash and cash equivalents at the beginning of year	<u>120,410</u>	<u>105,905</u>
Cash and cash equivalents at the end of year	<u>\$ 190,529</u>	<u>\$ 120,410</u>

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF CASH FLOWS -  
Golf Course Operating Fund - Continued**

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$( <u>396,760</u> )	\$( <u>478,990</u> )
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	357,089	394,155
(Increase) decrease in accounts receivable	11,194	( 5,102)
(Increase) decrease in inventory	7,149	63,041
(Increase) decrease in prepaids	( 821)	( 11,946)
Increase (decrease) in accounts payable	( 14,821)	17,084
Increase (decrease) in accrued wages	3,253	( 26,738)
Increase (decrease) in deferred revenues	( 6,651)	15,356
Increase (decrease) in due to other funds	<u>( 3,070)</u>	<u>2,400</u>
Total adjustments	<u>353,322</u>	<u>448,250</u>
Net cash used for operating activities	\$( <u>43,438</u> )	\$( <u>30,740</u> )
Noncash Investing, Capital, and Financing Activities:		
Capital assets transferred from other funds	\$ _____	\$ <u>14,445</u>
Net effect of noncash transactions	\$ <u>-0-</u>	\$ <u>14,445</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ACTUAL COMPARED TO BUDGETARY BASIS Golf Course Operating Fund

For the Year Ended September 30, 2012  
With Comparative Actual Totals for 2011

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 949,111	\$ 949,111
Cart	269,944	269,944
Pro shop	191,253	191,253
Range	68,457	68,457
Food and beverage	240,773	240,773
Other		
Total operating revenues	<u>1,719,538</u>	<u>1,719,538</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	115,051	115,051
Food and beverage	84,180	84,180
Payroll and related benefits	891,217	891,217
Other expenses	535,695	535,695
Management fee	84,000	84,000
Depreciation		
Total operating expenses	<u>1,710,143</u>	<u>1,710,143</u>
Operating income (loss)	<u>9,395</u>	<u>9,395</u>
Non-operating Revenues (Expenses):		
Interest revenue		
Interest expense and fiscal charge		
Total non-operating revenues (expenses)	<u>-0-</u>	<u>-0-</u>
Income (loss) before contributions and transfers	9,395	9,395
Capital contribution		
Transfers in	100,000	100,000
Transfers out	<u>(3,360)</u>	<u>(3,360)</u>
Change in net assets	106,035	106,035
Fund balances - beginning	<u>6,663,790</u>	<u>6,663,790</u>
Fund balances - ending	<u>\$ 6,769,825</u>	<u>\$ 6,769,825</u>

2012			2011	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 842,671	\$	\$ 842,671	\$( 106,440)	\$ 857,675
227,564		227,564	( 42,380)	248,149
153,927		153,927	( 37,326)	161,959
63,965		63,965	( 4,492)	63,650
230,885		230,885	( 9,888)	239,978
726		726	726	4
<u>1,519,738</u>	<u>-0-</u>	<u>1,519,738</u>	<u>( 199,800)</u>	<u>1,571,415</u>
107,173		107,173	7,878	115,832
90,445		90,445	( 6,265)	95,132
822,753		822,753	68,464	833,834
453,941		453,941	81,754	541,452
85,097		85,097	( 1,097)	70,000
<u>357,089</u>	<u>( 357,089)</u>			<u>394,155</u>
<u>1,916,498</u>	<u>( 357,089)</u>	<u>1,559,409</u>	<u>150,734</u>	<u>2,050,405</u>
<u>( 396,760)</u>	<u>357,089</u>	<u>( 39,671)</u>	<u>( 49,066)</u>	<u>( 478,990)</u>
2,584		2,584	2,584	2,256
<u>( 6,044)</u>		<u>( 6,044)</u>	<u>( 6,044)</u>	<u>( 9,616)</u>
<u>( 3,460)</u>	<u>-0-</u>	<u>( 3,460)</u>	<u>( 3,460)</u>	<u>( 7,360)</u>
<u>( 400,220)</u>	<u>357,089</u>	<u>( 43,131)</u>	<u>( 52,526)</u>	<u>( 486,350)</u>
250,000		250,000	-0-	14,445
<u>( 3,360)</u>		<u>( 3,360)</u>	<u>150,000</u>	<u>200,000</u>
			<u>-0-</u>	<u>( 6,430)</u>
<u>( 153,580)</u>	<u>357,089</u>	<u>203,509</u>	<u>97,474</u>	<u>( 278,335)</u>
<u>6,663,790</u>		<u>6,663,790</u>	<u>-0-</u>	<u>6,942,125</u>
<u>\$ 6,510,210</u>	<u>\$ 357,089</u>	<u>\$ 6,867,299</u>	<u>\$ 97,474</u>	<u>\$ 6,663,790</u>

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## ***CAPITAL ASSET SCHEDULES***

These schedules present the capital asset balances related to governmental funds. A capital asset is presented in this schedule when it has been purchased using general governmental resources and is used for general governmental purposes. Assets are recorded at historical cost if purchased, or if historical cost is not available, estimated historical cost, or fair market value on the date donated, if donated.

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# CITY OF LAKE JACKSON

Lake Jackson, Texas

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS COMPARATIVE SCHEDULES BY SOURCE

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Governmental Funds Capital Assets:		
Land	\$ 2,397,003	\$ 2,397,003
Buildings	26,202,247	26,202,247
Improvements other than buildings	15,685,358	14,862,469
Machinery and equipment	11,765,261	11,347,263
Infrastructure	76,591,432	75,851,803
Construction in progress	<u>8,563,193</u>	<u>6,538,495</u>
Total governmental funds capital assets	<u>\$ 141,204,494</u>	<u>\$ 137,199,280</u>
Investments in Governmental Funds Capital Assets by Source:		
General fund	\$ 11,904,010	\$ 11,357,621
Special revenue fund	3,963,129	3,368,353
Capital projects fund	102,154,015	99,289,966
Contributed	<u>23,183,340</u>	<u>23,183,340</u>
Total governmental funds capital assets	<u>\$ 141,204,494</u>	<u>\$ 137,199,280</u>

This schedule presents only the capital asset balances related to governmental funds.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION**

September 30, 2012

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government	\$ 1,094,732	\$ 2,071,443	\$ 1,114,749
Public safety		7,316,573	537,891
Public works		1,877,845	3,719,446
Culture and recreation	<u>1,302,271</u>	<u>14,936,386</u>	<u>10,313,272</u>
 Total governmental funds capital assets	 <u>\$ 2,397,003</u>	 <u>\$ 26,202,247</u>	 <u>\$ 15,685,358</u>

This schedule presents only the capital asset balances related to governmental funds.

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 1,305,909	\$ 60,931	\$ 5,834,036	\$ 11,481,800
5,986,215	73,968	275,000	14,189,647
2,544,949	76,390,923	1,781,385	86,314,548
<u>1,928,188</u>	<u>65,610</u>	<u>672,772</u>	<u>29,218,499</u>
<u>\$ 11,765,261</u>	<u>\$ 76,591,432</u>	<u>\$ 8,563,193</u>	<u>\$ 141,204,494</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**CAPITAL ASSETS USED  
IN THE OPERATIONS OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION**

For the Year Ended September 30, 2012

<u>Function</u>	<u>Governmental Funds Capital Assets 10/01/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 09/30/12</u>
General government	\$ 11,417,778	\$ 86,227	\$ 22,205	\$ 11,481,800
Public safety	13,576,526	734,164	121,043	14,189,647
Public works	83,699,328	2,628,651	13,431	86,314,548
Culture and recreation	<u>28,505,648</u>	<u>732,741</u>	<u>19,890</u>	<u>29,218,499</u>
Total governmental funds capital assets	<u>\$ 137,199,280</u>	<u>\$ 4,181,783</u>	<u>\$ 176,569</u>	<u>\$ 141,204,494</u>

This schedule presents only the capital asset balances related to governmental funds.

## **OTHER SCHEDULES**

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**CONSOLIDATED SCHEDULE OF ASSETS, LIABILITIES AND  
FUND EQUITY - GENERAL FUND - SUB-FUNDS**

September 30, 2012

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 7,400	\$ 11,748,580	\$	\$
Receivables (Net of Allowance for Uncollectibles):				
Taxes	28,068			
Customer accounts	87,200			
Sales tax	823,131			
Franchise tax	186,502			
Grants	190,736			
Due from clearing fund	5,445,226		138,130	1,037,756
Investments		399,000		
Inventories:				
Resale items	48,742			
Supplies	81,783			
Prepaid items	<u>5,265</u>			
 Total assets	 <u>\$ 6,904,053</u>	 <u>\$ 12,147,580</u>	 <u>\$ 138,130</u>	 <u>\$ 1,037,756</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 531,101	\$	\$ 133,130	\$
Cash bonds and taxes	390,022			
Accrued wages	107,522			
Deferred revenue	108,105			
Due to other funds		<u>12,147,580</u>		
 Total liabilities	 <u>1,136,750</u>	 <u>12,147,580</u>	 <u>133,130</u>	 <u>-0-</u>
<u>Fund Balances:</u>				
Non-spendable:				
Inventory	130,525			
Prepaid expenditures	5,265			
Committed:				
Noncurrent liabilities				1,037,756
Assigned:				
Unemployment insurance				
Equipment replacement				
Special events				
Park improvement				
Unassigned	<u>5,631,513</u>		<u>5,000</u>	
 Total fund balances	 <u>5,767,303</u>	 <u>-0-</u>	 <u>5,000</u>	 <u>1,037,756</u>
 Total liabilities and fund balances	 <u>\$ 6,904,053</u>	 <u>\$ 12,147,580</u>	 <u>\$ 138,130</u>	 <u>\$ 1,037,756</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 11,755,980
					28,068
					87,200
					823,131
					186,502
					190,736
5,015,396	194,179	31,881	285,012	( 12,147,580)	-0-
					399,000
					48,742
					81,783
					5,265
<u>\$ 5,015,396</u>	<u>\$ 194,179</u>	<u>\$ 31,881</u>	<u>\$ 285,012</u>	<u>\$( 12,147,580)</u>	<u>\$ 13,606,407</u>
\$ 106,296	\$	\$	\$ 436	\$	\$ 770,963
					390,022
					107,522
					108,105
				( 12,147,580)	-0-
<u>106,296</u>	<u>-0-</u>	<u>-0-</u>	<u>436</u>	<u>( 12,147,580)</u>	<u>1,376,612</u>
					130,525
					5,265
					1,037,756
4,909,100	194,179				194,179
					4,909,100
		31,881			31,881
			284,576		284,576
					5,636,513
<u>4,909,100</u>	<u>194,179</u>	<u>31,881</u>	<u>284,576</u>	<u>-0-</u>	<u>12,229,795</u>
<u>\$ 5,015,396</u>	<u>\$ 194,179</u>	<u>\$ 31,881</u>	<u>\$ 285,012</u>	<u>\$( 12,147,580)</u>	<u>\$ 13,606,407</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## CONSOLIDATED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - GENERAL FUND - SUB-FUNDS

For the Year Ended September 30, 2012

	General	Clearing	Payroll	General Contingencies
Revenues:				
Taxes:				
Property	\$ 3,296,462	\$	\$	\$
Sales	4,772,141			
Franchise	1,516,140			
Other	130,992			
Industrial district	4,100,000			
Recreation	1,042,830			
Fines and fees	479,425			
Licenses and permits	227,672			
Investment income	39,024			4,937
Miscellaneous	204,767			
Intergovernmental	5,316			
Total revenues	15,814,769	-0-	-0-	4,937
Expenditures:				
Current:				
General government and administration	1,246,870			
Finance	852,817			
Elections	4,453			
Legal	155,330			
Municipal court	305,150			
Engineering	380,039			
Public Safety:				
Police	4,481,041			
Fire	465,085			
EMS department	352,904			
Humane	259,073			
Public works:				
Garage	582,971			
Street	692,399			
Drainage	645,804			
Building inspection	532,957			
Culture and recreation:				
Parks	1,033,386			
Recreation	1,870,421			
Civic Center & Jasmine Hall	552,211			
Commissions and Boards	307,905			
Special Events				
Capital outlay	229,551			
Total expenditures	14,950,367	-0-	-0-	-0-

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 3,296,462
					4,772,141
					1,516,140
					130,992
					4,100,000
					1,042,830
					479,425
					227,672
28,111	1,217		2,063		75,352
100,168		16,613			321,548
					5,316
<u>128,279</u>	<u>1,217</u>	<u>16,613</u>	<u>2,063</u>	<u>-0-</u>	<u>15,967,878</u>
129,083	10,665				1,386,618
					852,817
					4,453
					155,330
					305,150
					380,039
42,621					4,523,662
					465,085
					352,904
					259,073
					582,971
					692,399
					645,804
					532,957
			4,936		1,038,322
					1,870,421
					552,211
					307,905
		41,392			41,392
<u>493,413</u>	<u></u>	<u></u>	<u>49,393</u>	<u></u>	<u>772,357</u>
<u>665,117</u>	<u>10,665</u>	<u>41,392</u>	<u>54,329</u>	<u>-0-</u>	<u>15,721,870</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**CONSOLIDATED SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY - GENERAL FUND - SUB-FUNDS - Continued**

For the Year Ended September 30, 2012

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess of revenues over (under) expenditures	\$ <u>864,402</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>4,937</u>
Other Financing Sources (Uses):				
Sale of capital assets				
Transfers in	1,178,021			242,600
Transfers out	<u>(1,952,718)</u>			<u>(242,600)</u>
Total other financing sources (uses)	<u>(774,697)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of revenues and other sources over (under) expenditures and other uses	89,705	-0-	-0-	4,937
Fund balances, October 1	<u>5,677,598</u>		<u>5,000</u>	<u>1,032,819</u>
Fund balances, September 30	<u><u>\$ 5,767,303</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 1,037,756</u></u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
<u>\$ ( 536,838)</u>	<u>\$ ( 9,448)</u>	<u>\$ ( 24,779)</u>	<u>\$ ( 52,266)</u>	<u>\$ -0-</u>	<u>\$ 246,008</u>
73,120					73,120
1,630,349		50,000		( 1,430,318)	1,670,652
<u>( 290,680)</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>1,430,318</u>	<u>( 1,055,680)</u>
<u>1,412,789</u>	<u>-0-</u>	<u>50,000</u>	<u>-0-</u>	<u>-0-</u>	<u>688,092</u>
875,951	( 9,448)	25,221	( 52,266)	-0-	934,100
<u>4,033,149</u>	<u>203,627</u>	<u>6,660</u>	<u>336,842</u>	<u>                    </u>	<u>11,295,695</u>
<u>\$ 4,909,100</u>	<u>\$ 194,179</u>	<u>\$ 31,881</u>	<u>\$ 284,576</u>	<u>\$ -0-</u>	<u>\$ 12,229,795</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**CONSOLIDATED SCHEDULE OF NET ASSETS  
ENTERPRISE FUND - SUB-FUNDS**

September 30, 2012

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
<u>Assets</u>			
Current Assets:			
Cash and temporary investments	\$ 2,224,834	\$ 416,856	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	541,629		
	2,766,463	416,856	-0-
Current Restricted Assets:			
Cash and temporary investments	604,036		
Due from other governments			
Total restricted current assets	604,036	-0-	-0-
Total current assets	3,370,499	416,856	-0-
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts			2,297,519
Total noncurrent restricted assets	-0-	-0-	2,297,519
Deferred charges			195,399
Capital Assets:			
Property, plant and equipment	62,125,420		
Construction in progress			
Less accumulated depreciation	( 30,513,920)		
Total capital assets (net of accumulated depreciation)	31,611,500	-0-	-0-
Total noncurrent assets	31,611,500	-0-	2,492,918
Total assets	34,981,999	416,856	2,492,918

(continued)

<u>Utility Construction</u>	<u>2007 Treatment Bond</u>	<u>2009 Revenue Bond</u>	<u>Total</u>
\$ 943,964	\$	\$	\$ 3,585,654
			<u>541,629</u>
<u>943,964</u>	<u>-0-</u>	<u>-0-</u>	<u>4,127,283</u>
	( 99,867)	165,911	670,080
	<u>5,318</u>		<u>5,318</u>
<u>-0-</u>	<u>( 94,549)</u>	<u>165,911</u>	<u>675,398</u>
<u>943,964</u>	<u>( 94,549)</u>	<u>165,911</u>	<u>4,802,681</u>
			<u>2,297,519</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,297,519</u>
			<u>195,399</u>
			62,125,420
		17,542	17,542
			<u>( 30,513,920)</u>
<u>-0-</u>	<u>-0-</u>	<u>17,542</u>	<u>31,629,042</u>
<u>-0-</u>	<u>-0-</u>	<u>17,542</u>	<u>34,121,960</u>
<u>943,964</u>	<u>( 94,549)</u>	<u>183,453</u>	<u>38,924,641</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**CONSOLIDATED SCHEDULE OF NET ASSETS  
ENTERPRISE FUND - SUB-FUNDS - Continued**

September 30, 2012

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 467,413	\$	\$
Accrued wages	23,570		
Accrued compensated absences	58,137		
Revenue bonds payable	<u>702,916</u>		
	<u>1,252,036</u>	<u>-0-</u>	<u>-0-</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest			165,400
Customer deposits	604,036		
Revenue bonds payable			<u>502,084</u>
Total current liabilities payable from restricted assets	<u>604,036</u>	<u>-0-</u>	<u>667,484</u>
Total current liabilities	1,856,072	-0-	667,484
Noncurrent Liabilities:			
Revenue bonds payable	9,345,000		
Accrued compensated absences	82,071		
Net pension obligation	<u>199,261</u>		
Total noncurrent liabilities	<u>9,626,332</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>11,482,404</u>	<u>-0-</u>	<u>667,484</u>
Net Assets:			
Invested in capital assets, net of related debt	21,563,584		( 306,685)
Restricted For:			
Revenue bond retirement			2,132,119
Construction			
Unrestricted	<u>1,936,011</u>	<u>416,856</u>	
Total net assets	<u>\$ 23,499,595</u>	<u>\$ 416,856</u>	<u>\$ 1,825,434</u>

<u>Utility Construction</u>	<u>2007 Utility Bond</u>	<u>2009 Revenue Bond</u>	<u>Total</u>
\$	\$	\$	\$ 467,413
			23,570
			58,137
			<u>702,916</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,252,036</u>
			165,400
			604,036
			<u>502,084</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,271,520</u>
			2,523,556
			9,345,000
			82,071
			<u>199,261</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,626,332</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,149,888</u>
		17,542	21,274,441
			2,132,119
	( 94,549)	165,911	71,362
<u>943,964</u>	<u></u>	<u></u>	<u>3,296,831</u>
<u>\$ 943,964</u>	<u>\$( 94,549)</u>	<u>\$ 183,453</u>	<u>\$ 26,774,753</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**CONSOLIDATED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - ENTERPRISE FUND - SUB-FUNDS**

For the Year Ended September 30, 2012

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 3,569,045	\$	\$
Sewer service	3,420,461		
Garbage fees	3,052,811		
Tapping and connection fees	231,060		
Grant revenue	143,858		
Other	<u>141,740</u>		
Total operating revenues	<u>10,558,975</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	429,196		
Water production and treatment	2,680,445		
Sewer collection	1,984,118		
Sanitation	2,219,316		
Depreciation	<u>1,975,138</u>		
Total operating expenses	<u>9,288,213</u>	<u>-0-</u>	<u>-0-</u>
Operating income	<u>1,270,762</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	20,759	2,151	13,370
Interest expense and fiscal charges			<u>( 402,151)</u>
Total non-operating revenues (expenses)	<u>20,759</u>	<u>2,151</u>	<u>( 388,781)</u>
Income (loss) before contributions and transfers	1,291,521	2,151	( 388,781)
Capital contributions			
Transfers In (Out):			
Transfers in	290,680		
Transfers out	( 1,290,652)		
Intrafund transfers	<u>( 476,109)</u>		<u>506,786</u>
Change in net assets	( 184,560)	2,151	118,005
Net assets at beginning of year	<u>23,684,155</u>	<u>414,705</u>	<u>1,707,429</u>
Net assets at end of year	<u>\$ 23,499,595</u>	<u>\$ 416,856</u>	<u>\$ 1,825,434</u>

Utility Construction	2007 Utility Bond	2009 Revenue Bond	Total
\$	\$	\$	\$ 3,569,045
			3,420,461
			3,052,811
			231,060
			143,858
			<u>141,740</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,558,975</u>
154,432		1,116	430,312
			2,834,877
			1,984,118
			2,219,316
			<u>1,975,138</u>
<u>154,432</u>	<u>-0-</u>	<u>1,116</u>	<u>9,443,761</u>
<u>( 154,432)</u>	<u>-0-</u>	<u>( 1,116)</u>	<u>1,115,214</u>
3,263	33	272	39,848
			<u>( 402,151)</u>
<u>3,263</u>	<u>33</u>	<u>272</u>	<u>( 362,303)</u>
<u>( 151,169)</u>	<u>33</u>	<u>( 844)</u>	<u>752,911</u>
28,969			28,969
			290,680
			<u>( 1,290,652)</u>
<u>408,725</u>	<u>( 219,225)</u>	<u>( 220,177)</u>	<u>-0-</u>
286,525	( 219,192)	( 221,021)	( 218,092)
<u>657,439</u>	<u>124,643</u>	<u>404,474</u>	<u>26,992,845</u>
<u>\$ 943,964</u>	<u>\$( 94,549)</u>	<u>\$ 183,453</u>	<u>\$ 26,774,753</u>

**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

**CONSOLIDATED SCHEDULE OF CASH FLOWS**  
**ENTERPRISE FUND - SUB-FUNDS**

For the Year Ended September 30, 2012

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 10,676,784	\$	\$
Payments to customers and suppliers	( 4,151,653)		
Payments to employees	( 2,985,707)		
Net cash provided (used) by operating activities	3,539,424	-0-	-0-
Cash Flows from Non-Capital Financing Activities:			
Transfers in	290,680		
Transfers out	( 1,290,652)		
Intrafund transfers	( 476,109)		506,786
Net cash provided (used) by non-capital financing activities	( 1,476,081)	-0-	506,786
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	( 1,066,848)		
Principal paid on capital debt	( 1,210,834)		( 4,166)
Interest and fiscal charges paid on capital debt			( 389,850)
Net cash provided (used) by capital and related financing activities	( 2,277,682)	-0-	( 394,016)
Cash Flows from Investing Activities:			
Interest received	20,759	2,151	13,370
Net cash provided by investing activities	20,759	2,151	13,370
Net increase (decrease) in cash and cash equivalents	( 193,580)	2,151	126,140
Cash and cash equivalents at the beginning of year	3,022,450	414,705	2,171,379
Cash and cash equivalents at the end of year	\$ 2,828,870	\$ 416,856	\$ 2,297,519
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:			
Operating income (loss)	\$ 1,270,762	\$	\$
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,975,138		
(Increase) decrease in accounts receivable	120,527		
Increase (decrease) in accounts payable	112,613		
Increase (decrease) in accrued wages payable	3,656		
Increase (decrease) in net pension obligation	18,055		
Increase (decrease) in accrued compensated absences	18,432		
Increase (decrease) in customer deposits	20,241		
Total adjustments	2,268,662	-0-	-0-
Net cash provided (used) by operating activities	\$ 3,539,424	\$ -0-	\$ -0-
Non-cash Investing, Capital and Financing Activities:			
Contribution of capital assets from government	\$	\$	\$
Net effect of non-cash transactions	-0-	-0-	-0-

Utility Construction	2007 Utility Bond	2009 Revenue Bond	Total
\$	\$	\$	\$ 10,676,784
( 148,422)		( 42,265)	( 4,342,340)
			( 2,985,707)
<u>( 148,422)</u>	<u>-0-</u>	<u>( 42,265)</u>	<u>3,348,737</u>
			290,680
			( 1,290,652)
<u>408,725</u>	<u>( 219,225)</u>	<u>( 220,177)</u>	<u>-0-</u>
<u>408,725</u>	<u>( 219,225)</u>	<u>( 220,177)</u>	<u>( 999,972)</u>
	8,825		( 1,058,023)
			( 1,215,000)
			( 389,850)
<u>-0-</u>	<u>8,825</u>	<u>-0-</u>	<u>( 2,662,873)</u>
<u>3,263</u>	<u>33</u>	<u>272</u>	<u>39,848</u>
<u>3,263</u>	<u>33</u>	<u>272</u>	<u>39,848</u>
263,566	( 210,367)	( 262,170)	( 274,260)
<u>680,398</u>	<u>110,500</u>	<u>428,081</u>	<u>6,827,513</u>
<u>\$ 943,964</u>	<u>\$( 99,867)</u>	<u>\$ 165,911</u>	<u>\$ 6,553,253</u>
<u>\$( 154,432)</u>	<u>\$</u>	<u>\$( 1,116)</u>	<u>\$ 1,115,214</u>
			1,975,138
6,010			126,537
		( 41,149)	71,464
			3,656
			18,055
			18,432
			20,241
<u>6,010</u>	<u>-0-</u>	<u>( 41,149)</u>	<u>2,233,523</u>
<u>\$( 148,422)</u>	<u>\$ -0-</u>	<u>\$( 42,265)</u>	<u>\$ 3,348,737</u>
<u>\$ 28,969</u>	<u>\$</u>	<u>\$</u>	<u>\$ 28,969</u>
<u>\$ 28,969</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 28,969</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS  
DEBT SERVICE SCHEDULE**

September 30, 2012

<u>Year Ending</u> <u>09/30</u>	<u>Series 2002</u>		<u>Series 2002</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 280,000	\$ 6,020	\$ 180,000	\$ 3,825
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
TOTAL	<u>\$ 280,000</u>	<u>\$ 6,020</u>	<u>\$ 180,000</u>	<u>\$ 3,825</u>

(continued)

Series 2003		Series 2004		Series 2007	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 155,000	\$ 2,713	\$ 180,000	\$ 77,760	\$ 265,000	\$ 153,700
		180,000	71,820	265,000	143,100
		180,000	65,835	265,000	132,500
		180,000	59,715	265,000	121,900
		180,000	53,370	265,000	111,300
		180,000	46,800	265,000	100,700
		180,000	40,050	265,000	90,100
		180,000	33,120	265,000	79,500
		180,000	26,010	265,000	68,900
		180,000	18,720	265,000	58,300
		180,000	11,295	265,000	47,700
		180,000	3,780	265,000	37,100
				265,000	26,500
				265,000	15,900
				265,000	5,300
<hr/>		<hr/>		<hr/>	
<u>\$ 155,000</u>	<u>\$ 2,713</u>	<u>\$ 2,160,000</u>	<u>\$ 508,275</u>	<u>\$ 3,975,000</u>	<u>\$ 1,192,500</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS  
DEBT SERVICE SCHEDULE - Continued**

September 30, 2012

Year Ending 09/30	Series 2009		Series 2009 Refunding	
	Principal	Interest	Principal	Interest
2013	\$ 120,000	\$ 82,200	\$ 930,000	\$ 108,750
2014	120,000	76,500	690,000	84,450
2015	120,000	70,800	680,000	63,900
2016	120,000	65,550	670,000	43,650
2017	120,000	60,750	660,000	22,875
2018	120,000	56,025	285,000	7,162
2019	120,000	51,450	60,000	1,088
2020	120,000	46,950		
2021	120,000	42,450		
2022	120,000	37,800		
2023	120,000	33,000		
2024	120,000	28,200		
2025	120,000	23,220		
2026	120,000	18,060		
2027	120,000	12,900		
2028	120,000	7,740		
2029	120,000	2,580		
2030				
TOTAL	<u>\$ 2,040,000</u>	<u>\$ 716,175</u>	<u>\$ 3,975,000</u>	<u>\$ 331,875</u>

(continued)

Series 2009 Certificate		Series 2010		Series 2011	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 250,000	\$ 171,875	\$ 150,000	\$ 97,838	\$ 275,000	\$ 255,950
250,000	163,125	150,000	93,525	740,000	242,100
250,000	154,375	150,000	89,025	740,000	219,900
250,000	145,625	150,000	84,525	740,000	197,700
250,000	136,875	150,000	79,800	750,000	171,600
250,000	127,500	150,000	74,850	755,000	141,500
250,000	117,500	150,000	69,375	745,000	111,500
250,000	107,500	150,000	63,375	745,000	81,700
250,000	97,500	150,000	57,375	740,000	52,000
250,000	87,500	150,000	51,375	555,000	26,100
250,000	77,500	150,000	45,375	375,000	7,500
250,000	67,500	150,000	39,375		
250,000	57,500	150,000	33,375		
250,000	47,375	150,000	27,375		
250,000	37,062	150,000	21,375		
250,000	26,625	150,000	15,375		
250,000	16,062	150,000	9,281		
<u>250,000</u>	<u>5,375</u>	<u>150,000</u>	<u>3,095</u>		
<u>\$ 4,500,000</u>	<u>\$ 1,644,374</u>	<u>\$ 2,700,000</u>	<u>\$ 955,689</u>	<u>\$ 7,160,000</u>	<u>\$ 1,507,550</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS  
DEBT SERVICE SCHEDULE - Continued**

September 30, 2012

Year Ending 09/30	Totals		
	Principal	Interest	Total
2013	\$ 2,785,000	\$ 960,631	3,745,631
2014	2,395,000	874,620	3,269,620
2015	2,385,000	796,335	3,181,335
2016	2,375,000	718,665	3,093,665
2017	2,375,000	636,570	3,011,570
2018	2,005,000	554,537	2,559,537
2019	1,770,000	481,063	2,251,063
2020	1,710,000	412,145	2,122,145
2021	1,705,000	344,235	2,049,235
2022	1,520,000	279,795	1,799,795
2023	1,340,000	222,370	1,562,370
2024	965,000	175,955	1,140,955
2025	785,000	140,595	925,595
2026	785,000	108,710	893,710
2027	785,000	76,637	861,637
2028	520,000	49,740	569,740
2029	520,000	27,923	547,923
2030	400,000	8,470	408,470
TOTAL	<u>\$ 27,125,000</u>	<u>\$ 6,868,996</u>	<u>\$ 33,993,996</u>

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**WATERWORKS AND SEWER SYSTEM  
REVENUE BONDS - DEBT SERVICE SCHEDULE**

September 30, 2012

Year Ending 09/30	Series 2007		Series 2009 Refunding	
	Principal	Interest	Principal	Interest
2013	\$ 100,000	\$ 60,500	\$ 190,000	\$ 11,400
2014	100,000	56,000	100,000	7,600
2015	100,000	52,000	100,000	5,350
2016	100,000	48,000	95,000	2,850
2017	100,000	44,000		
2018	100,000	40,000		
2019	100,000	36,000		
2020	100,000	32,000		
2021	100,000	28,000		
2022	100,000	24,000		
2023	100,000	20,000		
2024	100,000	16,000		
2025	100,000	12,000		
2026	100,000	8,000		
2027	100,000	4,000		
2028				
2029				
2030				
<b>TOTAL</b>	<b>\$ 1,500,000</b>	<b>\$ 480,500</b>	<b>\$ 485,000</b>	<b>\$ 27,200</b>

Series 2009		Series 2010 Refunding		Totals		
Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 85,000	\$ 62,025	\$ 830,000	\$ 225,425	\$ 1,205,000	\$ 359,350	\$ 1,564,350
85,000	58,625	815,000	208,825	1,100,000	331,050	1,431,050
85,000	55,225	800,000	188,450	1,085,000	301,025	1,386,025
85,000	51,825	785,000	168,450	1,065,000	271,125	1,336,125
85,000	48,850	770,000	144,900	955,000	237,750	1,192,750
85,000	45,875	765,000	121,800	950,000	207,675	1,157,675
85,000	42,900	765,000	91,200	950,000	170,100	1,120,100
85,000	39,500	760,000	60,600	945,000	132,100	1,077,100
85,000	36,100	755,000	30,200	940,000	94,300	1,034,300
85,000	32,700			185,000	56,700	241,700
85,000	29,300			185,000	49,300	234,300
85,000	25,687			185,000	41,687	226,687
85,000	22,075			185,000	34,075	219,075
85,000	18,463			185,000	26,463	211,463
85,000	14,850			185,000	18,850	203,850
85,000	11,025			85,000	11,025	96,025
80,000	7,200			80,000	7,200	87,200
<u>80,000</u>	<u>3,600</u>			<u>80,000</u>	<u>3,600</u>	<u>83,600</u>
<u>\$ 1,520,000</u>	<u>\$ 605,825</u>	<u>\$ 7,045,000</u>	<u>\$ 1,239,850</u>	<u>\$ 10,550,000</u>	<u>\$ 2,353,375</u>	<u>\$ 12,903,375</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**INSURANCE COVERAGE**

September 30, 2012

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Texas Municipal League:		
General and Auto Liability:		
General liability	\$ 5,000,000	10/01/13
Automobile liability	5,000,000	10/01/13
Other Liability:		
Law enforcement liability	5,000,000	10/01/13
Errors and omissions	2,000,000	10/01/13
Property coverage	50,215,866	10/01/13
Mobil equipment	1,882,291	10/01/13
Boiler and machinery	8,000,000	10/01/13
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	25,560,580	01/26/14
Pollution liability insurance	2,000,000	10/01/13

## **STATISTICAL SECTION**

The Statistical Section presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health. It includes five categories of information:

Financial Trends (tables 1-4) - contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity (tables 5-9) - contain information to help the reader assess the government's most significant local revenue source.

Debt Capacity (tables 10-13) - present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information (tables 14-15) - offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information (tables 16-18) - contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to services the government provides and the activities it performs.

**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

Table 1  
Net Assets by Component - Last Ten Fiscal Years  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 28,882,643	\$ 21,403,827	\$ 22,161,825	\$ 25,482,995	\$ 20,767,169
Restricted	8,224,755	7,026,879	4,864,344	2,501,788	7,165,037
Unrestricted	<u>10,735,612</u>	<u>10,686,871</u>	<u>10,933,704</u>	<u>10,411,172</u>	<u>12,535,286</u>
Total governmental activities net assets	<u>\$ 47,843,010</u>	<u>\$ 39,117,577</u>	<u>\$ 37,959,873</u>	<u>\$ 38,395,955</u>	<u>\$ 40,467,492</u>
Business-type Activities Net Assets:					
Invested in capital assets, net of related debt	\$ 15,906,078	\$ 26,654,525	\$ 28,016,142	\$ 27,043,902	\$ 26,931,575
Restricted	6,530,518	3,150,305	2,185,194	2,588,178	4,403,071
Unrestricted	<u>4,178,202</u>	<u>5,609,797</u>	<u>5,673,377</u>	<u>5,882,669</u>	<u>3,862,779</u>
Total business-type activities net assets	<u>\$ 26,614,798</u>	<u>\$ 35,414,627</u>	<u>\$ 35,874,713</u>	<u>\$ 35,514,749</u>	<u>\$ 35,197,425</u>
Primary Government:					
Invested in capital assets, net of related debt	\$ 44,788,721	\$ 48,058,352	\$ 50,177,967	\$ 52,526,897	\$ 47,698,744
Restricted	14,755,273	10,177,184	7,049,538	5,089,966	11,568,108
Unrestricted	<u>14,913,814</u>	<u>16,296,668</u>	<u>16,607,081</u>	<u>16,293,841</u>	<u>16,398,065</u>
Total primary government net assets	<u>\$ 74,457,808</u>	<u>\$ 74,532,204</u>	<u>\$ 73,834,586</u>	<u>\$ 73,910,704</u>	<u>\$ 75,664,917</u>

Source: Comprehensive Annual Financial Report

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 22,531,131	\$ 24,720,024	\$ 29,710,085	\$ 30,758,109	\$ 31,925,095
6,127,672	5,539,740	3,464,062	3,492,533	3,432,672
<u>12,901,474</u>	<u>13,589,900</u>	<u>11,359,453</u>	<u>11,811,249</u>	<u>12,831,196</u>
<u>\$ 41,560,277</u>	<u>\$ 43,849,664</u>	<u>\$ 44,533,600</u>	<u>\$ 46,061,891</u>	<u>\$ 48,188,963</u>
\$ 27,384,565	\$ 27,423,694	\$ 28,033,629	\$ 28,073,361	\$ 27,832,451
4,433,305	3,762,045	2,477,733	2,108,449	2,203,481
<u>3,228,210</u>	<u>3,586,865</u>	<u>3,024,992</u>	<u>3,474,825</u>	<u>3,249,031</u>
<u>\$ 35,046,080</u>	<u>\$ 34,772,604</u>	<u>\$ 33,536,354</u>	<u>\$ 33,656,635</u>	<u>\$ 33,284,963</u>
\$ 49,915,696	\$ 52,143,718	\$ 57,743,714	\$ 58,831,470	\$ 59,757,546
10,560,977	9,301,785	5,941,795	5,600,982	5,636,153
<u>16,129,684</u>	<u>17,176,765</u>	<u>14,384,445</u>	<u>15,286,074</u>	<u>16,080,227</u>
<u>\$ 76,606,357</u>	<u>\$ 78,622,268</u>	<u>\$ 78,069,954</u>	<u>\$ 79,718,526</u>	<u>\$ 81,473,926</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 2  
Changes in Net Assets - Last Ten Fiscal Years  
(accrual basis of accounting)

	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental Activities:					
General government and administration	\$ 2,257,546	\$ 2,236,563	\$ 2,362,231	\$ 2,602,960	\$ 2,933,681
Public safety	4,613,337	4,540,176	4,737,631	5,138,326	5,238,784
Public works	4,379,952	5,032,811	5,185,215	5,632,640	5,346,890
Culture and recreation	4,294,610	4,281,044	4,457,243	4,634,673	4,621,273
Interest on long-term debt	1,304,392	1,338,856	1,355,910	1,250,474	1,225,583
Total governmental activities expenses	16,849,837	17,429,450	18,098,230	19,259,073	19,366,211
Business-type Activities:					
Water and sewer	4,940,714	4,806,503	5,694,639	6,191,778	6,407,376
Sanitation	2,103,697	2,128,248	2,296,436	2,435,453	2,629,561
Golf Course		646,775	1,613,195	1,783,080	1,868,965
Total business-type activities expenses	7,044,411	7,581,526	9,604,270	10,410,311	10,905,902
Total primary government expenses	\$ 23,894,248	\$ 25,010,976	\$ 27,702,500	\$ 29,669,384	\$ 30,272,113
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General government and administration	\$ 536,779	\$ 619,755	\$ 514,764	\$ 520,176	\$ 442,892
Public safety			3,381		
Public works			217,827		244,049
Culture and recreation	958,594	889,460	900,630	877,552	974,310
Operating grants and contributions	83,146			97,341	25,000
Capital grants and contributions	793,350	126,410		626,803	856,100
Total governmental activities program revenues	2,371,869	1,635,625	1,636,602	2,121,872	2,542,351
Business-type Activities:					
Charges for Services:					
Water and sewer	5,589,987	5,530,449	5,824,846	5,852,076	5,614,724
Sanitation	2,514,062	2,555,225	2,611,266	2,668,684	2,823,869
Golf		523,655	1,305,294	1,570,279	1,637,741
Operating grants and contributions	49,369			62,298	
Capital grants and contributions	1,575				
Total business-type activities program revenues	8,154,993	8,609,329	9,741,406	10,153,337	10,076,334
Total primary government program revenues	\$ 10,526,862	\$ 10,244,954	\$ 11,378,008	\$ 12,275,209	\$ 12,618,685

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2,894,285	\$ 3,075,201	\$ 3,222,710	\$ 3,079,021	\$ 3,250,121
5,464,662	5,739,091	6,046,380	6,140,172	6,146,043
5,925,876	5,758,443	5,694,647	4,288,666	4,378,048
4,977,391	4,885,568	5,037,305	4,961,616	4,984,600
<u>1,260,296</u>	<u>1,180,102</u>	<u>1,233,922</u>	<u>1,293,892</u>	<u>1,151,619</u>
<u>20,522,510</u>	<u>20,638,405</u>	<u>21,234,964</u>	<u>19,763,367</u>	<u>19,910,431</u>
6,614,955	6,913,963	7,013,299	7,410,839	7,626,596
2,573,279	2,718,214	2,747,149	2,432,879	2,219,316
<u>2,017,199</u>	<u>2,167,996</u>	<u>2,197,021</u>	<u>2,060,021</u>	<u>1,922,542</u>
<u>11,205,433</u>	<u>11,800,173</u>	<u>11,957,469</u>	<u>11,903,739</u>	<u>11,786,454</u>
<u>\$ 31,727,943</u>	<u>\$ 32,438,578</u>	<u>\$ 33,192,433</u>	<u>\$ 31,667,106</u>	<u>\$ 31,678,885</u>
\$ 451,580	\$ 447,112	\$ 410,235	\$ 459,598	\$ 550,251
239,063	186,017	237,964	213,772	227,672
986,604	931,477	1,035,350	1,005,931	1,042,830
744,892	1,566,242	1,025,417	405,794	131,528
				<u>100,168</u>
<u>2,422,139</u>	<u>3,130,848</u>	<u>2,708,966</u>	<u>2,085,095</u>	<u>2,052,449</u>
6,678,843	7,003,764	6,807,782	7,784,450	7,362,306
2,970,992	3,038,754	3,015,623	3,036,999	3,052,811
1,847,418	1,869,731	1,550,705	1,571,415	1,519,738
	53,182	99,687		
			<u>14,445</u>	<u>172,827</u>
<u>11,497,253</u>	<u>11,965,431</u>	<u>11,473,797</u>	<u>12,407,309</u>	<u>12,107,682</u>
<u>\$ 13,919,392</u>	<u>\$ 15,096,279</u>	<u>\$ 14,182,763</u>	<u>\$ 14,492,404</u>	<u>\$ 14,160,131</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 2 - Continued  
Changes in Net Assets - Last Ten Fiscal Years  
(accrual basis of accounting)

	2003	2004	2005	2006	2007
Net (Expense)/Revenue:					
Governmental activities	\$(14,477,968)	\$(15,793,825)	\$(16,461,628)	\$(17,137,201)	\$(16,823,860)
Business-type activities	<u>1,110,582</u>	<u>1,027,803</u>	<u>137,136</u>	<u>( 256,974)</u>	<u>( 829,568)</u>
Total primary governmental net expense	<u>(13,367,386)</u>	<u>(14,766,022)</u>	<u>(16,324,492)</u>	<u>(17,394,175)</u>	<u>(17,653,428)</u>
<b>General Revenues &amp; Other Changes in Net Assets</b>					
Governmental Activities:					
Taxes:					
Ad valorem	4,196,420	4,459,509	4,627,407	4,850,943	5,020,245
Sales	5,589,800	5,715,688	5,871,195	6,392,501	6,972,467
Occupancy	148,933	127,660	208,377	239,924	272,624
Franchise	1,301,930	1,327,269	1,391,393	1,683,612	1,596,697
Other	46,634	49,640	49,647	54,768	59,590
Industrial district	2,702,800	2,693,480	2,672,510	2,881,045	3,220,061
Investment earnings	290,464	218,164	467,505	687,327	819,379
Miscellaneous	65,242	94,481	72,298	124,902	103,123
Gain on sale/retirement of capital assets	( 87,850)		23,505		56,533
Transfers	<u>459,138</u>	<u>( 7,617,499)</u>	<u>( 79,913)</u>	<u>517,117</u>	<u>( 53,112)</u>
Total governmental activities	<u>14,713,511</u>	<u>7,068,392</u>	<u>15,303,924</u>	<u>17,432,139</u>	<u>18,067,607</u>
Business-type Activities:					
Investment earnings	191,440	123,215	243,037	395,581	443,132
Gain on sale/retirement of capital assets	13,143			( 4,074)	16,000
Miscellaneous		31,312			
Transfers	<u>( 459,138)</u>	<u>7,617,499</u>	<u>79,913</u>	<u>( 495,032)</u>	<u>53,112</u>
Total business-type activities	<u>( 254,555)</u>	<u>7,772,026</u>	<u>322,950</u>	<u>( 103,525)</u>	<u>512,244</u>
Total primary government	<u>14,458,956</u>	<u>14,840,418</u>	<u>15,626,874</u>	<u>17,328,614</u>	<u>18,579,851</u>
<b>Change in Net Assets</b>					
Governmental activities	235,543	( 8,725,433)	( 1,157,704)	294,938	1,243,747
Business-type activities	<u>856,027</u>	<u>8,799,829</u>	<u>460,086</u>	<u>( 360,499)</u>	<u>( 317,324)</u>
Total primary government	<u>\$ 1,091,570</u>	<u>\$ 74,396</u>	<u>\$ ( 697,618)</u>	<u>\$ ( 65,561)</u>	<u>\$ 926,423</u>

Source: Comprehensive Annual Financial Report

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$(18,100,371)	\$(17,507,557)	\$(18,525,998)	\$(17,678,272)	\$(17,857,982)
<u>291,820</u>	<u>165,258</u>	<u>( 483,672)</u>	<u>503,570</u>	<u>339,228</u>
<u>(17,808,551)</u>	<u>(17,342,299)</u>	<u>(19,009,670)</u>	<u>(17,174,702)</u>	<u>(17,518,754)</u>
5,366,631	5,685,508	5,690,679	5,640,962	5,537,580
6,890,894	7,043,241	6,709,639	6,918,501	7,230,131
272,703	218,277	206,933	226,240	219,915
1,525,195	1,586,698	1,610,075	1,619,883	1,593,448
145,269	130,559	134,657	130,638	130,992
3,422,770	3,962,165	3,843,335	3,984,300	4,100,000
656,899	193,207	99,729	100,646	106,725
182,791	138,624	282,518	165,279	22,367
22,498	325,310	70,055		290,564
<u>707,506</u>	<u>513,355</u>	<u>745,253</u>	<u>420,114</u>	<u>753,332</u>
<u>19,193,156</u>	<u>19,796,944</u>	<u>19,392,873</u>	<u>19,206,563</u>	<u>19,985,054</u>
264,341	74,621	38,844	36,825	42,432
<u>( 707,506)</u>	<u>( 513,353)</u>	<u>( 745,253)</u>	<u>( 420,114)</u>	<u>( 753,332)</u>
<u>( 443,165)</u>	<u>( 438,734)</u>	<u>( 706,409)</u>	<u>( 383,289)</u>	<u>( 710,900)</u>
<u>18,749,991</u>	<u>19,358,210</u>	<u>18,686,464</u>	<u>18,823,274</u>	<u>19,274,154</u>
1,092,785	2,289,387	866,875	1,528,291	2,127,072
<u>( 151,345)</u>	<u>( 273,476)</u>	<u>( 1,190,081)</u>	<u>120,281</u>	<u>( 371,672)</u>
<u>\$ 941,440</u>	<u>\$ 2,015,911</u>	<u>\$( 323,206)</u>	<u>\$ 1,648,572</u>	<u>\$ 1,755,400</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

Table 3  
Fund Balances, Governmental Funds - Last Ten Fiscal Years  
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund:					
Reserved for other/non-spendable*	\$ 57,388	\$ 67,614	\$ 538,565	\$ 199,512	\$ 125,301
Committed:					
General contingencies					
Assigned:					
Unemployment insurance					
Equipment replacement					
Special events					
Parks					
Unreserved/unassigned*	<u>7,387,749</u>	<u>7,741,804</u>	<u>7,242,862</u>	<u>7,504,971</u>	<u>9,010,029</u>
Total general fund	<u>\$ 7,445,137</u>	<u>\$ 7,809,418</u>	<u>\$ 7,781,427</u>	<u>\$ 7,704,483</u>	<u>\$ 9,135,330</u>
All Other Governmental Funds:					
Reserved For:					
Debt service	\$ 795,592	\$ 768,321	\$ 604,045	\$ 550,663	\$ 534,831
Capital projects	7,071,280	5,978,847	3,998,032	1,706,433	6,344,497
Unreserved, Reported In:					
Special Revenue	3,241,768	1,694,660	1,551,229	1,593,812	1,843,390
Capital projects	<u>423,844</u>	<u>1,616,002</u>	<u>1,989,716</u>	<u>1,515,074</u>	<u>1,132,586</u>
Total all other governmental funds	<u>\$ 11,532,484</u>	<u>\$ 10,057,830</u>	<u>\$ 8,143,022</u>	<u>\$ 5,365,982</u>	<u>\$ 9,855,304</u>
Restricted:					
Debt Service					
Capital Projects					
Economic Development					
Motel Tax					
Police seizure					
Red Light fund					
Contributor purpose					
Program education					
Assigned:					
Capital projects					
Total all other governmental funds					

Note: \*The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 442,782	\$ 331,434	\$ 262,501	\$ 179,575	\$ 135,790
			1,032,819	1,037,756
			203,627	194,179
			4,033,149	4,909,100
			6,660	31,881
			336,842	284,576
<u>7,914,743</u>	<u>9,290,235</u>	<u>10,273,711</u>	<u>5,503,023</u>	<u>5,636,513</u>
<u>\$ 8,357,525</u>	<u>\$ 9,621,669</u>	<u>\$ 10,536,212</u>	<u>\$ 11,295,695</u>	<u>\$ 12,229,795</u>

\$ 527,608	\$ 719,637	\$ 705,816
5,648,872	4,838,804	9,470,729
2,432,834	2,578,102	2,784,937
<u>2,299,863</u>	<u>1,612,184</u>	<u>1,378,000</u>
<u>\$ 10,909,177</u>	<u>\$ 9,748,727</u>	<u>\$ 14,339,482</u>

\$ 671,628	\$ 608,056
5,562,372	3,321,850
2,526,505	2,207,924
60,661	39,718
121,667	142,911
131,313	48,533
4,157	
	75,138
<u>1,353,206</u>	<u>1,475,196</u>
<u>\$ 10,431,509</u>	<u>\$ 7,919,326</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 4  
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years  
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:					
Taxes and industrial district	\$ 13,991,874	\$ 14,341,593	\$ 14,808,784	\$ 16,102,183	\$ 17,130,142
Intergovernmental	326,496	103,345	221,208	724,144	646,100
Charges for services	958,594	889,460	900,630	877,552	974,310
Fines and fees	325,470	304,200	327,720	306,426	442,892
Licenses and permits	211,309	315,555	187,044	213,750	244,049
Special assessment	3,736	3,597			3,246
Investment earnings	290,464	218,164	467,505	687,327	819,379
Contributions	550,000	23,065	600	1,025	2,020
Miscellaneous	<u>61,506</u>	<u>90,884</u>	<u>71,698</u>	<u>124,902</u>	<u>97,857</u>
Total revenues	<u>16,719,449</u>	<u>16,289,863</u>	<u>16,985,189</u>	<u>19,037,309</u>	<u>20,359,995</u>
Expenditures:					
General government administration	2,111,361	2,047,348	2,181,307	2,404,638	2,737,126
Public safety	4,113,458	4,135,938	4,323,056	4,585,013	4,663,457
Public works	2,237,529	2,184,224	2,267,855	2,640,909	2,298,989
Culture and recreation	3,577,880	3,502,390	3,728,855	3,900,092	3,863,375
Capital outlay	8,904,603	6,380,274	2,817,025	5,478,274	2,568,700
Debt Service:					
Principal	1,855,000	2,110,000	2,285,000	2,285,000	2,345,000
Interest and fiscal charges	<u>1,470,118</u>	<u>1,374,354</u>	<u>1,338,466</u>	<u>1,232,899</u>	<u>1,267,213</u>
Total expenditures	<u>24,269,949</u>	<u>21,734,528</u>	<u>8,941,564</u>	<u>22,526,825</u>	<u>19,743,860</u>
Excess of revenues over (under) expenditures	<u>( 7,550,500)</u>	<u>( 5,444,665)</u>	<u>( 1,956,375)</u>	<u>( 3,489,516)</u>	<u>616,135</u>
Other Financing Sources (Uses):					
Bonds issued	7,415,000	3,600,000			5,300,000
Discount on bonds issued	( 3,079)				613
Premium on bonds issued	27,166				
Sale of capital asset	25,863	137,058	71,558	9,250	56,533
Payment to bond refunding escrow agent	( 2,549,996)				
Transfers in	3,423,562	3,492,943	4,659,251	3,815,160	3,107,252
Transfers out	<u>( 2,964,424)</u>	<u>( 2,895,709)</u>	<u>( 4,717,233)</u>	<u>( 3,320,128)</u>	<u>( 3,160,364)</u>
Total other financing sources (uses)	<u>5,374,092</u>	<u>4,334,292</u>	<u>13,576</u>	<u>504,282</u>	<u>5,304,034</u>
Net change in fund balances	<u>\$( 2,176,408)</u>	<u>\$( 1,110,373)</u>	<u>\$( 1,942,799)</u>	<u>\$( 2,985,234)</u>	<u>\$ 5,920,169</u>
Debt Service as a percentage of noncapital Expenditures	21.6%	22.7%	22.5%	20.6%	21.0%

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 17,628,611	\$ 18,612,438	\$ 18,187,067	\$ 18,526,662	\$ 18,824,139
744,892	1,566,242	1,025,417	405,794	131,528
986,604	931,477	1,035,350	1,005,931	1,042,830
429,564	425,746	383,023	418,536	504,603
239,063	186,017	237,964	213,772	227,672
100	655	2,349	4,712	
656,900	191,524	99,729	100,646	106,725
515				100,168
<u>182,275</u>	<u>140,307</u>	<u>282,518</u>	<u>160,567</u>	<u>290,564</u>
<u>20,868,524</u>	<u>22,054,406</u>	<u>21,253,417</u>	<u>20,836,620</u>	<u>21,228,229</u>
2,707,090	2,874,769	2,984,712	2,862,240	3,068,045
4,949,286	5,189,939	5,410,431	5,559,479	5,600,724
3,882,411	3,679,429	3,637,437	2,671,957	2,717,025
4,227,705	4,102,208	4,199,311	4,067,243	4,105,287
2,393,437	6,007,292	4,615,889	5,355,135	4,181,783
2,580,000	2,260,000	2,530,000	2,715,000	2,830,000
<u>1,238,338</u>	<u>1,273,840</u>	<u>1,318,896</u>	<u>1,272,263</u>	<u>1,187,465</u>
<u>21,978,267</u>	<u>25,387,477</u>	<u>24,696,676</u>	<u>24,503,317</u>	<u>23,690,329</u>
<u>( 1,109,743)</u>	<u>( 3,333,071)</u>	<u>( 3,443,259)</u>	<u>( 3,666,697)</u>	<u>( 2,462,100)</u>
	9,245,000	8,000,000		7,360,000
	144,553	133,249		810,870
54,638	386,858	70,055	28,330	73,120
	( 6,894,852)			( 8,113,305)
5,217,473	3,608,298	4,172,617	4,058,123	4,071,614
<u>( 4,509,967)</u>	<u>( 3,053,092)</u>	<u>( 3,427,364)</u>	<u>( 3,638,009)</u>	<u>( 3,318,282)</u>
<u>762,144</u>	<u>3,436,765</u>	<u>8,948,557</u>	<u>448,444</u>	<u>884,017</u>
<u>\$( 347,599)</u>	<u>\$ 103,694</u>	<u>\$ 5,505,298</u>	<u>\$( 3,218,253)</u>	<u>\$( 1,578,083)</u>
19.5%	18.2%	19.2%	20.8%	20.6%

## CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 5  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2003	\$ 1,208,631,980	\$ 103,229,290	\$ 194,432,481	\$ 1,117,428,789	\$ 0.37500
2004	1,289,587,900	100,857,740	203,374,329	1,187,071,311	0.37030
2005	1,340,800,620	106,550,060	212,386,376	1,234,964,304	0.37000
2006	1,414,404,750	112,102,800	252,573,630	1,273,933,920	0.38000
2007	1,497,758,792	114,426,600	265,668,634	1,346,516,758	0.37000
2008	1,548,589,780	117,138,400	274,123,140	1,391,605,040	0.38500
2009	1,598,884,378	121,221,910	280,572,592	1,439,533,696	0.39000
2010	1,627,373,340	124,429,670	295,147,652	1,456,655,358	0.39000
2011	1,619,266,640	120,047,810	299,801,676	1,439,512,774	0.39000
2012	1,608,903,194	115,032,120	312,052,094	1,411,883,220	0.39000

**Source:** Brazoria County Appraisal District and City's budget document.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 6  
Direct and Overlapping Property Tax Rates (per \$100 of assessed value)  
Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates					
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Brazoria County	Brazosport ISD	Brazos River Navigation	Brazosport College	Velasco Drainage	
2003	\$ 0.2292	\$ 0.1458	\$ 0.3750	\$ 0.4195	\$ 1.4228	\$ 0.0721	\$ 0.0850	\$ 0.7137	
2004	0.2351	0.1352	0.3703	0.3595	1.4728	0.0700	0.1050	0.0739	
2005	0.2369	0.1331	0.3700	0.3620	1.5228	0.0675	0.1140	0.0762	
2006	0.2493	0.1307	0.3800	0.3480	1.5728	0.0650	0.1190	0.0821	
2007	0.2390	0.1310	0.3700	0.3217	1.4237	0.0597	0.1220	0.0821	
2008	0.2332	0.1518	0.3850	0.3114	1.1339	0.0560	0.1210	0.0821	
2009	0.2332	0.1568	0.3900	0.3300	1.1922	0.0535	0.1565	0.0821	
2010	0.2340	0.1560	0.3900	0.4031	1.2415	0.0535	0.1902	0.0909	
2011	0.2345	0.1555	0.3900	0.4131	1.2415	0.0535	0.2392	0.0942	
2012	0.2315	0.1585	0.3900	0.4259	1.2595	0.0515	0.2594	0.0948	

**Source:** Brazoria County Appraisal District

**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

Table 7  
Principal Property Tax Payers  
Current Year and Nine Years Ago

2012			2003		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Shawnee Brazos LLC	\$ 20,257,128	1.40%	Wal-Mart Stores Inc.	\$ 16,374,610	1.38%
Wal-Mart Stores Inc.	17,827,750	1.24%	WXI/Z Southwest Mall Real	15,498,500	1.31%
Redwood Edgewater	15,209,880	1.05%	Dow Chemical Company	12,211,230	1.03%
Lowe's	11,379,750	0.79%	Fazio Peter & Shari (Lowe's)	11,201,410	0.94%
Dow Chemical Company	9,641,490	0.67%	Centerpoint Energy, Inc.	9,602,990	0.81%
Texas Dow Employees CU	8,857,320	0.61%	Dillards, Inc.	7,341,110	0.62%
Home Depot	8,932,634	0.62%	Lake Jackson Apt Assoc.	7,313,990	0.62%
Centerpoint Energy	9,580,520	0.66%	Southwestern Bell	5,842,380	0.49%
Partners of Lake Jackson LTD	7,915,410	0.55%	Don Davis Buick/Pontiac/GMC	5,452,550	0.46%
Ling Villages of Lake Jackson	<u>7,252,040</u>	<u>0.50%</u>	Leo Martin Chevrolet/Olds	<u>4,723,140</u>	<u>0.40%</u>
Total	\$ <u>116,853,922</u>	<u>8.09%</u>	Total	\$ <u>95,561,910</u>	<u>8.06%</u>

Source: Brazoria County Appraisal District

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 8  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year <sup>1</sup>	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 4,224,129	\$ 4,164,483	98.6%	\$ 54,887	\$ 4,219,370	99.9%
2004	4,425,124	4,368,949	98.7%	52,775	4,421,724	99.9%
2005	4,608,542	4,563,655	99.0%	41,583	4,605,237	99.9%
2006	4,855,562	4,818,745	99.2%	33,819	4,852,565	99.9%
2007	4,980,528	4,940,579	99.2%	35,966	4,976,545	99.9%
2008	5,348,657	5,294,887	99.0%	42,318	5,340,205	98.8%
2009	5,636,199	5,582,960	99.1%	35,079	5,618,040	99.7%
2010	5,706,573	5,606,421	98.2%	41,097	5,647,518	99.0%
2011	5,599,633	5,545,788	99.0%	28,591	5,574,379	99.5%
2012	5,506,055	5,468,387	99.3%		5,468,387	99.3%

**Source:** Brazoria County Tax Office

<sup>1</sup> Adjusted Tax Levy

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 9  
Sales Tax Analysis  
Last Ten Fiscal Years

Fiscal Year	General Fund Sales Tax Collections	Half-Cent Sales Tax Collections <sup>1</sup>	Total Sales Tax Collections	Percentage Growth	Sales Tax as a % of Total Revenues	Per Capita <sup>2</sup>
2003	\$ 3,726,533	\$ 1,863,267	\$ 5,589,800	( 1.4%)	33.4%	207.52
2004	3,810,459	1,905,229	5,715,688	2.3%	35.1%	211.55
2005	3,914,130	1,957,065	5,871,196	2.7%	34.6%	214.46
2006	4,261,667	2,130,834	6,392,501	8.9%	33.6%	231.49
2007	4,618,469	2,353,998	6,972,467	9.1%	34.2%	252.50
2008	4,553,842	2,337,052	6,890,894	( 1.2%)	33.0%	249.54
2009	4,634,553	2,408,688	7,043,241	2.2%	31.9%	255.06
2010	4,432,443	2,277,196	6,709,639	( 4.7%)	31.6%	249.87
2011	4,562,725	2,355,777	6,918,501	3.1%	33.2%	257.64
2012	4,772,141	2,457,990	7,230,131	4.5%	34.1%	262.47

Source: Finance Department

<sup>1</sup> The half-cent sales tax is accounted for in the Economic Development fund. Voters approved the half-cent sales tax on May 6, 1995. This revenue is limited to payment of the costs of land, building, equipment, facilities, improvements, and maintenance and operation costs for public park purposes, recreational facilities, and infrastructure improvements for the development of new or expanded business enterprises.

<sup>2</sup> See Table 14 for population data.

**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

Table 10  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Water and Sewer Revenue Bonds	Capital Leases			
2003	\$ 20,250,000	\$ 9,885,000	\$ 16,410,000	\$ -0-	\$ 46,545,000	6.61%	1,728
2004	22,640,000	8,985,000	15,440,000	546,742	47,611,742	6.74%	1,762
2005	21,255,000	8,085,000	14,470,000	437,964	44,247,964	6.18%	1,616
2006	19,895,000	7,160,000	13,500,000	298,684	40,853,684	5.66%	1,479
2007	23,775,000	6,235,000	14,530,000	326,074	44,686,074	6.22%	1,625
2008	22,120,000	5,310,000	13,460,000	653,017	41,543,017	5.76%	1,504
2009	22,895,368	4,674,632	12,390,000	542,143	40,502,143	5.61%	1,467
2010	26,780,000	6,260,000	13,025,000	561,044	46,626,044	4.98 %	1,729
2011	24,540,000	5,785,000	11,765,000	230,875	42,320,875	4.54%	1,576
2012	22,740,000	4,655,000	10,550,000	-0-	37,945,000	3.92%	1,377

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

\*See Table 14 for personal income and population data.

**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

Table 11  
Ratio of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt <sup>0</sup>	Less: Amounts Available in Debt Service Fund	Less: Amounts Payable from Half-Cent Optional Tax <sup>1</sup>	Net Bonded Debt	Percentage of Actual Taxable Value of Property <sup>2</sup>	Per Capita <sup>3</sup>
2003	\$ 30,135,000	\$ 795,592	\$ 9,885,000	\$ 19,454,408	2.70%	1,119
2004	31,625,000	768,321	14,790,000	16,066,679	2.66%	1,171
2005	29,340,000	603,990	13,690,000	15,046,010	2.38%	1,072
2006	27,055,000	550,608	12,555,000	13,949,392	2.12%	980
2007	30,010,000	534,776	11,410,000	18,065,224	2.23%	1,087
2008	27,430,000	527,553	10,255,000	16,647,447	1.97%	993
2009	27,570,000	719,582	9,379,632	17,470,786	1.96%	998
2010	33,040,000	679,125	13,456,365	18,904,510	2.27%	1,196
2011	30,325,000	648,230	12,278,528	17,398,243	2.11%	1,098
2012	27,395,000	608,056	10,788,000	17,998,944	2.08%	1,067

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

<sup>0</sup> Does not include Revenue Bonds

<sup>1</sup> Includes Series 2002 Limited Tax bonds and Series 2003 & 2007 Certificates of Obligation & 2009 refunding; all of which are being repaid from revenues generated from the half-cent optional sales tax. Does not include Revenue bonds.

<sup>2</sup> See Table 5 for property value data.

<sup>3</sup> See Table 14 for population data.

## CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 12  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2012

Governmental Unit	Debt Outstanding	As of	Estimated Percentage Applicable**	Estimated Share of Overlapping Debt
Debt repaid with property taxes:				
Velasco Drainage District	\$ --		16.86%	\$ --
Brazosport I.S.D.	141,319,050	08/31/12	17.65%	24,942,812
Brazosport Jr. College	74,695,000	08/31/12	17.65%	13,183,668
Port Freeport	7,145,000	09/30/12	13.51%	965,290
Brazoria County	89,385,000	09/30/12	6.91%	6,176,504
Angleton Drainage District	--	09/30/12	3.44%	--
Angleton/Danbury Hospital District	14,020,000	09/30/12	0.60%	84,120
Columbia-Brazoria I.S.D.	37,380,000	08/31/12	0.71%	265,398
Angleton I.S.D.	146,196,895	08/31/12	0.40%	<u>584,788</u>
Subtotal, overlapping debt				46,202,580
City of Lack Jackson (direct debt)	27,125,000	* 09/30/12	100.00%	<u>27,125,000</u>
Total direct and overlapping debt				<u>\$ 73,327,580</u>

**Source:** Taxing jurisdictions, and the *Texas Municipal Advisory Council of Texas*.

\* Gross Debt

\*\* The percentage of overlapping debt applicable is estimated using taxable assessed property values.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 13  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water and Sewer System Revenue Bonds						
	Utility Revenue and Other <sup>0</sup>	Less: Operating Expenses <sup>1</sup>	Net Available Revenue	Average Annual Requirement	Average Coverage	Maximum Annual Requirements	Maximum Coverage
2003	\$ 5,794,570	\$ 3,849,608	\$ 1,944,962	\$ 1,263,482	1.54	\$ 1,689,195	1.15
2004	5,676,717	3,768,023	1,908,694	1,240,652	1.54	1,651,600	1.16
2005	6,063,698	3,908,603	2,155,095	1,217,347	1.77	1,613,535	1.34
2006	6,242,509	4,150,183	2,092,326	1,193,530	1.75	1,574,600	1.33
2007	6,052,858	4,425,545	1,627,313	959,150	1.70	1,678,355	0.97
2008	6,937,654	4,417,633	2,520,021	921,297	2.74	1,634,680	1.54
2009	7,078,385	4,692,032	2,386,353	881,665	2.71	1,590,720	1.50
2010	6,843,586	4,998,514	1,845,072	806,403	2.29	1,654,081	1.12
2011	7,819,019	5,116,318	2,702,701	763,512	3.54	1,603,350	1.69
2012	7,546,012	5,249,307	2,296,705	716,854	3.20	1,564,350	1.47

**Source:** Lake Jackson Finance Department

<sup>0</sup> Utility Revenue and Other include water, sewer, connection fees, investment earnings; and excludes garbage fees.

<sup>1</sup> Excludes sanitation, interest, depreciation, and debt service charges.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 14  
Demographic and Economic Statistics  
Last Ten Calendar Years

Year	Estimated Population	Estimated Personal Income	Per Capita Personal Income	Median Age <sup>1</sup>	School Enrollment	Unemploy- ment Rate	Labor Force
2003	26,936	\$ 703,918,488	\$ 26,133	--	6,445	5.0%	14,951
2004	27,018	706,061,394	26,133	--	6,536	5.3%	14,960
2005	27,377	715,443,141	26,133	--	6,476	4.7%	14,180
2006	27,614	721,636,662	26,133	--	6,409	3.6%	14,467
2007	27,614	721,636,662	26,133	--	6,472	3.8%	14,439
2008	27,614	721,636,662	26,133	--	6,921	5.8%	14,266
2009	27,614	721,636,662	26,133	--	6,422	7.1%	13,735
2010	26,853	932,175,042	34,714	37.0	6,276	8.4%	13,886
2011	26,853	932,175,042	34,714	--	6,867	7.5%	14,462
2012	27,547	967,175,170	35,110	--	6,338	6.2%	13,714

**Source:** Estimated Population, per capita income, and median age provided by U.S. Census and the Economic Development Alliance for Brazoria County.

Estimated personal income is derived from per capita personal income and estimated population.

School enrollment provided by Brazosport Independent School District.

Unemployment rate and Labor Force provided by the Texas Employment Commission website.

<sup>1</sup> Median age only available in Census Years.

**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

Table 15  
Principal Employers  
Current Year and Ten Years Ago

2012			2002		
Employer	Employees	Percentage of Total City Employment	Employer	Estimated Employees	Percentage of Total City Employment
Brazosport Memorial Hospital	695	4.72%	Wal Mart Stores Inc.	510	3.71%
Wal-Mart	415	2.86 %	Brazosport Memorial Hospital	486	3.54%
Brazosport I.S.D.	380	2.62%	Brazosport I.S.D.	405	2.95%
Dow Credit Union	308	2.12%	City of Lake Jackson	208	1.51%
City of Lake Jackson	210	1.45%	Dow Credit Union	190	1.38%
Target	100	0.68%	Lowes	120	0.87%
Lowes	185	1.28%	Target	130	0.95%
Home Depot	110	0.76%	Home Depot	89	0.65%
Ryan's Steakhouse	70	1.55%	Ryan's Steakhouse	60	0.44%
Randall's	63	0.43%	Albertson's (Randall's)	48	0.35%
Jerry's Food King	50	0.34%	Stanley Supermarket (Food King)	48	0.35%
Total	<u>2,506</u>	<u>18.81%</u>	Total	<u>2,294</u>	<u>16.70%</u>

Source: Principal Employers

**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

Table 16  
Full-time Equivalent City Government Employees by  
Function/Program  
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government and Administration	31	32	31	31	31	35	35	35	35	35
Public Safety:										
Police	57	57	57	58	58	59	59	61	60	60
Fire	2	2	1	1	1	1	1	1	1	1
Humane	3	3	3	3	3	3	3	3	3	3
Culture and Recreation	27	27	27	27	27	27	27	27	27	27
Public Works:										
Streets	7	7	7	7	7	7	7	7	7	7
Drainage	15	15	15	15	15	15	15	15	15	15
Code Enforcement	6	6	6	6	6	8	8	8	8	8
Garbage	9	9	9	9	9	9	9	9	9	9
Water and Sewer	40	38	38	37	37	37	37	37	37	37
Sanitation	<u>25</u>									
	<u>222</u>	<u>221</u>	<u>219</u>	<u>219</u>	<u>219</u>	<u>226</u>	<u>226</u>	<u>228</u>	<u>227</u>	<u>227</u>

**Source:** City Budget

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 17  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	Est. 2012
<b>Public Safety:</b>										
Police:										
% Criminal Offenses Cleared	73%	64%	52%	55%	54%	55%	57%	43%	41%	39%
Traffic contacts	15,822	17,119	16,406	18,039	18,296	14,406	13,515	15,169	22,500	19,639
Fire:										
Fire calls	455	469	486	519	537	532	520	520	502	441
EMS calls	1,468	1,514	1,629	1,891	2,183	2,197	2,448	2,730	2,811	2,907
Inspections	n/a	226	253	243	408	319	368	257	341	302
<b>Public Works:</b>										
Streets:										
Potholes repaired	559	486	481	314	363	235	223	469	665	500
Gutter sweeping (cu yd)	1,293	1,176	1,676	1,430	1,300	1,707	1,570	1,864	2,178	1,820
<b>Culture and Recreation:</b>										
Recreation Center members	5,091	5,586	4,937	5,864	5,800	6,204	5,738	4,926	3,861	4,231
Recreation Center Attendance	251,638	241,350	168,967	142,234	190,000	240,600	251,750	229,059	207,189	232,469
<b>Water and Sewer:</b>										
Number of sewer leaks Repaired										
Repaired	16	45	133	3	5	3	8	3	6	1
Linear feet of sewer mains cleaned	11,100	39,085	122,216	47,735	108,464	45,215	29,430	20,232	25,000	67,726
<b>Sanitation:</b>										
Refuse Collected: <sup>1</sup>										
Residential garbage (cu yd)	23,237	25,000	27,060	27,031	27,200	28,000	24,070	22,214	24,000	20,331
Commercial garbage (cu yd)	35,934	37,000	26,698	40,459	40,800	42,000	36,106	22,898	36,000	33,389

**Source:** City Departments

<sup>1</sup> Does not include non-compacted refuse collection.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 18  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety:</b>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
<b>Culture and Recreation:</b>										
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Community Center	2	2	2	2	2	2	2	2	2	2
Recreation Center	1	1	1	1	1	1	1	1	1	1
Parks Acreage <sup>1</sup>	1,296	1,296	1,296	1,296	1,306	1,306	1,306	1,306	1,306	1,306
Parks	23	23	23	23	23	23	23	23	23	23
Baseball/softball fields	23	23	23	23	23	23	23	23	23	23
Soccer fields	24	24	24	24	24	24	24	24	24	24
<b>Water:</b>										
Water mains (miles)	130	130	130	130	130	130	130	130	130	130
Fire Hydrants	917	917	917	917	917	917	917	917	917	917
<b>Wastewater<sup>2</sup></b>										
Maximum daily treatment capacity (thousands of gallons)	2,150	2,150	6,150	6,150	6,150	6,150	6,150	6,150	6,150	6,150

**Source:** Various City departments

<sup>1</sup> In 2007 Dow donated 9.86 acres of land.

<sup>2</sup> The expansion and upgrade of the Wastewater treatment plant was completed in 2005.

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**CONTINUING FINANCIAL DISCLOSURES**

*As of 01/31/13*

The Continuing Financial Disclosure Tables present various financial data originally distributed in a debt official statement. The City is required to update financial tables originally distributed in a debt official statement within six months after the end of each fiscal year. This information is also sent to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system (EMMA) as required under Securities and Exchange Commission Rule 15c2-12.

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**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

Table CD-1  
Bond Summary and Authorization  
(As of 1/31/13)

**Summary of Bonds Outstanding**

**General Obligation Bonds and Certificates of Obligation**

2002A Limited Tax General Obligation Bonds	\$ 180,000
2002 Limited Tax General Obligation Bonds *	280,000
2003 Limited Tax refunding Bonds	155,000
2004 Limited Tax Bonds	2,160,000
2007 Limited Tax Bonds	3,975,000
2009 Limited Tax Bonds	2,040,000
2009 Limited Tax Refunding Bonds (\$ 2,008,000)*	3,975,000
2009 Certificates of Obligation (downtown)*	4,500,000
2010 Limited Tax Bonds	2,700,000
2011 Limited Tax Refunding Bonds (\$ 4,000,000)*	<u>7,160,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>27,125,000</u>

\* Secured by a pledge of Ad Valorem Tax Revenues; but paid from revenues generated from Optional Half Cent Sales Tax. In the case of Refunding bonds, a portion indicated in parenthesis is repaid from the Half Cent Sales Tax.

**Waterworks and Sewer System Bonds**

2007 Waterworks and Sewer System Bonds	\$ 1,500,000
2009 Waterworks and Sewer System Bonds	1,520,000
2009 Waterworks and Sewer System Refunding Bonds	485,000
2010 Waterworks and Sewer System Refunding Bonds	<u>7,045,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>10,550,000</u>

**General Obligation Bonds Authorized but not Issued as of 01/31/13**

\$ 7 million bonds were authorized May, 2010 for street and drainage improvements.  
\$ 3 million of those bonds have been sold to date.

**Waterworks and Sewer System Bonds Authorized but not Issued as of 01/31/13**

None.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## Table CD-2 Financial Information (As of 1/31/2013)

2012 Assessed Valuation (100% of Actual) <sup>1</sup>	\$ <u>1,443,153,585</u>
<b><u>General Obligation Bonds and Certificates of Obligation Outstanding<sup>2</sup></u></b>	
Presently outstanding (01/31/13)	\$ 27,125,000
Other Bonds issued to date	<u>-0-</u>
Gross debt	27,125,000
Less: Amounts payable for ½ Cent Optional Tax	10,788,000
Less: Debt Service Cash Balance	<u>2,668,288</u>
Net Debt	\$ <u>13,668,712</u>
Ratio of Net Debt to 2012 Assessed Valuation	0.95%
2013 Estimated Population	28,000
2012 Assessed Valuation per Capita	\$ 51,541.20
Net Debt per Capita	\$ 488.17
Area of the City	18 square miles

<sup>1</sup> Tax Year; Net of exemptions in the amount of \$ 310,666,399.

<sup>2</sup> Excludes the Waterworks and Sewer System Revenue Bonds outstanding.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-3  
Estimated Direct & Overlapping Debt Statement

Political Subdivision	Net Debt		Estimated Percent Overlapping	Amount Overlapping
	Amount	As of		
Angleton I.S.D.	\$ 146,196,895	08/31/12	0.40%	\$ 584,788
Angleton-Danbury Hospital District	14,020,000	09/30/12	0.60%	84,120
Angleton Drainage District	-0-	08/31/12	3.44%	-0-
Brazoria County	89,385,000	09/30/12	6.91%	6,176,504
Brazosport I.S.D.	141,319,050	08/31/12	17.65%	24,942,812
Brazosport Jr. College	74,695,000	08/31/12	17.65%	13,183,668
Columbia-Brazoria I.S.D.	37,380,000	08/31/12	0.71%	265,398
Port Freeport	7,145,000	09/30/12	13.51%	965,290
Velasco Drainage District	-0-	09/30/12	16.86%	-0-
<b>Total Overlapping Debt</b>				<b>46,202,580</b>
City of Lake Jackson (direct debt)				<u>27,125,000</u>
<b>Total Direct and Overlapping Debt</b>				<b><u>\$ 73,327,580</u></b>
Ratio of Total Direct and Overlapping Debt to 2011 Assessed Valuation				5.08%
Per Capita Total Direct and Overlapping Debt				\$ 2,619
Assessed Valuation per Capita				\$ 51,541

Source: Taxing jurisdictions, and the *Texas Municipal Advisory Council of Texas*.

\* Gross Debt

\*\* The percentage of overlapping debt applicable is estimated using taxable assessed property values.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-4  
Outstanding Debt Service Requirements  
General Obligation Debt

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2013	\$ 2,785,000	\$ 960,361	\$ 3,745,631
2014	2,395,000	874,620	3,269,620
2015	2,385,000	796,335	3,181,335
2016	2,375,000	718,665	3,093,665
2017	2,375,000	636,570	3,011,570
2018	2,005,000	554,537	2,559,537
2019	1,770,000	481,063	2,251,063
2020	1,710,000	412,145	2,122,145
2021	1,705,000	344,235	2,049,235
2022	1,520,000	279,795	1,799,795
2023	1,340,000	222,370	1,562,370
2024	965,000	175,955	1,140,955
2025	785,000	140,595	925,595
2026	785,000	108,710	893,710
2027	785,000	76,637	861,637
2028	520,000	49,740	569,740
2029	520,000	27,923	547,923
2030	<u>400,000</u>	<u>8,470</u>	<u>408,470</u>
	<u>\$ 27,125,000</u>	<u>\$ 6,868,996</u>	<u>\$ 33,993,996</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## Table CD-5 Water and Sewer System Revenue Bonds Debt Service Schedule

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2013	\$ 1,205,000	\$ 359,350	\$ 1,564,350
2014	1,100,000	331,050	1,431,050
2015	1,085,000	301,025	1,386,025
2016	1,065,000	271,125	1,336,125
2017	955,000	237,750	1,192,750
2018	950,000	207,675	1,157,675
2019	950,000	170,100	1,120,100
2020	945,000	132,100	1,077,100
2021	940,000	94,300	1,034,300
2022	185,000	56,700	241,700
2023	185,000	49,300	234,300
2024	185,000	41,688	226,688
2025	185,000	34,075	219,075
2026	185,000	26,463	211,463
2027	185,000	18,850	203,850
2028	85,000	11,025	96,025
2029	80,000	7,200	87,200
2030	<u>80,000</u>	<u>3,600</u>	<u>83,600</u>
	<u>\$ 10,550,000</u>	<u>\$ 2,353,375</u>	<u>\$ 12,903,375</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## Table CD-6 Tax Adequacy

The following calculation does not include the estimated fund balance as of 9/30/12, the debt service on \$ 5,068,199 (principal and interest) of the 2011 Limited Tax Refunding Bonds, the 2009 Certificates of Obligation, and \$ 2,818,061 (principal and interest) of the 2009 Limited Tax Refunding Bonds. (These are to be repaid from the half cent sales tax).

	<u>Average Requirements (2013-2030)</u>	<u>Maximum Requirement 2013</u>
General Obligation Debt Service Requirements	\$ 1,138,268	\$ 2,178,271
Debt Service Fund tax rate required on 2012 Assessed Taxable Valuation of \$ 1,443,153,585 @ 98% collection	\$ 0.080	\$ 0.154

Including the Certificates of Obligation and the 2009 & 2011 General Obligation bonds paid from the half cent sales tax, the calculation is as follows:

	<u>Average Requirements (2013-2030)</u>	<u>Maximum Requirement 2013</u>
General Obligation Debt Service Requirements	\$ 1,888,555	\$ 3,745,630
Debt Service Fund tax rate required on 2012 Assessed Taxable Valuation of \$ 1,443,153,585 @ 98% collection	\$ 0.134	\$ 0.265

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-7  
Tax Rate and Tax Collection Information

## Tax Collection Period

Taxes are due October 1 and are delinquent after January 31. No discounts are given on early payments. Penalty and interest on delinquent payments are rigidly enforced.

## Tax Collection Record

Tax Year	Assessed Taxable Valuation	Tax Rate	Percent Tax Collections		Year Ending
			Current	Total	
2001	\$ 1,068,602,660	0.3500	98.6%	100.0%	09/30/02
2002	1,117,428,789	0.3750	98.6%	99.9%	09/30/03
2003	1,187,071,311	0.3703	98.7%	99.9%	09/30/04
2004	1,237,823,934	0.3700	99.0%	99.9%	09/30/05
2005	1,273,933,920	0.3800	99.2%	99.9%	09/30/06
2006	1,354,217,330	0.3700	99.2%	99.8%	09/30/07
2007	1,391,605,040	0.3850	99.0%	99.7%	09/30/08
2008	1,451,257,205	0.3900	99.0%	99.0%	09/30/09
2009	1,456,655,358	0.3900	99.0%	99.0%	09/30/10
2010	1,439,512,774	0.3900	98.2%	99.0%	09/30/11
2011	1,414,924,084	0.3900	85.6%	85.9%	09/30/12
2012	1,438,494,458	0.3900	82.8%	82.8%	thru 1/31/2013

## Tax Rate Limitations

The City is a Home Rule City with a maximum authorized rate for all purposes of \$ 2.50 per \$ 100 assessed valuation. This maximum tax rate is imposed both by the Constitution of the State of Texas and the City Charter. Under the rules of the Texas attorney general, the City may issue general obligation debt in an amount no greater than that which can be serviced by a debt tax of \$ 1.50 per \$ 100 assessed valuation, based on 90% collections.

## Tax Rate Distribution

Tax Year	2012	2011	2010	2009	2008
General Fund	\$ 0.2323	\$ 0.2315	\$ 0.2345	\$ 0.2340	\$ 0.2332
Debt Service Fund	<u>0.1577</u>	<u>0.1585</u>	<u>0.1555</u>	<u>0.1560</u>	<u>0.1568</u>
Total Tax Rate	<u>\$ 0.3900</u>				

# CITY OF LAKE JACKSON

Lake Jackson, Texas

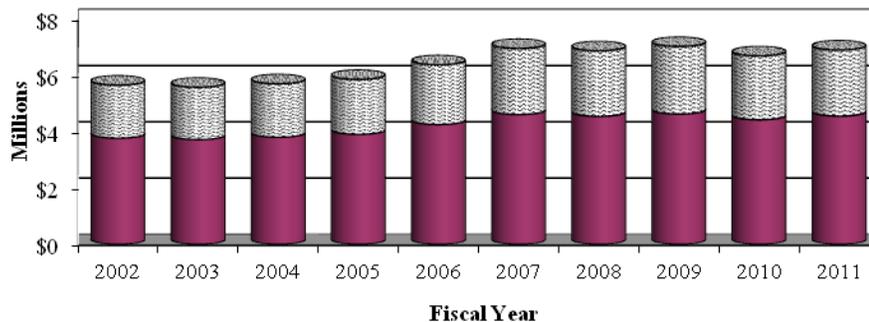
Table CD-8  
Sales Tax Collection History

## City Sales Tax Collection

The City adopted the provisions of Article 1066c, VACS, Section 9, authorizing a 1% sales tax. In addition, on May 6, 1995, the voters of Lake Jackson approved the levy and collection of a one-half cent sales tax to fund the cost of land, buildings, equipment, facilities, improvements and maintenance and operation for public park purposes, recreational facilities, and for infrastructure improvements for development of new or expanded business enterprises.

### Sales Tax Collection History

<u>Fiscal Year</u>	<u>One Cent Sales Tax</u>	<u>Optional Half Cent Sales Tax<sup>1</sup></u>
2003	\$ 3,726,533	\$ 1,863,267
2004	3,810,459	1,905,229
2005	3,914,130	1,957,065
2006	4,261,667	2,130,834
2007	4,618,469	2,353,998
2008	4,553,842	2,337,052
2009	4,634,553	2,408,688
2010	4,432,443	2,277,196
2011	4,562,724	2,355,777
2012	4,772,141	2,457,990



<sup>1</sup> The Economic Development Fund is used to account for the revenue from the Optional Half Cent Sales Tax.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-9  
Economic Development Fund

Resources	ACTUAL 2010-11	BUDGET 2011-12	ACTUAL 2011-12	ADOPTED 2012-13
Fund Balance	\$ <u>2,404,126</u>	\$ <u>2,195,073</u>	\$ <u>2,526,505</u>	\$ <u>2,204,564</u>
Revenues:				
Half Cent Sales Tax	2,355,777	2,373,500	2,457,990	2,499,000
Interest income	<u>13,038</u>	<u>12,225</u>	<u>12,731</u>	<u>10,172</u>
	<u>2,368,815</u>	<u>2,385,725</u>	<u>2,470,721</u>	<u>2,509,172</u>
 Total Resources	 <u>\$ 4,772,941</u>	 <u>\$ 4,580,798</u>	 <u>\$ 4,997,226</u>	 <u>\$ 4,713,736</u>
Expenditures	ACTUAL 2010-11	BUDGET 2011-12	ACTUAL 2011-12	ADOPTED 2012-13
Transfer to Economic Development Debt Service	\$ 1,139,074	\$ 1,104,389	\$ 1,102,390	\$ 1,067,139
New Bond Issue - S. Parking Place	-0-	-0-	-0-	50,000
This Way - Centerway to 332	-0-	-0-	-0-	385,000
Downtown Maintenance	8,061	50,000	23,795	50,000
S. Parking Place - Design	-0-	150,000	42,762	107,238
Recreation Center - Pool Pak	-0-	350,000	352,095	-0-
Repair MacLean Jogging Trail	-0-	-0-	138,048	-0-
Park projects previously approved	-0-	-0-	-0-	250,000
Park projects approval (4)	-0-	-0-	-0-	288,000
Transfer to Golf Course Debt Service	549,300	550,000	533,572	503,720
Golf Course Operating Contingency	200,000	100,000	250,000	150,000
Transfer to General Fund	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
 Total Expenditures	 <u>\$ 2,246,435</u>	 <u>\$ 2,654,389</u>	 <u>\$ 2,792,662</u>	 <u>\$ 3,201,097</u>
 Ending Fund Balance	 <u>\$ 2,526,506</u>	 <u>\$ 1,926,409</u>	 <u>\$ 2,204,564</u>	 <u>\$ 1,512,639</u>

(1) The fiscal year 2010-2011 budget was amended to increase the transfer for Golf Course Operating Reserve from \$ 100,000 to \$ 350,000. Of this additional \$ 250,000, \$ 100,000 was transferred in fiscal year 2010-2011 and \$ 150,000 was transfer in fiscal year 2011-2012.

(2) Repairs to the MacLean park jogging trail were budgeted in fiscal year 2010-2011, the project was completed this year (fiscal year 2011-2012).

(3) Park Projects approved last year for funding this year include replacing Rec Center HVAC Chiller (\$ 90,000), Rec Center Boiler (\$ 15,000), Expand Check-in Station (\$ 63,000), Replaster pool (\$ 60,000), Locker Room Mat replacement (\$ 22,000).

(4) Parking lot overlay (Pee Wee) \$ 17,500, MacLean Adult Softball Restroom \$ 100,000, Natatorium Ventilation Sock \$ 50,000, Replace Locker Room Plumbing at Rec Center \$ 45,000, Golf Course Bunker Renovation \$ 30,000, Golf Course Cart path Extension \$ 30,000, A/C Replacement at Golf Course \$ 7,500, Golf Course video Security System \$ 7,500 for maintenance of new landscaping and walks downtown.

The Lake Jackson Development Corporation recommended, and City Council approved, an additional \$ 100,000 be budgeted through the 2014-15 fiscal year to provide a contingency for golf course operations.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

Table CD-10  
Debt Service Fund Management Index

**General Debt Service Fund**

Debt Service Fund Balance as of 9/30/12	\$	609,173
Debt Service Tax Levy of \$ .1577 per \$ 100 of Assessed Valuation on 2012 Assessed Valuation of \$ 1,443,153,585 at 98% collection		2,230,336
Interest Earnings on Debt Service Fund		<u>8,000</u>
Total Available for 2013 Debt Service		2,847,509
Less: 2013 Debt Service Requirements		<u>2,284,271</u>
Projected Debt Service Fund Balance at 9/30/12	\$	<u>563,238</u>

**Economic Development and Golf Course Debt Service Funds**

These funds were established to account for the debt service on all bond issues which are to be repaid with the revenue from the optional half-cent sales tax. As of 01/31/13, there are four outstanding issues, the 2003 & 2009 Refunding CO's for the Recreation Center, Civic Center and Golf Course; the 2002 Golf Course GO's, and the \$ 4 million of the 2011 Limited Tax Refund Bonds.

	<u>Golf Course</u>	<u>Economic Development</u>
Debt Service Fund Balance as of 9/30/12	\$ -0-	\$ -0-
Transfer from Golf Course Operations		
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>503,720</u>	<u>1,117,139</u>
Total Available for 2013 Debt Service	503,720	1,117,139
Less: 2012 Debt Service Requirements	<u>503,720</u>	<u>1,117,139</u>
Projected Debt Service Fund Balance at 9/30/13	\$ <u>-0-</u>	\$ <u>-0-</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

Table CD-11

Utility Debt Service Fund Management Index

**Utility Revenue Interest and Sinking Fund (Including Reserve Balance)**

Debt Service Fund Balance as of 9/30/12	\$ 2,297,519
Transfer from Utility Operating Fund (as budgeted)	1,569,535
Transfer from Debt Service Reserve (as budgeted)	-0-
2013 Projected Interest Earnings	<u>10,000</u>
Total Available for 2013 Debt Service	3,877,054
Less: 2013 Debt Service Requirements (including agent fees)	<u>1,568,350</u>
Projected Debt Service Fund Balance at 9/30/13	<u>\$ 2,308,704</u>

The above fund accounts for the interest and sinking portion for all Utility bonds. It also represents the reserve portion for all outstanding bonds.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-12  
Changes in Fund Balances  
Governmental Funds (Modified Accrual Basis)

	Fiscal Year	
	2012	2011
Revenues:		
Taxes	\$ 18,824,139	\$ 18,526,662
Intergovernmental	131,528	405,794
Charges for services	1,042,830	1,005,931
Fines and fees	504,603	418,536
Licenses and permits	227,672	213,772
Special assessment		4,712
Investment earnings	106,725	100,646
Miscellaneous	<u>390,732</u>	<u>160,567</u>
Total revenues	<u>21,228,229</u>	<u>20,836,620</u>
Expenditures:		
General government and administration	3,156,162	2,862,240
Public safety	5,600,724	5,559,479
Public works	2,717,025	2,671,957
Culture and recreation	4,017,170	4,067,243
Capital Outlay	4,181,783	5,355,135
Debt Service:		
Principal	2,830,000	2,715,000
Interest and fiscal charges	<u>1,187,465</u>	<u>1,272,263</u>
Total expenditures	<u>23,690,329</u>	<u>24,503,317</u>
Excess of revenues over (under) expenditures	<u>( 2,462,100)</u>	<u>( 3,666,697)</u>
Other Financing Sources (Uses):		
Bonds issued	7,360,000	
Premium on bonds issued	810,870	
Sale of capital assets	73,120	28,330
Payment to bond refunding escrow agent	( 8,113,305)	
Transfers in	4,071,614	4,023,916
Transfers out	<u>( 3,318,282)</u>	<u>( 3,603,802)</u>
Total other financing sources (uses)	<u>884,017</u>	<u>448,444</u>
Net change in fund balances	<u>\$( 1,578,083)</u>	<u>\$( 3,218,253)</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-13  
Proprietary Fund - Statement of Revenues and Expenses

The following schedule presents a summary of the Proprietary Funds for the fiscal year ended September 30, 2012 and 2011.

	2012	2011
<b>Revenues:</b>		
Water and sewer services	\$ 6,989,506	\$ 7,370,832
Sanitation service	3,052,811	3,036,999
Tapping and connection fees	231,060	214,696
Golf course fees and charges	1,519,012	1,571,411
Other	286,324	198,926
	12,078,713	12,392,864
<b>Operating Expenses:</b>		
Utility administration	430,312	408,299
Reimbursed administrative	474,922	438,389
Water and sewer	4,818,995	4,708,019
Golf course	1,559,409	1,656,250
Sanitation	2,219,316	2,298,919
	9,502,954	9,509,876
Net revenues as described by Bond ordinance	2,575,759	2,882,988
<b>Nonoperating Revenues (Expenses):</b>		
Depreciation	( 2,332,227)	( 2,390,913)
Interest earnings	42,432	36,825
Interest expense and fiscal charges	( 408,195)	( 441,339)
Capital Contributions	250,000	200,000
<b>Transfers:</b>		
for franchise fee	( 110,500)	( 102,000)
for equipment replacement	( 705,230)	( 658,723)
for Contingency	70,000	70,000
for Golf Course debt service	( 3,360)	( 6,430)
Assets purchased by general fund	319,649	529,873
	( 2,947,431)	( 2,762,707)
Net income	\$( 371,672)	\$ 120,281
Coverage of average annual debt service requirements	2.29%	2.29%
Customer count (residential & commercial)	8,806	8,758

**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

Table CD-14  
Water and Sewer Information

**Water and Sewer Rates**

Current water and sewer rates became effective October 1, 2012.

Water:	First 2000 gallons	\$ 11.25 Minimum
	Over 2000 gallons	\$ 3.10 per 1,000 gallons
	Over 20,000 gallons	\$ 3.35 per 1,000 gallons
Sewer:	First 2000 gallons	\$ 11.25 Minimum
	Over 2000 gallons	\$ 3.30 per 1,000 gallons

Residential sewer charges stop at 15,000 gallons.

**Water Supply Facilities**

The City continues to purchase two million gallons of treated surface water per day from the Brazosport Water Authority. The current cost per 1,000 gallons is \$ 1.80.

In addition to the above, the City operates 12 water wells with a peak production capacity of 10.5 million gallons. Water storage capacity includes five elevated tanks (2.55 million gallons of capacity) and 4 ground storage tanks (4.0 million gallons total capacity).

**Wastewater Treatment Plant**

Sewer treatment is provided to the City by one water reclamation facility. This facility has a permitted capacity of 5.89 million gallons per day. Wastewater generated throughout the City flows through a series of lift stations prior to reaching the treatment plant. There are currently four “master” lift stations that pump directly to the treatment plant, and 37 lift stations that serve various subdivisions and convey wastewater to a “master” lift station.

**Water and Sewer Customers**

Currently, the City has 23 apartment complexes (2,974 units); 485 Commercial businesses and 8,220 residences utilizing the City’s water and sewer services.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-15  
Top Ten Utility Customers

<u>Name of Business</u>	<u>Type of Business</u>	<u>FY 2012 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Brazosport Hospital	Hospital	22,624	2.29%
Brazosport College	College	13,627	1.38%
Oyster Creek Apartments	Apartments	15,377	1.56%
Jackson Square #1	Apartments	12,040	1.22%
Oakwood Apartments	Apartments	11,257	1.14%
Buc-ee's #29	Gas Station/Car Wash	10,362	1.05%
Raamco Raintree LP	Apartments	9,598	0.97%
Gateway Housing	Apartments	9,284	0.94%
TAJ Properties LLC	Apartments	9,161	0.93%
Linmark Oaks, LLC	Apartments	7,823	0.79%
Star Bright Market	Gas Station/Car Wash	<u>6,295</u>	<u>0.64%</u>
		<u>127,448</u>	<u>12.89%</u>

Total water consumption for the period October 1, 2011 to September 30, 2012 in thousands of gallons was 988,531.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-16  
Principal Taxpayers and Assessed Valuation

## Principal Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Tax Year 2012 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Shawnee Brazos LLC	Retail	\$ 20,257,128	1.40%
Wal-Mart Stores Inc.	Retail	17,827,750	1.24%
Redwood Edgewater TIC 12 thru 22	Apartments	15,209,880	1.05%
Lowe's	Retail	11,379,750	0.79%
Dow Chemical Company	Various property	9,641,490	0.67%
Texas Dow Employees Credit Union	Financial Institution	8,857,320	0.61%
Home Depot	Retail	8,932,634	0.62%
Centerpoint Energy, Inc.	Utility	9,580,520	0.66%
Partners of Lake Jackson LTD	Apartments	7,915,410	0.55%
Ling Villages of Lake Jackson	Apartments	7,252,040	0.50%
Buc-ee's Ltd.	Retail	6,208,720	0.43%
Lake Jackson Crossing Ltd Prt.	Retail	5,404,680	0.37%
Dillard Texas Operating LTD	Retail	5,026,310	0.35%
Dayton Hudson Corp (Target)	Retail	4,768,680	0.33%
Leo Martin Chevrolet Inc.	Dealership	4,702,440	0.33%
Kohl's Illinois, Inc.	Retail	4,507,830	0.31%
Clark Richard A.	Various property	5,182,760	0.36%
		<u>\$ 152,655,342</u>	<u>10.58%</u>

## Assessed Valuation by Classification

<u>Classification</u>	<u>2012 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,174,690,344	69.62%
Real, Vacant Platted Lots/Tracts	11,105,210	0.66%
Commercial & Industrial	277,947,570	16.47%
Real Acreage (Land Only)	11,923,225	0.71%
Utilities and Pipelines	17,927,450	1.06%
Special Inventory and other	193,614,880	11.48%
Total Market/Appraised Value	\$ 1,687,208,679	<u>100.00%</u>
Less Exemptions	<u>315,852,118</u>	
Under protest at certification	\$ 1,371,356,561	
	<u>71,797,024</u>	
Net Taxable Value	<u>\$ 1,443,153,585</u>	

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-17  
General Fund - Budget Summary

On September 4, 2012 the 2012-13 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	2010-11 <u>Actual</u>	2011-12 <u>Actual</u>	2012-13 <u>Adopted Budget</u>
Revenues:			
Property tax	\$ 3,396,094	\$ 3,296,462	\$ 3,352,028
Sales tax	4,562,724	4,772,141	4,831,000
Franchise fees	1,721,883	1,608,383	1,636,000
Industrial district	3,984,300	4,100,000	4,100,000
Licenses and permits	213,772	227,672	209,100
Fines and fees	392,875	459,083	433,700
Civic Center fees	249,145	232,819	232,755
Recreation Center fees	756,785	810,011	747,050
Intergovernmental *	245,349	262,417	127,300
Interest and other	66,754	124,344	167,299
Utility Administrative fee	438,389	438,389	438,390
Transfer from Economic Development	350,000	350,000	350,000
Transfer from General Contingency	<u>260,000</u>	<u>242,600</u>	<u>242,600</u>
Total revenues	<u>\$ 16,638,070</u>	<u>\$ 16,924,321</u>	<u>\$ 16,867,222</u>
Expenditures:			
General government services	\$ 1,418,426	\$ 1,558,438	\$ 1,581,730
Financial services	1,186,482	1,219,968	1,275,790
Legal services	154,394	155,330	169,565
Public safety services *	6,039,012	6,113,773	6,379,955
Engineering services	416,095	403,688	414,235
Public works services	2,697,646	2,832,550	3,109,392
Parks & recreation services	3,542,867	3,582,399	3,610,270
Miscellaneous services	377,689	271,940	326,285
Budget saving transfers	<u>750,000</u>	<u>765,000</u>	<u></u>
Total expenditures	<u>\$ 16,582,611</u>	<u>\$ 16,903,086</u>	<u>\$ 16,867,222</u>

**CITY OF LAKE JACKSON**  
Lake Jackson, Texas

Table CD-18  
Utility Fund - Budget Summary

On September 4, 2012 the 2012-13 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2010-11</u> Actual	<u>2011-12</u> Actual	<u>2012-13</u> Adopted Budget
<b>Revenues:</b>			
Plumbing fees	\$ 12,591	\$ 21,708	\$ 12,500
FEMA Hurricane reimbursement	-0-	-0-	-0-
Tap fees	4,495	16,430	10,000
Administrative fees	197,611	193,109	190,700
Water sales	3,989,110	3,754,229	3,800,447
Sewer sales	3,548,656	3,423,041	3,534,925
Senior discount	( 166,934)	( 182,428)	( 182,300)
Sanitation sales	3,036,999	3,062,140	3,171,673
Other revenues	197,936	133,167	119,702
Interest & sales tax discount	15,967	21,746	19,422
Transfer from General Contingency	<u>70,000</u>	<u>70,400</u>	<u>70,400</u>
Total revenues	<u>\$ 10,906,431</u>	<u>\$ 10,513,542</u>	<u>\$ 10,747,469</u>
<b>Expenditures:</b>			
Utility administration	\$ 433,844	\$ 448,925	\$ 475,070
Water	2,828,513	2,796,014	2,805,170
Wastewater	2,015,966	2,140,958	2,332,310
Sanitation	2,794,144	2,715,987	2,954,795
Non-departmental	<u>2,223,230</u>	<u>2,196,283</u>	<u>2,180,124</u>
Total expenditures	<u>\$ 10,295,697</u>	<u>\$ 10,298,167</u>	<u>\$ 10,747,469</u>