

CITY OF LAKE JACKSON, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

PAM EAVES, FINANCE DIRECTOR

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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For the Year Ended September 30, 2013*

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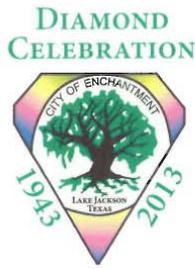
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INTRODUCTORY SECTION

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CITY OF LAKE JACKSON

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March 31, 2014

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 (the City) for the fiscal year ended September 30, 2013. 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. All effluent from the facility flows to Dow Chemical Company for use in its plant processes.

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 53,000 people globally. Dow’s more than 6,000 products are manufactured at 201 sites in 36 countries across the globe. Texas Operations in Freeport, TX, is Dow’s largest integrated site. The four major complexes – Plant A, Plant B, Oyster Creek and Salt Dome – operate as an integrated unit spanning 7,000 acres. 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.

A new Propylene production unit is currently under construction and 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).will be among the many changes coming ahead.

As part of The Dow Chemical Company's ongoing commitment to innovation, it announced a new Research & Development (R&D) facility will be built here in Lake Jackson. The Texas Innovation Center will house state-of-the-art laboratory facilities and technical expertise centers.

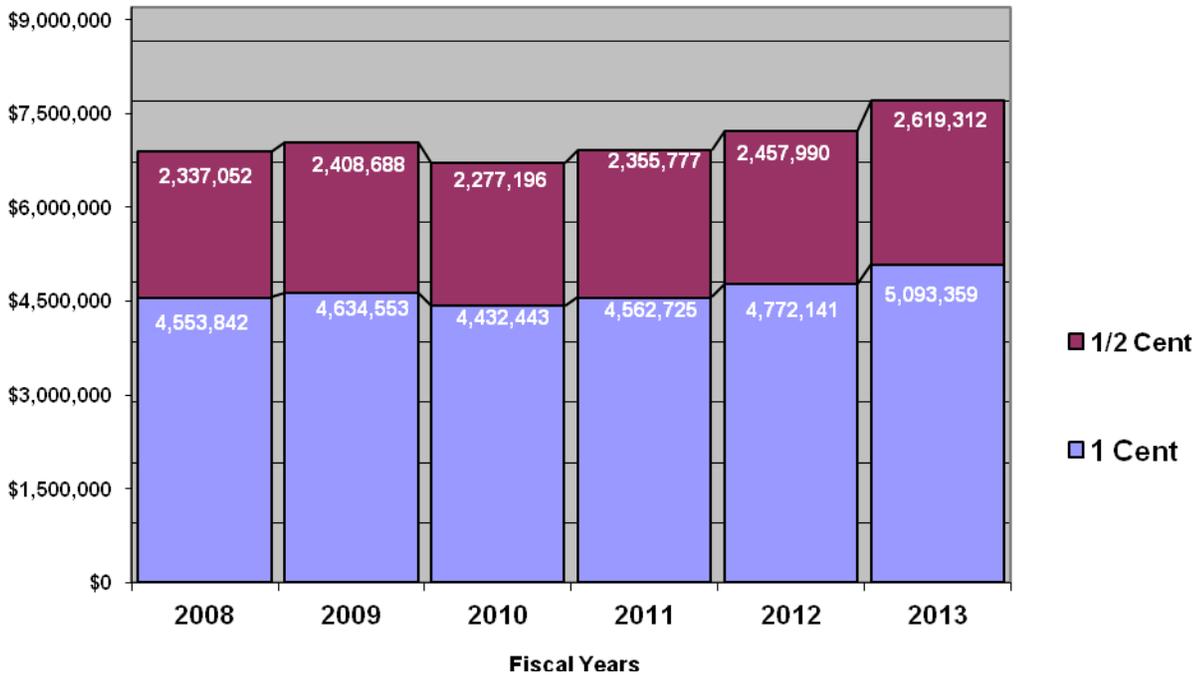
Upon completion in 2016, the facility will be a global research and development hub of modern lab and office facilities for more than 2,000 people from Dow R&D, businesses, functions and manufacturing. In addition to the announced Dow Chemical projects, Freeport LNG is planning on receiving regulatory 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 at the end of 2014. 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.

The economic impact to the city of these projects is already being felt. Sales Tax year to date in FY 2014 is up roughly 5% compared to the same time period last year.

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 2013, sales tax collections totaled \$ 7,712,671, a 6.7% increase from the previous year. Of the total sales tax revenue, approximately \$ 5.1 million was allocated to the General Fund, and approximately \$ 2.6 million to the Economic Development Fund.

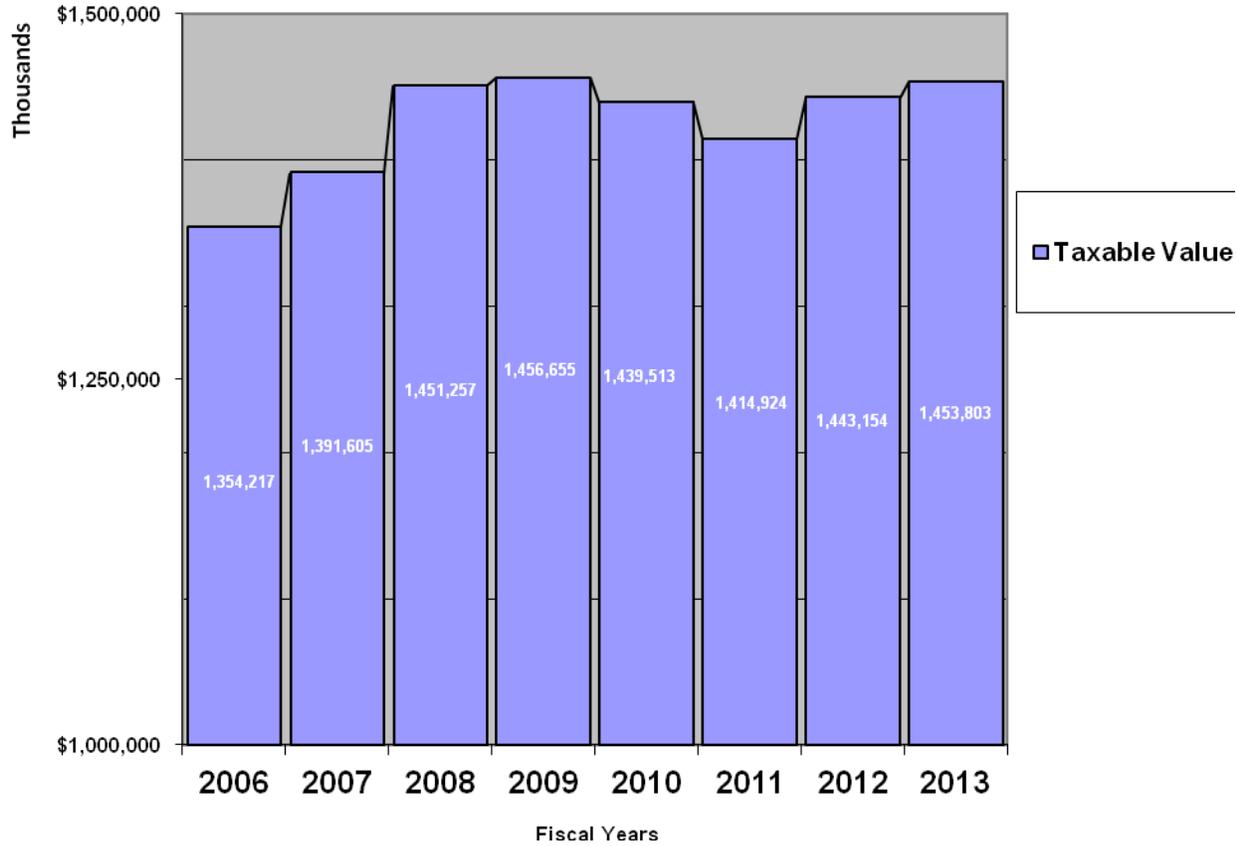
Sales Tax Revenue



Continuing with the taxable assessed values that were realized last year, the values for the 2013 tax year (fiscal year 2014) have increased approximately 1%. 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.

HEB has purchased an area near downtown that consisted of old duplex housing units. They plan to remove the remaining units and build a large HEB store plus additional development around the store.

Taxable Assessed Property Valuations



MAJOR ISSUES AND INITIATIVES

Industrial District Agreement. The of 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 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”), or on a value based formula, whichever is greater. As a result of this calculation the payment to the City will increase \$ 86,100 in Fiscal Year 2014 to a total of \$ 4.2 million.

Bond Issues. In May, 2010, the citizens of Lake Jackson authorized the issuance of a \$ 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 was sold in June 2013. The proceeds from this sale will be used for street reconstruction which includes water and sewer rehab on those streets.

In June, 2013, \$ 2 million in Certificates of Obligations (CO's) were 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.

In June, 2013 we issued \$ 2 million in Water and Sewer Revenue Bonds. The proceeds will fund the Northwest water system expansion along with other maintenance and repair type projects.

In addition, \$ 1.5 million in CO's were issued in October 2013 to help fund the extension of utilities up to the Texas Gulf Coast Airport and surrounding properties. This will be combined with \$ 1 million from the \$ 2 million recent revenue bond to fund the base water system required to service this area.

Looking ahead.

The Oyster Bend Subdivisions will experience additional growth in the near future. The developer owns 103.8 acres of vacant property adjacent to Oyster Bend and Oyster Bend Estates on which it intends to build single family homes. The project, that will be called the Creekside Subdivision, shall generally consist of approximately 250 single family homes on the property, including, but not limited to, the design and construction of public streets, permanent public access and utility easements, public parks and landscaping. The project has already been approved by Council and construction is expected to begin within the year.

Cresco Companies (a development group) has purchased the 990 acres on the north side of town that was formerly owned by the state of Texas as part of its prison system. The City is in the midst of working on new development procedures and ordinances to allow various tools such as a Tax Increment Reinvestment Zone and a Municipal Management District in developing this area and our other growth areas. 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.

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, 2012. 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,



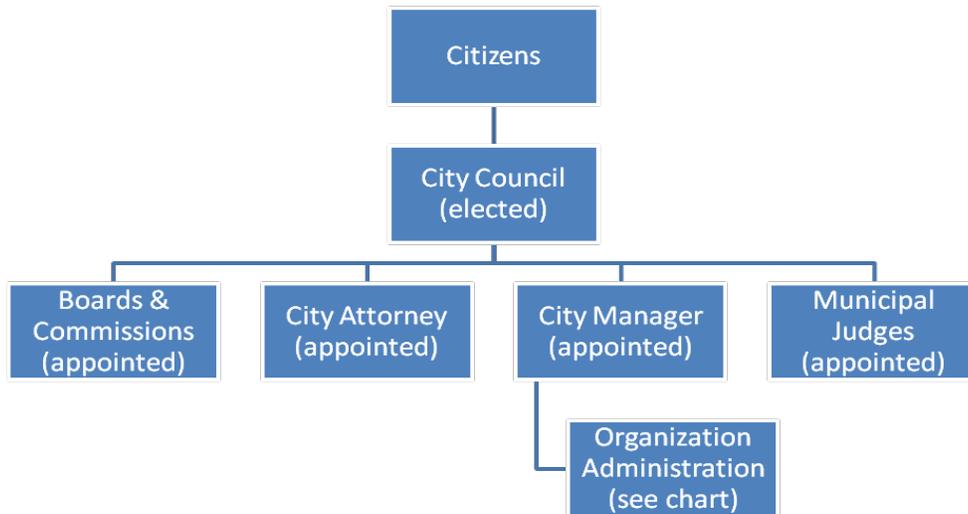
William P. Yenne
City Manager



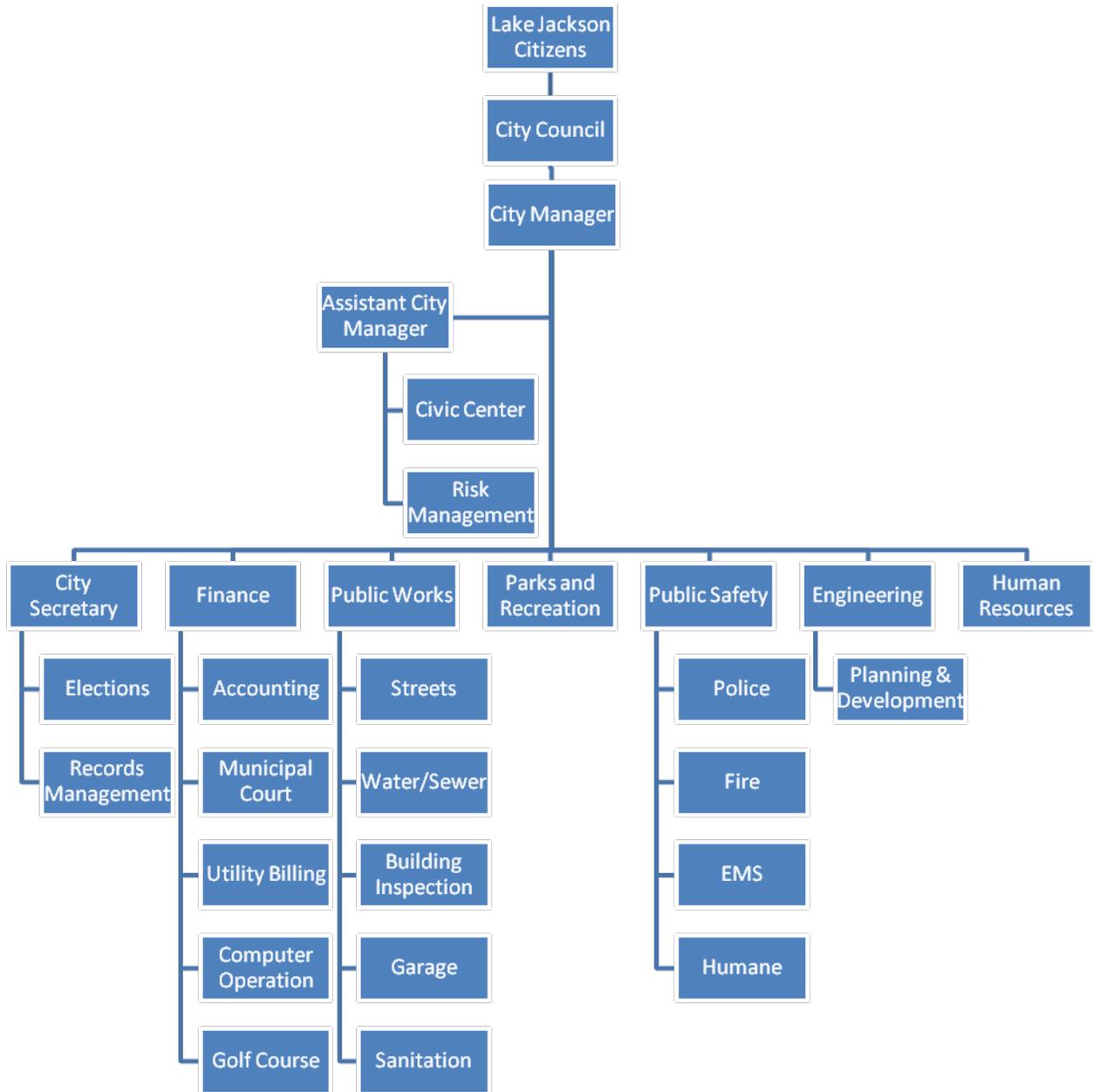
Pamela K. Eaves, CPA
Finance Director

City of Lake Jackson

Council-Manager Government



Organization Administration Chart



Elected Officials

	Official	Title	Years Of Service	Term Expire	Occupation
*	Joe Rinehart	Mayor	2	2014	Retired
	Heather Melass	Councilmember	3	2015	Retired
**	Will Brooks	Councilmember	2	2014	Business Manager
***	Gerald Roznovsky	Councilmember	1	2015	Manager
	Scott Schwertner	Councilmember	4	2014	Sales & Use Tax Consultant
	Jon Baker	Councilmember	3	2015	Law Enforcement

* Served as Councilmember 2003-2012 before becoming Mayor.

** Served as Councilmember 2008-2010.

*** Served as Councilmember 2005-2011.

City Officials

	Name	Title	Length of Service
*	<i>William P. Yenne</i>	<i>City Manager</i>	<i>34 years</i>
	<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>19 years</i>
	<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>24 years</i>
	<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>35 years</i>
	<i>Sherri Russell</i>	<i>City Attorney</i>	<i>7 years</i>
	<i>First Southwest Company</i>	<i>Financial Advisors</i>	<i>9 years</i>

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



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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

El Campo Office:
201 W. Webb
El Campo, Texas 77437

Houston Office:
10260 Westheimer, Suite 410
Houston, Texas 77042

Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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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, the aggregate remaining fund, and budgetary comparison of the City of Lake Jackson, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 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.

Other Information

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

The combining and individual fund financial 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

To The Honorable Mayor and
Members of Council
City of Lake Jackson
Page 3

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical section and continuing financial disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kennemer, Masters & Burdord, LLC

Lake Jackson, Texas
March 31, 2014

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CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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, 2013. 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 and deferred outflows of resources of the City of Lake Jackson exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 82,530,917 (net position). This number must be viewed in the context that the vast majority of the City's net position of \$ 57,885,699 (70.14%) 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. The net position externally restricted for specific purposes total \$ 7,464,717 (9.04%). The remaining \$ 17,180,501 (20.82%) is unrestricted net position 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 \$ 25,322,518. Within this total \$ 88,399 is non-spendable, \$ 10,843,047 is restricted by specific legal requirements, such as debt covenants, and \$ 8,150,172 has been assigned to specific types of expenditures.
- At the end of the current fiscal year, the general fund balance was \$ 13,109,139. Of this amount, \$ 88,399 is non-spendable, and \$ 6,779,840 has been assigned primarily for equipment replacement. The remaining \$ 6,240,900 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 position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position 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 18-21 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 seventeen (17) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Fund (special revenue fund), General Debt Service Fund, and 2013 Infrastructure Fund (capital projects fund); all of which are considered to be major funds. Data from the other thirteen (13) 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 22-30 of this report.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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 32-36 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 37-78 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 79-134 of this report.

Other schedules can be found on pages 135-159 of this report following the combining statements. The statistical section can be found on pages 161-185 of this report following the other schedules. The continuing financial disclosures can be found on pages 189-206 of this report following the statistical section.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Lake Jackson, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 82,530,917 as of September 30, 2013.

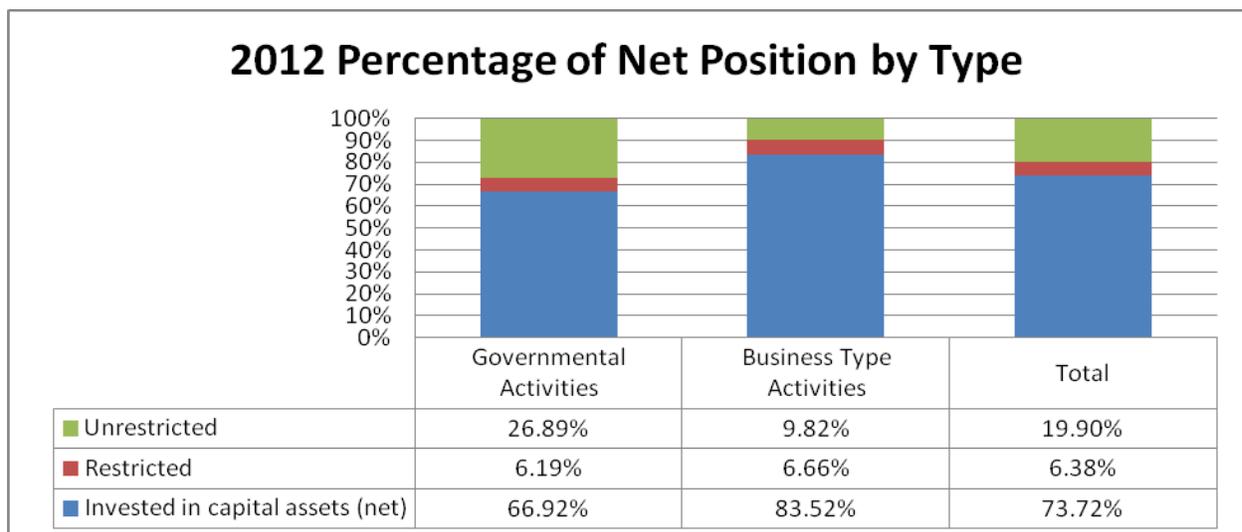
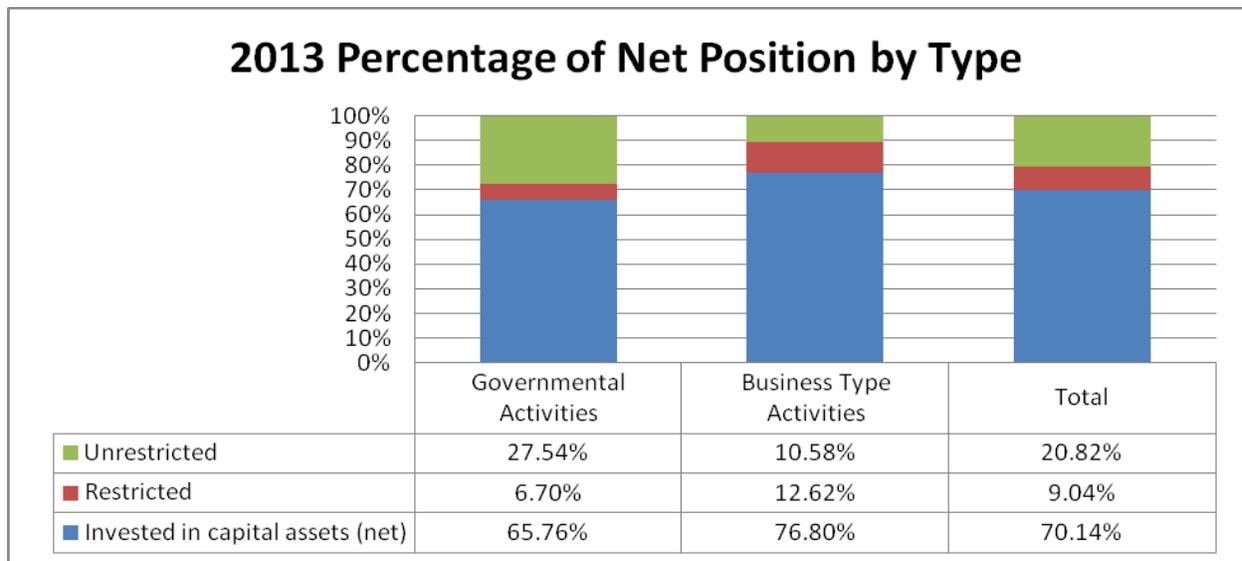
CITY OF LAKE JACKSON'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	(Restated) 2012	2013	(Restated) 2012	2013	(Restated) 2012
Current and other assets	\$ 27,265,327	\$ 22,584,014	\$ 9,399,723	\$ 7,357,410	\$ 36,665,050	\$ 29,941,424
Capital assets	<u>56,551,393</u>	<u>56,216,257</u>	<u>36,532,228</u>	<u>38,187,052</u>	<u>93,083,621</u>	<u>94,403,309</u>
Total assets	<u>83,816,720</u>	<u>78,800,271</u>	<u>45,931,951</u>	<u>45,544,462</u>	<u>129,748,671</u>	<u>124,344,733</u>
Deferred outflows of resources	<u>88,039</u>		<u>155,786</u>		<u>243,825</u>	<u>-0-</u>
Total deferred outflows of resources	<u>88,039</u>	<u>-0-</u>	<u>155,786</u>	<u>-0-</u>	<u>243,825</u>	<u>-0-</u>
Long-term liabilities	32,627,564	29,409,894	11,370,796	10,488,637	43,998,360	39,898,531
Other liabilities	<u>1,461,755</u>	<u>1,679,208</u>	<u>1,930,588</u>	<u>1,955,964</u>	<u>3,392,343</u>	<u>3,635,172</u>
Total liabilities	<u>34,089,319</u>	<u>31,089,102</u>	<u>13,301,384</u>	<u>12,444,601</u>	<u>47,390,703</u>	<u>43,533,703</u>
Deferred inflows of resources			<u>70,876</u>		<u>70,876</u>	<u>-0-</u>
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>70,876</u>	<u>-0-</u>	<u>70,876</u>	<u>-0-</u>

(continued)

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2013	(Restated) 2012	2013	(Restated) 2012	2013	(Restated) 2012
Net Position:						
Invest in capital assets, net of related debt	\$ 32,758,260	\$ 31,925,095	\$ 25,127,439	\$ 27,647,349	\$ 57,885,699	\$ 59,572,444
Restricted	3,336,660	2,954,878	4,128,057	2,203,481	7,464,717	5,158,359
Unrestricted	<u>13,720,520</u>	<u>12,831,196</u>	<u>3,459,981</u>	<u>3,249,031</u>	<u>17,180,501</u>	<u>16,080,227</u>
Total net position	<u>\$ 49,815,440</u>	<u>\$ 47,711,169</u>	<u>\$ 32,715,477</u>	<u>\$ 33,099,861</u>	<u>\$ 82,530,917</u>	<u>\$ 80,811,030</u>



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

As of September 30, 2013, the City is able to report positive balances in all three categories of net position, 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 \$ 2,306,358 in restricted net position and a decrease of \$ 1,686,745 invested in capital assets, net of related debt. The increase in restricted net position and the decrease in invested in capital assets, net of related debt resulted from the new construction project and issuance of the new long-term debt.

Analysis of the City's Operations

Governmental Activities: Governmental activities increased the City of Lake Jackson's net position by \$ 2,104,271. The increase mainly reflects the increase in charges for services, sales taxes, and transfers from other funds.

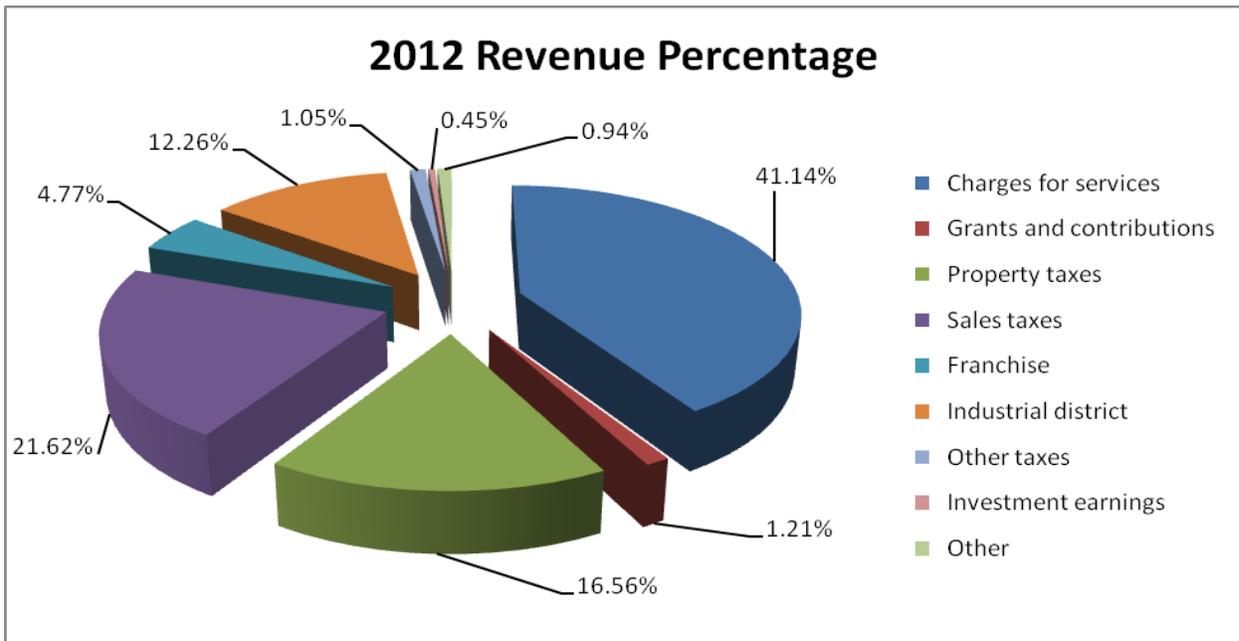
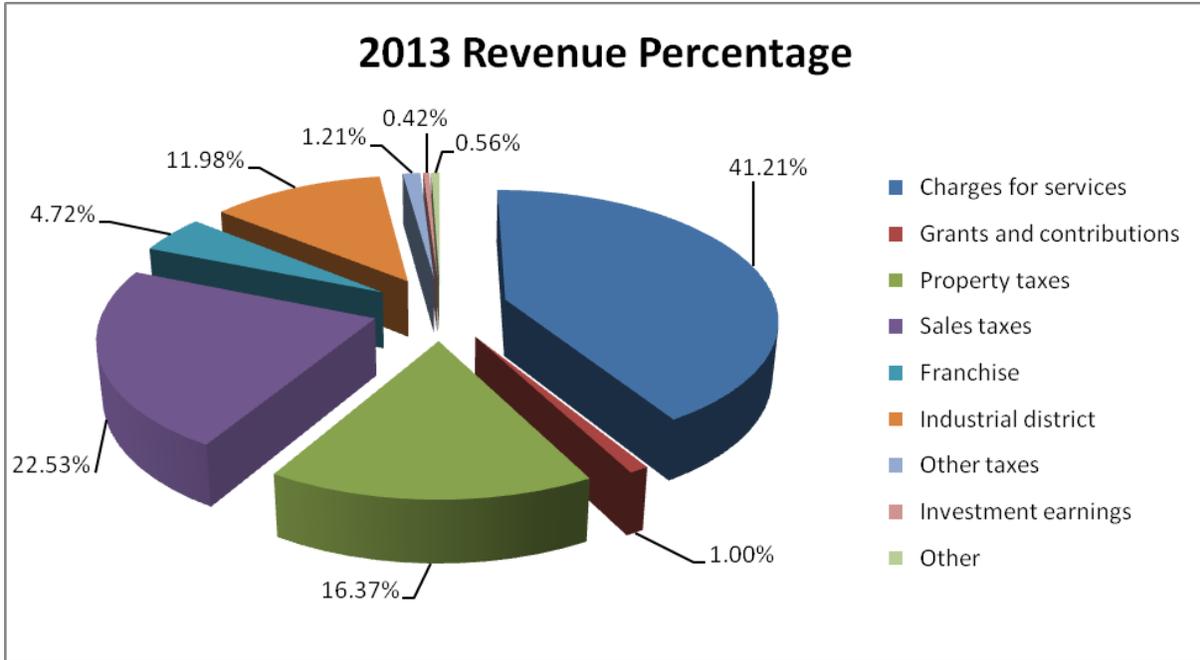
Total revenues for governmental activities increased from the previous year by \$ 718,113 (3.37%).

Program revenues increased from last year by \$ 199,231. This is a result of an increase in charges for services.

General revenues increased from last year by \$ 518,882. This is mainly resulted from increase in sales taxes revenue.

Business-type Activities: Business activities decreased the City's net position by \$ 384,384 (1.16%). Total revenues and total expenses increased from the prior year by \$ 85,983 and \$ 71,400 respectively. Total revenues increased from the prior year, due to an increase in water/sewer consumption. Total expenses increased at a normal rate of about 0.60%. The major increases in 2013 expenses were Golf Course operating expenses and sanitation operating expenses.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013



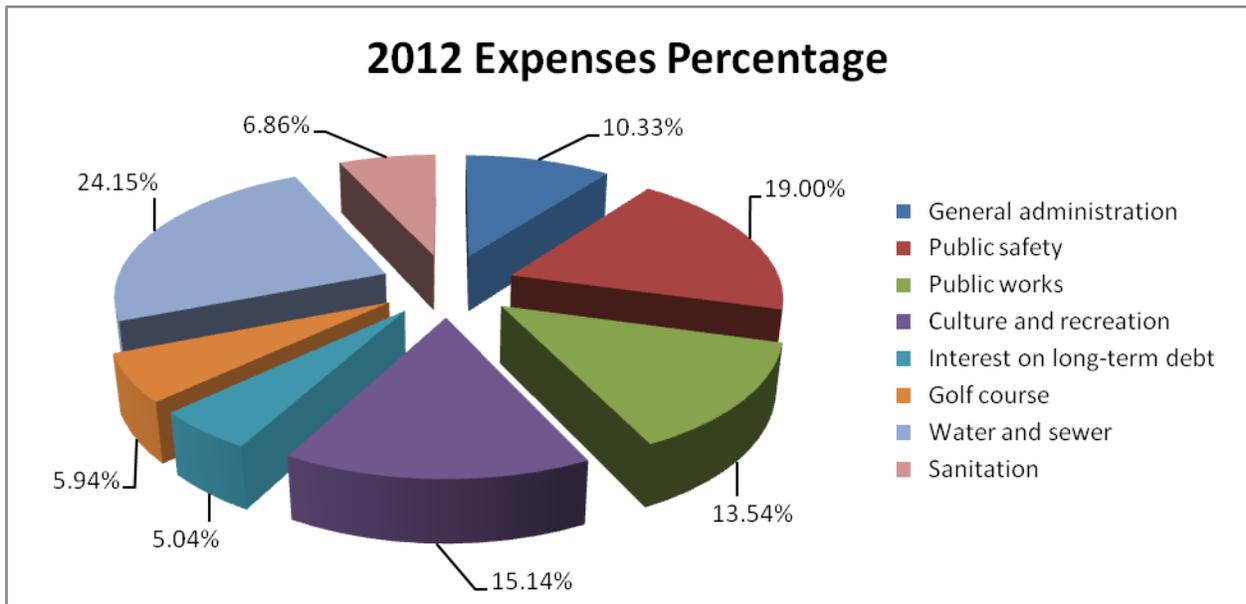
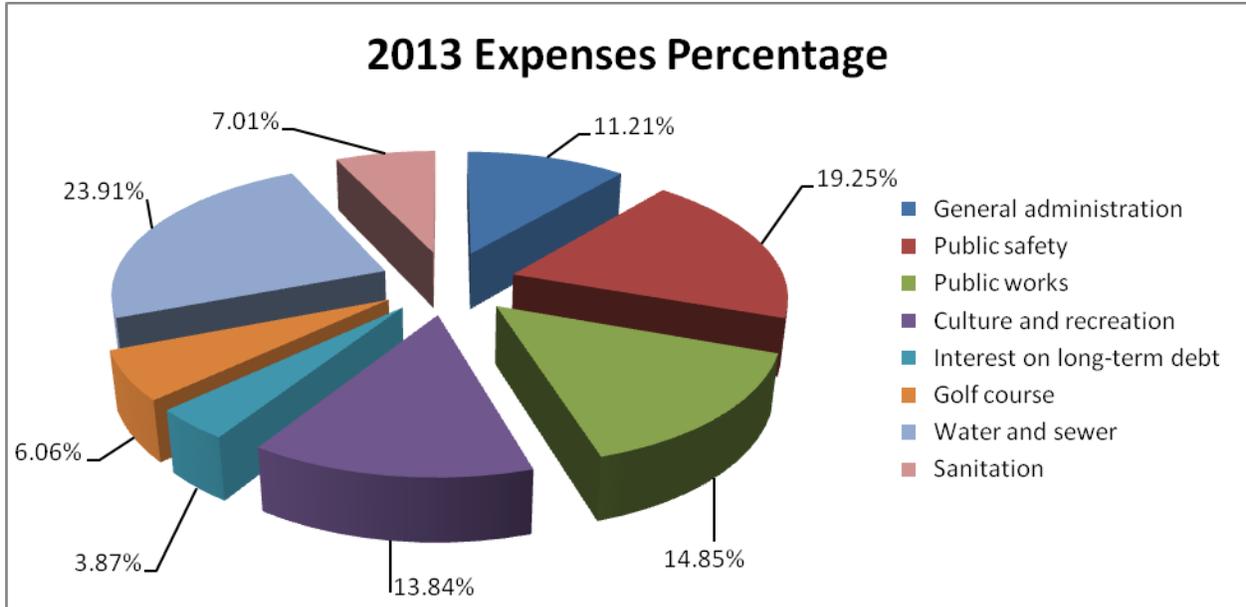
The following table provides a summary of the City's operations for the year ended September 30, 2013 with comparative tables for the year ended September 30, 2012.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

CITY OF LAKE JACKSON'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	(Restated)		(Restated)		(Restated)	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 1,946,826	\$ 1,820,753	\$ 12,163,129	\$ 11,934,855	\$ 14,109,955	\$ 13,755,608
Operating grants and contributions	304,854	131,528		143,858	304,854	275,386
Capital grants and contributions		100,168	36,214	28,969	36,214	129,137
General Revenues:						
Property taxes	5,606,122	5,537,580			5,606,122	5,537,580
Sales taxes	7,712,671	7,230,131			7,712,671	7,230,131
Franchise taxes	1,616,709	1,593,448			1,616,709	1,593,448
Industrial district	4,100,000	4,100,000			4,100,000	4,100,000
Alcoholic beverages taxes	44,413	40,079			44,413	40,079
Criminal justice taxes	28,097	22,231			28,097	22,231
Apartment taxes	69,036	68,682			69,036	68,682
Occupancy taxes	274,101	219,915			274,101	219,915
Investment earnings	107,960	106,725	36,754	42,432	144,714	149,157
Miscellaneous	191,495	312,931			191,495	312,931
Total revenues	<u>22,002,284</u>	<u>21,284,171</u>	<u>12,236,097</u>	<u>12,150,114</u>	<u>34,238,381</u>	<u>33,434,285</u>
Expenses:						
General government and administration	3,644,827	3,338,677			3,644,827	3,338,677
Public safety	6,260,664	6,146,043			6,260,664	6,146,043
Public works	4,827,784	4,378,048			4,827,784	4,378,048
Culture and recreation	4,501,507	4,896,044			4,501,507	4,896,044
Interest on long-term debt	1,258,756	1,629,413			1,258,756	1,629,413
Golf course			1,972,608	1,922,542	1,972,608	1,922,542
Water and sewer			7,774,236	7,811,698	7,774,236	7,811,698
Sanitation			2,278,112	2,219,316	2,278,112	2,219,316
Total expenses	<u>20,493,538</u>	<u>20,388,225</u>	<u>12,024,956</u>	<u>11,953,556</u>	<u>32,518,494</u>	<u>32,341,781</u>
Increase in net position before transfers and contributions	1,508,746	895,946	211,141	196,558	1,719,887	1,092,504
Transfers	<u>595,525</u>	<u>753,332</u>	<u>(595,525)</u>	<u>(753,332)</u>	<u>-0-</u>	<u>-0-</u>
Increase (decrease) in net position	2,104,271	1,649,278	(384,384)	(556,774)	1,719,887	1,092,504
Net position, October 1 (restated)	<u>47,711,169</u>	<u>46,061,891</u>	<u>33,099,861</u>	<u>33,656,635</u>	<u>80,811,030</u>	<u>79,718,526</u>
Net position, September 30	<u>\$ 49,815,440</u>	<u>\$ 47,711,169</u>	<u>\$ 32,715,477</u>	<u>\$ 33,099,861</u>	<u>\$ 82,530,917</u>	<u>\$ 80,811,030</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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, unassigned 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 \$ 25,322,518. 24.65% of this total amount (\$ 6,240,900) constitutes unassigned fund balance. The remainder of the fund balance has already been categorized as 1) non-spendable (\$ 88,399), 2) restricted (\$ 10,843,047), and 3) assigned (\$ 8,150,172).

In the General Fund, the City budgeted for a fund balance decrease of \$ 431,890. Due to actual revenue being more than budgeted, and actual expenditures being less than budgeted, the actual fund balance change was an increase for fiscal year 2013 of \$ 879,344. 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 2013, the half-cent sales tax revenue and investment income in the Economic Development fund were more than the budget, and total expenditures and transfers out were less than budget. As a result, the Economic Development fund balance increased by \$ 84,774.

The Debt Service fund balance increased by \$ 99,480, which was not consistent with the City's budget due to the bond issuance premium.

The 2013 infrastructure fund balance increased by \$ 3,805,543 due to the issuance of long-term debt.

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 position at September 30, 2013 amounted to \$ 3,459,981. Total net position decreased \$ 384,384. In 2013, the decrease in net position for proprietary funds was a combination of a \$ 209,179 decrease in the Enterprise Fund and a \$ 175,205 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 \$ 63,526 due to increased utilization of the Recreation and Civic Center. Intergovernmental revenue exceeded budget by \$ 94,843 due to the grant received from the U.S. Department of Energy. Sales tax revenue continued its recovery and far exceeded expectations by finishing the year in excess of 5.4% over budget. Also Municipal Court revenues exceeded budgeted amounts by more than 29.9% as the result of a more concerted collection effort.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

The City's general fund expenditure budget exceeded the actual expenditures by \$ 655,242 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 2013, the City transferred fiscal 2012 budget savings of \$ 750,000 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, 2013, amounts to \$ 93,083,621 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment and vehicles, infrastructure and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was \$ 1,319,688. (\$ 335,136 increase for governmental activities and \$ 1,654,824 decrease in business-type activities).

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

- \$ 1,445,163 for the Downtown Revitalization Project,
- Fire Truck purchase of \$ 515,000,
- Street and sidewalk improvements totaling \$ 505,105, and
- Drainage improvements of \$ 218,945

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,397,003	\$ 2,397,003	\$ 3,821,585	\$ 3,821,585	\$ 6,218,588	\$ 6,218,588
Buildings	15,068,989	15,612,953	1,863,312	2,057,504	16,932,301	17,670,457
Improvements other than buildings	8,055,141	7,941,502	12,814,185	13,810,491	20,869,326	21,751,993
Furniture, equipment and vehicles	3,850,072	3,327,821	4,721,655	4,808,900	8,571,727	8,136,721
Infrastructure	17,418,358	18,373,785	13,288,646	13,671,030	30,707,004	32,044,815
Construction in progress	<u>9,761,830</u>	<u>8,563,193</u>	<u>22,845</u>	<u>17,542</u>	<u>9,784,675</u>	<u>8,580,735</u>
Total	<u>\$ 56,551,393</u>	<u>\$ 56,216,257</u>	<u>\$ 36,532,228</u>	<u>\$ 38,187,052</u>	<u>\$ 93,083,621</u>	<u>\$ 94,403,309</u>

Additional information on the City of Lake Jackson's capital assets can be found in Note 6 on pages 58-61 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 \$ 41,685,000. Of this amount, \$ 30,340,000 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 \$ 11,345,000 represents bonds secured by water and sewer revenues.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Outstanding Long-Term Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Certificates of obligations	\$ 6,250,000	\$ 4,655,000	\$	\$	\$ 6,250,000	\$ 4,655,000
Limited tax bonds	24,090,000	22,470,000			24,090,000	22,470,000
Revenue bonds			11,345,000	10,550,000	11,345,000	10,550,000
Total	<u>\$ 30,340,000</u>	<u>\$ 27,125,000</u>	<u>\$ 11,345,000</u>	<u>\$ 10,550,000</u>	<u>\$ 41,685,000</u>	<u>\$ 37,675,000</u>

During the fiscal year, the City's total bonded debt increased \$ 4,010,000 or 10.64% due to the net of issuance of bonds and current debt payments. 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 8 on pages 62-67 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2013-14 Budget, General Fund revenues and transfers-in are budgeted to increase by 2.4% from the 2012-13 fiscal year. Sales tax continues to be the largest source of General Fund budgeted revenue at 29.6%. Property taxes account for 20.0% of the General Fund budgeted revenues. Certified assessed taxable valuations increased by 1.0%.

The Utility Fund 2013-14 budget is 2.0% more than the proceeding year's budget. For the fiscal year 2013-14 the Brazosport Water Authority is increasing rates by 4.9% from \$1.85/1,000 gallons to \$1.94/1,000 gallons. The City's base water rate for 2013-14 fiscal year will increase from \$11.25/month to \$11.40/month. Water rates for usage above the 2,000 gallon base amount will increase by \$.10/ 1,000 gallons. The rate for usage between 2,000 and 20,000 gallons will be \$3.20/1,000 gallons and the rate for over 20,000 gallons will be \$3.40. The base sewer rate for the 2013-14 budget year will increase from \$11.25/month to \$11.40/month. The over 2,000 gallon rate will increase from \$3.30/1,000 gallons to \$3.40.

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

CITY OF LAKE JACKSON
Lake Jackson, Texas

STATEMENT OF NET POSITION

September 30, 2013

	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 24,653,981	\$ 3,832,389	\$ 28,486,370
Taxes receivable (net)	1,526,066		1,526,066
Accounts receivable (net)	547,900	548,758	1,096,658
Due from other governments	49,981		49,981
Investments	399,000		399,000
Inventories	87,658	49,164	136,822
Prepaid expenses	741	7,405	8,146
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		4,956,689	4,956,689
Due from other governments		5,318	5,318
Capital Assets (Net of Accumulated Depreciation):			
Land	2,397,003	3,821,585	6,218,588
Buildings	15,068,989	1,863,312	16,932,301
Improvements other than buildings	8,055,141	12,814,185	20,869,326
Furniture, equipment, and vehicles	3,850,072	4,721,655	8,571,727
Infrastructure	17,418,358	13,288,646	30,707,004
Construction in progress	9,761,830	22,845	9,784,675
Total assets	83,816,720	45,931,951	129,748,671
Deferred Outflows of Resources:			
Deferred outflows of resources – debt refunding costs	88,039	155,786	243,825
Total deferred outflows of resources	88,039	155,786	243,825

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 3,644,827	\$ 657,598	\$	\$
Public safety	6,260,664		210,628	
Public works	4,827,784	245,897	94,226	
Culture and recreation	4,501,507	1,043,331		
Interest on long-term debt	<u>1,258,756</u>			
Total governmental activities	<u>20,493,538</u>	<u>1,946,826</u>	<u>304,854</u>	<u>-0-</u>
Business-type Activities:				
Water and sewer	7,774,236	7,393,568		36,214
Sanitation	2,278,112	3,161,165		
Golf course	<u>1,972,608</u>	<u>1,608,396</u>		
Total business-type activities	<u>12,024,956</u>	<u>12,163,129</u>	<u>-0-</u>	<u>36,214</u>
Total	<u>\$ 32,518,494</u>	<u>\$ 14,109,955</u>	<u>\$ 304,854</u>	<u>\$ 36,214</u>
General Revenue:				
Taxes:				
Property taxes				
Sales taxes				
Franchise				
Occupancy				
Other				
Industrial district				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position – beginning (restated)				
Net position – ending				

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$(2,987,229)	\$	\$(2,987,229)
(6,050,036)		(6,050,036)
(4,487,661)		(4,487,661)
(3,458,176)		(3,458,176)
(1,258,756)		(1,258,756)
<u>(18,241,858)</u>	<u>-0-</u>	<u>(18,241,858)</u>
	(344,454)	(344,454)
	883,053	883,053
	<u>(364,212)</u>	<u>(364,212)</u>
<u>-0-</u>	<u>174,387</u>	<u>174,387</u>
<u>(18,241,858)</u>	<u>174,387</u>	<u>(18,067,470)</u>
5,606,122		5,606,122
7,712,671		7,712,671
1,616,709		1,616,709
274,101		274,101
141,546		141,546
4,100,000		4,100,000
107,960	36,754	144,714
191,495		191,495
<u>595,525</u>	<u>(595,525)</u>	<u>-0-</u>
<u>20,346,129</u>	<u>(558,771)</u>	<u>19,787,358</u>
2,104,271	(384,384)	1,719,887
<u>47,711,169</u>	<u>33,099,861</u>	<u>80,811,030</u>
<u>\$ 49,815,440</u>	<u>\$ 32,715,477</u>	<u>\$ 82,530,917</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2013

	General Fund	Economic Development Fund	General Debt Service Fund	2013 Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets and Deferred Outflows of Resources</u>						
Assets:						
Cash and temporary investments	\$ 12,457,681	\$ 2,024,110	\$ 708,190	\$ 3,822,043	\$ 5,641,957	\$ 24,653,981
Receivables (net of allowance for uncollectibles):						
Taxes	1,064,347	430,670	14,024		17,025	1,526,066
Accounts	57,331				41,244	98,575
Grants	49,981					49,981
Due from other funds					4,011	4,011
Investments	399,000					399,000
Inventories	87,658					87,658
Prepaid expenditures	741					741
Total assets	<u>14,116,739</u>	<u>2,454,780</u>	<u>722,214</u>	<u>3,822,043</u>	<u>5,704,237</u>	<u>26,820,013</u>
Deferred Outflows of Resources:						
Deferred outflows of resources						-0-
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 14,116,739</u>	<u>\$ 2,454,780</u>	<u>\$ 722,214</u>	<u>\$ 3,822,043</u>	<u>\$ 5,704,237</u>	<u>\$ 26,820,013</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 510,798	\$ 162,082	\$	\$ 16,500	\$ 296,229	\$ 985,609
Cash bonds and taxes	270,285					270,285
Accrued wages	130,117					130,117
Accrued interest			709		406	1,115
Unearned revenue	74,629					74,629
Due to other funds	4,011					4,011
Total liabilities	<u>989,840</u>	<u>162,082</u>	<u>709</u>	<u>16,500</u>	<u>296,635</u>	<u>1,465,766</u>
Deferred Inflows of Resources:						
Deferred inflows of resources-property taxes	17,760		13,969			31,729
Total deferred inflows of resources	<u>17,760</u>	<u>-0-</u>	<u>13,969</u>	<u>-0-</u>	<u>-0-</u>	<u>31,729</u>
Fund Balances:						
Non-spendable	88,399					88,399
Restricted		2,292,698	707,536	3,805,543	4,037,270	10,843,047
Assigned	6,779,840				1,370,332	8,150,172
Unassigned	6,240,900					6,240,900
Total fund balances	<u>13,109,139</u>	<u>2,292,698</u>	<u>707,536</u>	<u>3,805,543</u>	<u>5,407,602</u>	<u>25,322,518</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,116,739</u>	<u>\$ 2,454,780</u>	<u>\$ 722,214</u>	<u>\$ 3,822,043</u>	<u>\$ 5,704,237</u>	<u>\$ 26,820,013</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 POSITION

September 30, 2013

Total fund balances – governmental funds balance sheet	\$ 25,322,518
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 144,859,915 in assets less \$ 88,308,522 in accumulated depreciation.	56,551,393
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 \$ 17,760 and \$ 13,969, respectively.	31,729
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 \$ 1,180,594 net of allowance for uncollectible accounts of \$ 731,269 of the general fund amounted to \$ 449,325.	449,325
Debt refunding cost paid in advance is an expenditure in the governmental funds, but the amount decreases long-term position in the statement of net position. This amount is amortized over the life of the bond. Net refunding costs were \$ 88,039 (debt refunding costs of \$ 107,366 less amortization of \$ 19,327).	88,039
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term position in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 979,619 (premium on the sale of bonds of \$ 1,211,968 less amortization of \$ 232,349).	(979,619)
Payable for bond principal and other long-term debt are not reported in the funds.	(30,340,000)
Payable for bond interest is not reported in the funds.	(81,909)
Net pension obligation is not reported in the funds.	(688,360)
Payable for long-term compensated absences is not reported in the funds.	<u>(537,676)</u>
Net position of governmental activities – statement of net position.	<u>\$ 49,815,440</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, 2013

	General Fund	Economic Development Fund	General Debt Service Fund	2013 Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>						
Taxes:						
Property	\$ 3,351,088	\$	\$ 2,272,588	\$	\$	\$ 5,623,676
Sales	5,093,359	2,619,312				7,712,671
Franchise	1,547,112				69,597	1,616,709
Occupancy					274,101	274,101
Other	141,546					141,546
Industrial district	4,100,000					4,100,000
Intergovernmental	94,843				210,011	304,854
Revenue producing facilities	1,043,331					1,043,331
Fines and fees	563,208				6,492	569,700
Licenses and permits	245,897					245,897
Investment income	70,907	17,958	9,551	628	8,916	107,960
Miscellaneous	171,073				20,422	191,495
	<u>16,422,364</u>	<u>2,637,270</u>	<u>2,282,139</u>	<u>628</u>	<u>589,539</u>	<u>21,931,940</u>
<u>Expenditures:</u>						
Current:						
General government and administration	3,297,784	150,276			30,610	3,478,670
Public safety	5,686,957					5,686,957
Public works	2,483,528				135,185	2,618,713
Culture and recreation	3,866,230				235,270	4,101,500
Capital outlay	753,546	334,861		197,000	2,450,670	3,736,077
Debt Service:						
Principal retirement			1,594,482		1,190,518	2,785,000
Interest and fiscal charges			649,865		419,027	1,068,892
	<u>16,088,045</u>	<u>485,137</u>	<u>2,244,347</u>	<u>197,000</u>	<u>4,461,280</u>	<u>23,475,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>334,319</u>	<u>2,152,133</u>	<u>37,792</u>	<u>(196,372)</u>	<u>(3,871,741)</u>	<u>(1,543,869)</u>
<u>Other Financing Sources (Uses):</u>						
Issuance of debt				4,000,000	2,000,000	6,000,000
Bond issuance premium			61,688	1,915	43,393	106,996
Sale of capital assets	14,745					14,745
Transfers in	1,612,255				2,317,359	3,929,614
Transfers out	(1,081,975)	(2,067,359)			(184,755)	(3,334,089)
	<u>545,025</u>	<u>(2,067,359)</u>	<u>61,688</u>	<u>4,001,915</u>	<u>4,175,997</u>	<u>6,717,266</u>
Net change in fund balances	879,344	84,774	99,480	3,805,543	304,256	5,173,397
Fund balances - beginning	12,229,795	2,207,924	608,056		5,103,346	20,149,121
Fund balances - ending	<u>\$ 13,109,139</u>	<u>\$ 2,292,698</u>	<u>\$ 707,536</u>	<u>\$ 3,805,543</u>	<u>\$ 5,407,602</u>	<u>\$ 25,322,518</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

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, 2013

Net change in fund balances – total governmental funds \$ 5,173,397

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 \$ 3,736,077 exceeded depreciation of \$ 3,367,820 in the current period.	368,257
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 \$ 10,363 and \$ 7,191 , respectively.	(17,554)
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.	87,898
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 position. These amounts were for general obligation bonded debt \$ 2,785,000.	2,785,000
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 position. Long-term proceeds in the governmental fund were \$ 6,000,000 for bonds.	(6,000,000)
Debt refunding cost paid in advance is an expenditure in the governmental funds, but the amount decreases long-term position in the statement of net position. This amount is amortized over the life of the bond. Change in net refunding costs were \$ 88,039 (\$ 107,366 less \$ 19,327 of accumulated amortization).	88,039
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 position. This amount is amortized over the life of the bonds. Current proceeds of \$ 106,996 less amortization of \$ 93,183.	(13,813)
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.	(371,086)

(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, 2013

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.	\$ 2,622
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.	34,632
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 \$ 33,121 (cost of \$ 80,656 less accumulated depreciation of \$ 47,535).	<u>(33,121)</u>
Change in net position of governmental activities	<u>\$ 2,104,271</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, 2013

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,352,028	\$ 3,352,028
Sales	4,831,000	4,831,000
Franchise	1,534,000	1,534,000
Other	118,000	118,000
Industrial district	4,100,000	4,100,000
Intergovernmental		
Revenue producing facilities	979,805	979,805
Fines and fees	433,700	433,700
Licenses and permits	209,100	209,100
Investment income	58,799	58,799
Miscellaneous	159,800	159,800
Total revenues	15,776,232	15,776,232
Expenditures:		
Current:		
General government and administration	3,464,004	3,464,004
Public safety	5,765,536	5,765,536
Public works	2,923,229	2,923,229
Culture and recreation	3,936,737	3,936,737
Capital outlay	653,781	653,781
Total expenditures	16,743,287	16,743,287
Excess (deficiency) of revenues over (under) expenditures	(967,055)	(967,055)
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,612,255	1,612,255
Transfer out	(1,077,090)	(1,077,090)
Total other financing sources (uses)	1,612,255	535,165
Net change in fund balance	645,200	(431,890)
Fund balance - beginning	12,229,795	12,229,795
Fund balance - ending	\$ 12,874,995	\$ 11,797,905

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)
\$ 3,351,088	\$	\$ 3,351,088	\$ (940)
5,093,359		5,093,359	262,359
1,547,112		1,547,112	13,112
141,546		141,546	23,546
4,100,000		4,100,000	-0-
94,843		94,843	94,843
1,043,331		1,043,331	63,526
563,208		563,208	129,508
245,897		245,897	36,797
70,907		70,907	12,108
<u>171,073</u>		<u>171,073</u>	<u>11,273</u>
<u>16,422,364</u>	<u>-0-</u>	<u>16,422,364</u>	<u>646,132</u>
3,297,784		3,297,784	166,220
5,686,957		5,686,957	78,579
2,483,528		2,483,528	439,701
3,866,230		3,866,230	70,507
<u>753,546</u>		<u>753,546</u>	<u>(99,765)</u>
<u>16,088,045</u>	<u>-0-</u>	<u>16,088,045</u>	<u>655,242</u>
<u>334,319</u>	<u>-0-</u>	<u>334,319</u>	<u>1,301,374</u>
14,745		14,745	14,745
1,612,255		1,612,255	-0-
<u>(1,081,975)</u>		<u>(1,081,975)</u>	<u>(4,885)</u>
<u>545,025</u>	<u>-0-</u>	<u>545,025</u>	<u>9,860</u>
879,344	-0-	879,344	1,311,234
<u>12,229,795</u>	<u>-0-</u>	<u>12,229,795</u>	<u>-0-</u>
<u>\$ 13,109,139</u>	<u>\$ -0-</u>	<u>\$ 13,109,139</u>	<u>\$ 1,311,234</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,499,000	\$ 2,499,000	\$ 2,619,312	\$ 120,312
Investment income	10,172	10,172	17,958	7,786
Total revenues	<u>2,509,172</u>	<u>2,509,172</u>	<u>2,637,270</u>	<u>128,098</u>
Expenditures:				
Current:				
General government and administration	50,000	50,000	150,276	(100,276)
Capital outlay	<u>973,000</u>	<u>973,000</u>	<u>334,861</u>	<u>638,139</u>
Total expenditures	<u>1,023,000</u>	<u>1,023,000</u>	<u>485,137</u>	<u>537,863</u>
Excess of revenues over (under) expenditures	<u>1,486,172</u>	<u>1,486,172</u>	<u>2,152,133</u>	<u>665,961</u>
Other Financing Sources (Uses):				
Transfers out	(2,070,859)	(2,070,859)	(2,067,359)	3,500
Total other financing sources (uses)	<u>(2,070,859)</u>	<u>(2,070,859)</u>	<u>(2,067,359)</u>	<u>3,500</u>
Net change in fund balance	(584,687)	(584,687)	84,774	669,461
Fund balance - beginning	<u>2,207,924</u>	<u>2,207,924</u>	<u>2,207,924</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 1,623,237</u>	<u>\$ 1,623,237</u>	<u>\$ 2,292,698</u>	<u>\$ 669,461</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 POSITION - PROPRIETARY FUNDS

September 30, 2013

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Assets:			
Current Assets:			
Cash and temporary investments	\$ 3,660,188	\$ 172,201	\$ 3,832,389
Receivables (net of allowance for uncollectibles):			
Accounts	506,476	42,282	548,758
Inventory		49,164	49,164
Prepaid expenses		7,405	7,405
	<u>4,166,664</u>	<u>271,052</u>	<u>4,437,716</u>
Current Restricted Assets:			
Cash and temporary investments	2,640,545		2,640,545
Due from other governments	5,318		5,318
Total current restricted assets	<u>2,645,863</u>	<u>-0-</u>	<u>2,645,863</u>
Total current assets	<u>6,812,527</u>	<u>271,052</u>	<u>7,083,579</u>
Noncurrent Assets:			
Restricted Cash and Temporary Investments:			
Revenue bond covenant accounts	2,316,144		2,316,144
Total noncurrent restricted assets	<u>2,316,144</u>	<u>-0-</u>	<u>2,316,144</u>
Capital Assets:			
Property, plant and equipment	62,693,589	8,580,688	71,274,277
Construction in progress	22,845		22,845
Less accumulated depreciation	(32,513,813)	(2,251,081)	(34,764,894)
Total capital assets (net of accumulated depreciation)	<u>30,202,621</u>	<u>6,329,607</u>	<u>36,532,228</u>
Total noncurrent assets	<u>32,518,765</u>	<u>6,329,607</u>	<u>38,848,372</u>
Total assets	<u>39,331,292</u>	<u>6,600,659</u>	<u>45,931,951</u>
Deferred Outflows of Resources:			
Deferred outflows of resources –debt refunding costs	155,786		155,786
Total deferred outflows of resources	<u>155,786</u>	<u>-0-</u>	<u>155,786</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS - Continued

September 30, 2013

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 347,484	\$ 31,643	\$ 379,127
Accrued wages	31,274	16,465	47,739
Accrued compensated absences	97,385		97,385
Unearned revenue		146,670	146,670
Revenue bonds payable	700,000		700,000
	1,176,143	194,778	1,370,921
Current Liabilities Payable from Restricted Assets:			
Accrued interest	170,862		170,862
Customer deposits	663,088		663,088
Revenue bonds payable	523,102		523,102
Total current liabilities payable from restricted assets	1,357,052	-0-	1,357,052
Total current liabilities	2,533,195	194,778	2,727,973
Noncurrent Liabilities:			
Revenue bonds payable	10,337,473		10,337,473
Accrued compensated absences	45,901		45,901
Net pension obligation	190,037		190,037
Total noncurrent liabilities	10,573,411	-0-	10,573,411
Total liabilities	13,106,606	194,778	13,301,384
Deferred Inflows of Resources:			
Deferred inflows of resources – gain on capital lease		70,876	70,876
Total deferred inflows of resources	-0-	70,876	70,876
Net Position:			
Invested in capital assets, net of related debt	18,797,832	6,329,607	25,127,439
Restricted For:			
Debt service	2,145,282		2,145,282
Construction	1,982,775		1,982,775
Unrestricted	3,454,583	5,398	3,459,981
Total net position	\$ 26,380,472	\$ 6,335,005	\$ 32,715,477

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 POSITION - PROPRIETARY FUNDS**

For the Year Ended September 30, 2013

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 3,561,044	\$	\$ 3,561,044
Sewer service	3,408,385		3,408,385
Garbage fees	3,161,165		3,161,165
Tapping and connection fees	254,736		254,736
Golf course fees and charges		1,603,961	1,603,961
Other	<u>169,403</u>	<u>4,435</u>	<u>173,838</u>
Total operating revenues	<u>10,554,733</u>	<u>1,608,396</u>	<u>12,163,129</u>
Operating Expenses:			
Utility administration	445,254		445,254
Water production and treatment	2,766,448		2,766,448
Sewer collection	2,104,225		2,104,225
Sanitation	2,278,112		2,278,112
Golf course		1,707,991	1,707,991
Depreciation	<u>2,025,029</u>	<u>264,617</u>	<u>2,289,646</u>
Total operating expenses	<u>9,619,068</u>	<u>1,972,608</u>	<u>11,591,676</u>
Operating income (loss)	<u>935,665</u>	<u>(364,212)</u>	<u>571,453</u>
Non-Operating Revenues (Expenses):			
Interest revenue	33,961	2,793	36,754
Interest expense and fiscal charges	<u>(433,280)</u>	<u></u>	<u>(433,280)</u>
Total non-operating revenues (expenses)	<u>(399,319)</u>	<u>2,793</u>	<u>(396,526)</u>
Income (loss) before contributions and transfers	536,346	<u>(361,419)</u>	174,927
Capital contributions		36,214	36,214
Transfers in	486,730	150,000	636,730
Transfers out	<u>(1,232,255)</u>	<u></u>	<u>(1,232,255)</u>
Change in net position	<u>(209,179)</u>	<u>(175,205)</u>	<u>(384,384)</u>
Net position at beginning of year (restated)	<u>26,589,651</u>	<u>6,510,210</u>	<u>33,099,861</u>
Net position at end of year	<u>\$ 26,380,472</u>	<u>\$ 6,335,005</u>	<u>\$ 32,715,477</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, 2013

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 10,648,941	\$ 1,562,226	\$ 12,211,167
Payments to suppliers	(5,576,629)	(881,132)	(6,457,761)
Payments to employees	(2,135,784)	(852,215)	(2,987,999)
Net cash provided (used) by operating activities	<u>2,936,528</u>	<u>(171,121)</u>	<u>2,765,407</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	486,730	150,000	636,730
Transfers out	(1,232,255)	-	(1,232,255)
Net cash provided (used) by non-capital financing activities	<u>(745,525)</u>	<u>150,000</u>	<u>(595,525)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(598,608)	-	(598,608)
Issuance of debt	2,000,000	-	2,000,000
Principal paid on capital debt	(1,181,898)	-	(1,181,898)
Interest and fiscal charges paid on capital debt	(380,834)	-	(380,834)
Net cash used for capital and related financing activities	<u>(161,340)</u>	<u>-0-</u>	<u>(161,340)</u>
Cash Flows from Investing Activities:			
Interest received	<u>33,961</u>	<u>2,793</u>	<u>36,754</u>
Net cash provided by investing activities	<u>33,961</u>	<u>2,793</u>	<u>36,754</u>
Net increase (decrease) in cash and cash equivalents	2,063,624	(18,328)	2,045,296
Cash and cash equivalents at the beginning of year	<u>6,553,253</u>	<u>190,529</u>	<u>6,743,782</u>
Cash and cash equivalents at the end of year	<u>\$ 8,616,877</u>	<u>\$ 172,201</u>	<u>\$ 8,789,078</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2013

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 935,665	\$(364,212)	\$ 571,453
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,025,029	264,617	2,289,646
(Increase) decrease in accounts receivable	35,156	(26,608)	8,548
(Increase) decrease in inventory		(17,861)	(17,861)
(Increase) decrease in prepaid expenses		5,362	5,362
Increase (decrease) in accounts payable	(119,932)	(11,685)	(131,617)
Increase (decrease) in accrued wages payable	7,704	2,188	9,892
Increase (decrease) in net pension obligation	(9,224)		(9,224)
Increase (decrease) in accrued compensated absences	3,078		3,078
Increase (decrease) in unearned revenue		(19,562)	(19,562)
Increase (decrease) in customer deposits	59,052		59,052
Increase (decrease) in due to other funds		(3,360)	(3,360)
	2,000,863	193,091	2,193,954
Total adjustments			
Net cash provided (used) by operating activities	\$ 2,936,528	\$(171,121)	\$ 2,765,407
Non-cash Investing, Capital, and Financing Activities:			
Contribution of capital assets from governmental funds	\$	\$ 36,214	\$ 36,214
Net effect of non-cash transactions	\$ -0-	\$ 36,214	\$ 36,214

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, 2013

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

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 City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The City's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

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

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

Reporting Entity

The City is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity. Based on these considerations, the City's basic financial statements do not include any other entities. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity - continued

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The members of City council (the "members") are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34".

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 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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, 2013

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.

2013 Infrastructure Fund accounts for the proceeds of the 2013 Limited Tax Bonds issued for financing the replacement of streets and associated water, sewer and sidewalks.

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 GASB. 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, 2013

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 issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34", was issued November 2010. The 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, 2012.

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was issued December 2010. The statement was implemented and did not have an impact on the City's financial statements. 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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - continued

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. The statement was implemented and did not have an impact on the City's financial statements, although it has reclassified items previously recorded as assets and liabilities within the City's financial statements as deferred outflows and inflows of resources. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-and amendment of GASB Statements No. 53", was issued June 2011. The 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 Statement No. 65, "Items Previously Reported as Assets and Liabilities", was issued March 2012. The statement was implemented and did have an impact on the City's financial statements (See Note 2 Changes in Accounting Principle). This statement is effective for periods beginning after December 15, 2012 and was adopted in the current fiscal year.

GASB Statement 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.

GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25", was issued June 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 June 15, 2013.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The management of the City believes that the implementation of this statement may have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", was issued January 2013. 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, 2013.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was issued April 2013. 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, 2013.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

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). Depreciation.
 - 2). 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, 2013:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - continued

Proprietary Fund Types:

	<u>Enterprise Fund</u>
Change in net position - GAAP basis	\$(209,179)
Provisions for Current Adjustments To:	
Depreciation	2,025,029
Amortization of loss on refunding debt	<u>23,704</u>
Change in net position - budgetary basis	<u>\$ 1,839,554</u>
	<u>Golf Course Operating Fund</u>
Change in net position - GAAP basis	\$(175,205)
Provisions for Current Adjustments To:	
Depreciation	<u>264,617</u>
Change in net position - budgetary basis	<u>\$ 89,412</u>

Encumbrances

Encumbrances represent commitments related to contracts not yet performed (executor contracts), and are used to control expenditures for the period and to enhance cash management. A City often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent any expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the City likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the City allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate. As September 30, 2013, no encumbrances were reported.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Continued

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 3). In applying GASB 31, the City utilizes the following methods and assumptions as of September 30, 2013:

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.

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 5 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

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, 2013.

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

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - Continued

The assessed value of the property tax roll on August 1, 2012, upon which the levy for the 2012-13 fiscal year was based, was \$ 1,371,356,561. 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, 2013, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.232271 and \$ 0.157729 per \$ 100 valuation, respectively, for a total of \$ 0.3900 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2013, were 100.1% 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, 2013, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 17,705 and \$ 14,024 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, 2013, there is no maturing compensated absences payable in the General Fund. Accrued compensated absences reported in the Enterprise Fund at September 30, 2013 totaled \$ 143,286.

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 10).

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

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, 2013, consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 73,503	\$
Supplies held for resale	<u>14,155</u>	<u>49,164</u>
	<u>\$ 87,658</u>	<u>\$ 49,164</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 position. Bond premiums and discounts, 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 expenditures or expenses in the current period.

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 Members 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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Beginning with fiscal 2011, the City implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

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, 2013:

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>General Debt Service Fund</u>	<u>2013 Infrastructure Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Non-spendable:						
Inventory	\$ 87,658					\$ 87,658
Prepaid expenditures	741					741
Restricted:						
Debt service			707,536			707,536
Capital projects				3,805,543	3,720,943	7,526,486
Economic development		2,292,698				2,292,698
Traffic safety					26,738	26,738
Program education					124,901	124,901
Encourage tourism					42,375	42,375
Law enforcement					122,313	122,313

(continued)

CITY OF LAKE JACKSON
Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>General Debt Service Fund</u>	<u>2013 Infrastructure Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assigned:						
Contingencies	\$ 800,085	\$	\$	\$	\$	\$ 800,085
General construction					1,370,332	1,370,332
Unemployment insurance	176,847					176,847
Equipment replacement	5,544,711					5,544,711
Special events	12,308					12,308
Park improvement	245,889					245,889
Unassigned	<u>6,240,900</u>					<u>6,240,900</u>
Total fund balances	<u>\$ 13,109,139</u>	<u>\$ 2,292,698</u>	<u>\$ 707,536</u>	<u>\$ 3,805,543</u>	<u>\$ 5,407,602</u>	<u>\$ 25,322,518</u>

Net Position

Net position represents the differences between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position 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 position, as presented in the government-wide Statement of Net Position, are reported when constraints placed on the use of net position 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 position balance components at September 30, 2013:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Position:			
Invested in Capital Assets, net of related debt	\$ 32,758,260	\$ 25,127,439	\$ 57,885,699
Restricted:			
Debt service	727,635	2,145,282	2,872,917
Economic development	2,292,698		2,292,698
Construction		1,982,775	1,982,775
Other:			
Traffic safety	26,738		26,738
Encourage tourism	124,901		124,901
Contributor purpose	42,375		42,375
Law enforcement	122,313		122,313
Unrestricted	<u>13,720,520</u>	<u>3,459,981</u>	<u>17,180,501</u>
Total net position	<u>\$ 49,815,440</u>	<u>\$ 32,715,477</u>	<u>\$ 82,530,917</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended September 30, 2013, the City implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result, bond issuance costs are no longer accounted for as an asset to be amortized over future periods. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practical, for all periods presented.

The following represents the retroactive restatement of net position and changes in net position as a result of implementation of GASB Statement No. 65 as noted above:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Enterprise</u> <u>Fund</u>
Net position, September 30, 2012 previously reported	\$ 48,188,963	\$ 33,284,963	\$ 26,774,753
Prior Period Adjustments:			
Elimination of net bond issuance costs	<u>(477,794)</u>	<u>(185,102)</u>	<u>(185,102)</u>
Net position, September 30, 2012 restated	<u>\$ 47,711,169</u>	<u>\$ 33,099,861</u>	<u>\$ 26,589,651</u>
Change in net position for the year ended			
September 30, 2012, previously reported	\$ 2,127,072	\$(371,672)	\$(218,092)
Prior Period Adjustments:			
Debt Service - Interest and Fees on Long-Term Debt:			
Current year amortization of bond			
issuance costs	<u>(477,794)</u>	<u>(185,102)</u>	<u>(185,102)</u>
Change in net position for the year ended			
September 30, 2012, restated	1,649,278	(556,774)	(403,194)
Net position, September 30, 2011	<u>46,061,891</u>	<u>33,656,635</u>	<u>26,992,845</u>
Net position, September 30, 2012, restated	<u>\$ 47,711,169</u>	<u>\$ 33,099,861</u>	<u>\$ 26,589,651</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 3 - 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 Position at September 30, 2013, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 10,114	\$	\$ 10,114
Financial Institution Deposits:			
Demand deposits	7,375,357	1,283,784	8,659,141
Local Government Investment Pools:			
Texpool	5,546,560	965,456	6,512,016
Lone Star Investment Pool	7,380,500	1,284,679	8,665,179
TexSTAR	<u>8,173,839</u>	<u>1,422,770</u>	<u>9,596,609</u>
	<u>\$ 28,486,370</u>	<u>\$ 4,956,689</u>	<u>\$ 33,443,059</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, 2013, in addition to petty cash of \$ 10,114, the carrying amount of the City's cash, savings, and time deposits was \$ 9,058,141. The financial institutions balances were \$ 9,294,024 at September 30, 2013. Bank balances of \$ 770,065 were covered by federal depository insurance, and \$ 8,523,959 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

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.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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, 2013 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 60 days, 56 days, and 56 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 60 days, 56 days, and 56 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.

The City is invested in certificates of deposit at four different local financial institutions for diversification. 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, 2013.

	<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	60	\$ 6,512,016
Lone Star Investment Pool	N/A	Varies daily	56	8,665,179
TexSTAR	N/A	Varies daily	56	<u>9,596,609</u>
Total local government investment pools			56.15	<u>24,773,804</u>
Certificate of deposit	06-20-14	0.500%	263	100,000
Certificate of deposit	05-13-14	0.300%	225	99,000
Certificate of deposit	11-29-13	0.995%	60	100,000
Certificate of deposit	08-02-14	0.600%	306	<u>100,000</u>
Total certificates of deposit			3.38	<u>399,000</u>
Total investments			59.53	<u>\$ 25,172,804</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

Credit Risk - As of September 30, 2013, the LGIP's (which represent approximately 98.41% of the portfolio are rated AAAM by Standard and Poor's, while the certificates of deposits (1.59% 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, 2013, and holds no direct investments in derivatives at September 30, 2013.

NOTE 4 - DEFERRED INFLOWS OF RESOURCES/UNEARNED REVENUE

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue). There is no unearned revenue as of September 30, 2013.

As of September 30, 2013, the following components of deferred inflows of resources/unearned revenue were reported in the governmental funds:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 17,760	\$
Delinquent property taxes receivable (debt service fund)	13,969	
Recreation memberships and deposits	<u> </u>	<u>74,629</u>
Total	<u>\$ 31,729</u>	<u>\$ 74,629</u>

As of September 30, 2013, the following components of deferred inflows of resources/unearned revenue were reported in the proprietary funds:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 4 - DEFERRED INFLOWS OF RESOURCES/UNEARNED REVENUE - Continued

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Gain on capital lease	\$ 70,876	\$
Service deposits	<u> </u>	<u>146,670</u>
 Total	 <u>\$ 70,876</u>	 <u>\$ 146,670</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at September 30, 2013, consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Special Revenue Fund:		
Program Education Fund	\$ <u>4,011</u>	\$ <u> </u>
 General Fund:		
General Fund	<u> </u>	<u>4,011</u>
 Total	 <u>\$ 4,011</u>	 <u>\$ 4,011</u>

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, 2013 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	\$	\$ 750,000	\$ 331,975	\$	\$ 1,081,975
Economic development	350,000	1,567,359		150,000	2,067,359
Non-major governmental	30,000		154,755		184,755
Proprietary Funds:					
Enterprise	<u>1,232,255</u>	<u> </u>	<u> </u>	<u> </u>	<u>1,232,255</u>
	<u>\$ 1,612,255</u>	<u>\$ 2,317,359</u>	<u>\$ 486,730</u>	<u>\$ 150,000</u>	<u>\$ 4,566,344</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/13</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,397,003	\$	\$	\$ 2,397,003
Construction in progress	<u>8,563,193</u>	<u>2,808,022</u>	<u>1,609,385</u>	<u>9,761,830</u>
Total capital assets, not being depreciated	<u>10,960,196</u>	<u>2,808,022</u>	<u>1,609,385</u>	<u>12,158,833</u>
Capital Assets, Being Depreciated:				
Buildings	26,202,247			26,202,247
Improvements	15,685,358	732,835		16,418,193
Equipment	11,765,261	1,233,151	80,656	12,917,756
Infrastructure	<u>76,591,432</u>	<u>571,454</u>		<u>77,162,886</u>
Total capital assets, being depreciated	<u>130,244,298</u>	<u>2,537,440</u>	<u>80,656</u>	<u>132,701,082</u>
Less Accumulated Depreciation For:				
Buildings	10,589,294	543,964		11,133,258
Improvements	7,743,856	619,196		8,363,052
Equipment	8,437,440	677,779	47,535	9,067,684
Infrastructure	<u>58,217,647</u>	<u>1,526,881</u>		<u>59,744,528</u>
Total accumulated depreciation	<u>84,988,237</u>	<u>3,367,820</u>	<u>47,535</u>	<u>88,308,522</u>
Total capital assets, being depreciated, net	<u>45,256,061</u>	<u>(830,380)</u>	<u>33,121</u>	<u>44,392,560</u>
Governmental activities capital assets, net	<u>\$ 56,216,257</u>	<u>\$ 1,977,642</u>	<u>\$ 1,642,506</u>	<u>\$ 56,551,393</u>

	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/13</u>
Business-type Activities (Enterprise Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>17,542</u>	\$ <u>266,634</u>	\$ <u>261,331</u>	\$ <u>22,845</u>
Total capital assets, not being depreciated	<u>17,542</u>	<u>266,634</u>	<u>261,331</u>	<u>22,845</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	28,653,801			28,653,801
Equipment	8,890,524	331,975	25,136	9,197,363
Infrastructure	<u>19,181,148</u>	<u>261,330</u>		<u>19,442,478</u>
Total capital assets, being depreciated	<u>62,125,420</u>	<u>593,305</u>	<u>25,136</u>	<u>62,693,589</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 6 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/13</u>
Less Accumulated Depreciation:				
Buildings	\$ 4,040,887	\$ 132,533	\$	\$ 4,173,420
Improvements other than buildings	16,613,948	877,601		17,491,549
Equipment	4,348,967	371,181	25,136	4,695,012
Infrastructure	<u>5,510,118</u>	<u>643,714</u>		<u>6,153,832</u>
Total accumulated depreciation	<u>30,513,920</u>	<u>2,025,029</u>	<u>25,136</u>	<u>32,513,813</u>
Total capital assets, being depreciated, net	<u>31,611,500</u>	<u>(1,413,724)</u>	<u>-0-</u>	<u>30,179,776</u>
Business-type activities capital assets, net	<u>\$ 31,629,042</u>	<u>\$(1,165,090)</u>	<u>\$ 261,331</u>	<u>\$ 30,202,621</u>
	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/13</u>
Business-type Activities (Golf Course Fund):				
Capital Assets, Not Being Depreciated:				
Land	\$ <u>3,821,585</u>	\$ _____	\$ _____	\$ <u>3,821,585</u>
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	36,214		3,089,069
Equipment	<u>811,524</u>		<u>364,036</u>	<u>447,488</u>
Total capital assets, being depreciated	<u>5,086,925</u>	<u>36,214</u>	<u>364,036</u>	<u>4,759,103</u>
Less Accumulated Depreciation:				
Buildings	524,102	61,659		585,761
Improvements other than buildings	1,282,217	154,919		1,437,136
Equipment	<u>544,181</u>	<u>48,039</u>	<u>364,036</u>	<u>228,184</u>
Total accumulated depreciation	<u>2,350,500</u>	<u>264,617</u>	<u>364,036</u>	<u>2,251,081</u>
Total capital assets, being depreciated, net	<u>2,736,425</u>	<u>(228,403)</u>	<u>-0-</u>	<u>2,508,022</u>
Business-type activities capital assets, net	<u>\$ 6,558,010</u>	<u>\$(228,403)</u>	<u>\$ -0-</u>	<u>\$ 6,329,607</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 6 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/12</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/13</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$	\$	\$ 3,821,585
Construction in progress	<u>17,542</u>	<u>266,634</u>	<u>261,331</u>	<u>22,845</u>
Total capital assets, not being depreciated	<u>3,839,127</u>	<u>266,634</u>	<u>261,331</u>	<u>3,844,430</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	31,706,656	36,214		31,742,870
Equipment	9,702,048	331,975	389,172	9,644,851
Infrastructure	<u>19,181,148</u>	<u>261,330</u>		<u>19,442,478</u>
Total capital assets, being depreciated	<u>67,212,345</u>	<u>629,519</u>	<u>389,172</u>	<u>67,452,692</u>
Less Accumulated Depreciation:				
Buildings	4,564,989	194,192		4,759,181
Improvements other than buildings	17,896,165	1,032,520		18,928,685
Equipment	4,893,148	419,220	389,172	4,923,196
Infrastructure	<u>5,510,118</u>	<u>643,714</u>		<u>6,153,832</u>
Total accumulated depreciation	<u>32,864,420</u>	<u>2,289,646</u>	<u>389,172</u>	<u>34,764,894</u>
Total capital assets, being depreciated, net	<u>34,347,925</u>	<u>(1,660,127)</u>	<u>-0-</u>	<u>32,687,798</u>
Business-type activities capital assets, net	\$ <u>38,187,052</u>	\$ <u>(1,393,493)</u>	\$ <u>261,331</u>	\$ <u>36,532,228</u>

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

Governmental Activities:

General government	\$ 174,168
Public safety	569,147
Public works, including depreciation of infrastructure	2,215,105
Culture and recreation	<u>409,400</u>

Total depreciation expense-governmental activities \$ 3,367,820

Business-type Activities:

Water and sewer	\$ 1,819,170
Sanitation	205,859
Golf course	<u>264,617</u>

Total depreciation expense-business-type activities \$ 2,289,646

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 6 - CAPITAL ASSETS - Continued

Governmental Fund Construction Commitments

The City has entered into contracts for construction as of September 30, 2013, as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Downtown Revitalization Construction	\$ 4,315,244	\$ 4,192,523	\$ 122,722
Downtown Revitalization Engineering	243,976	232,468	11,508
2010 Drainage Infrastructure Fund	<u>420,644</u>	<u> </u>	<u>420,644</u>
Total	<u>\$ 4,979,864</u>	<u>\$ 4,424,991</u>	<u>\$ 554,874</u>

Proprietary Fund Construction Commitments

The City has no proprietary fund construction commitment at September 30, 2013.

NOTE 7 - 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	\$ 27,464
Debt Service Fund	<u>17,560</u>
Total	<u>\$ 45,024</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, 2013, was \$ 49,063.

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 unearned 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 \$ 80,883 for the year ended September 30, 2013.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 7 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - Continued

Judicial Receivables

Municipal Court Receivables - Municipal court receivables are reported in the governmental activities statements of net position. 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, 2013, was \$ 731,269.

NOTE 8 - LONG-TERM DEBT

General Obligation Bonds\Certificates of Obligation

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.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

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 liability for the defeased bonds was paid off during the year ended September 30, 2013.

On June 4, 2013, the City issued City of Lake Jackson, Texas Certificates of Obligation, Series 2013 in the amount of \$ 2,000,000 for financing the completion of phase III of the downtown plan – South Parking Place.

On June 4, 2013, the City issued City of Lake Jackson, Texas, Limited Tax Bonds, Series 2013, in the amount of \$ 4,000,000 for financing the replacement of streets and associated water, sewer and sidewalks. The Bonds were authorized at an election held in May, 2010.

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2013, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/13
		Issued	Maturity	Callable	
Limited Tax Bond Series 2004	3.30 - 4.20	2004	2024	2013	\$ 1,980,000
Limited Tax Bond Series 2007	3.875 - 4.00	2007	2027	2017	3,710,000
Limited Tax Bond Series 2009	3.75 - 5.25	2009	2029	2018	1,920,000
Limited Tax Refunding Series 2009	3.875 - 4.00	2009	2019	N/A	3,045,000
Certificates of Obligation Series 2009	3.50 - 5.00	2010	2030	2019	4,250,000
Limited Tax Series 2010	3.50 - 5.00	2010	2030	2020	2,550,000
Limited Tax Refunding Series 2011	2.00 - 4.00	2011	2023	2020	6,885,000
Limited Tax Refunding Series 2013	1.50 - 3.00	2013	2033	2023	4,000,000
Certificate of Obligation Series 2013	2.00 - 3.00	2013	2033	2023	<u>2,000,000</u>
Total					<u>\$ 30,340,000</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

General obligation bond transactions for the year ended September 30, 2013, were as follows:

Bonds outstanding, October 1	\$ 27,125,000
Issued	6,000,000
Maturities	<u>(2,785,000)</u>
 Bonds outstanding, September 30	 \$ <u>30,340,000</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, 2013, the amount of ad valorem taxes collected for interest and sinking was \$ 2,272,588. The debt service requirements for principal and interest were \$ 3,853,887. In addition, \$ 1,567,359 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, 2013:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 2,655,000	\$ 1,044,809	\$ 3,699,809
2015	2,725,000	922,885	3,647,885
2016	2,675,000	839,915	3,514,915
2017	2,675,000	752,820	3,427,820
2018	2,305,000	665,787	2,970,787
2019-2023	9,545,000	2,216,233	11,761,233
2024-2028	5,340,000	867,387	6,207,387
2029-2033	<u>2,420,000</u>	<u>148,393</u>	<u>2,568,393</u>
 Total	 \$ <u>30,340,000</u>	 \$ <u>7,458,229</u>	 \$ <u>37,798,229</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.

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, 2013

NOTE 8 - 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.

On June 4, 2013, the City issued City of Lake Jackson, Texas, Waterworks and Sewer System Revenue bonds, Series 2013 in the amount of \$ 2,000,000 for the funding of the Northwest water system expansion, sewer line replacements, local lift station renovations, and repair and repainting of the Dow Water tower.

Revenue bonds payable for business-type activities at September 30, 2013, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/13
		Issued	Maturity	Callable	
Revenue Bonds	4.00 -				
Series 2007	5.00	2007	2027	2017	\$ 1,400,000
Revenue Bonds -	3.50 -				
Series 2009	4.50	2009	2030	2018	1,435,000
Revenue Bonds Refunding -	2.00 -				
Series 2009	3.00	2009	2016	N/A	295,000
Revenue Bonds Refunding -	2.00 -				
Series 2010	4.00	2010	2021	N/A	6,215,000
Revenue Bonds -	2.50 -				
Series 2013	3.00	2013	2033	2022	<u>2,000,000</u>
Total					<u>\$ 11,345,000</u>

Revenue bond transactions for the year ended September 30, 2013 were as follows:

Bonds outstanding, October 1	\$ 10,550,000
Issued	2,000,000
Maturities	<u>(1,205,000)</u>
Bonds outstanding, September 30	<u>\$ 11,345,000</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, 2013, the required balance in the sinking fund was \$ 637,938. 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, 2013, the required balance in the reserve fund was \$ 1,432,052. At September 30, 2013, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 752,088; and the designated amount for the reserve totaled \$ 1,432,052. The total account balance of \$ 2,184,140 is sufficient to cover the combined reserve and sinking requirement of \$ 2,069,990.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 8 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

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.

The following is a summary of revenue bond requirements for business-type activities by year as of September 30, 2013:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 1,200,000	\$ 379,676	\$ 1,579,676
2015	1,185,000	354,275	1,539,275
2016	1,165,000	321,875	1,486,875
2017	1,055,000	286,000	1,341,000
2018	1,050,000	253,425	1,303,425
2019-2023	3,705,000	692,250	4,397,250
2024-2028	1,325,000	251,851	1,576,851
2029-2033	<u>660,000</u>	<u>55,800</u>	<u>715,800</u>
Total	<u>\$ 11,345,000</u>	<u>\$ 2,595,152</u>	<u>\$ 13,940,152</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 inflows of resources and will be accreted over the life of the new operating lease. Accretion amount for the current year was \$ 30,376.

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

2014	\$ 30,376
2015	30,376
2016	<u>10,124</u>
Total	<u>\$ 70,876</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 8 - LONG-TERM DEBT - Continued

Changes in Outstanding Debt

Transactions for the year ended September 30, 2013, are summarized as follows:

	<u>Balance</u> <u>10-01-12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09-30-13</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
Certificates of obligation bonds	\$ 4,655,000	\$ 2,000,000	\$ 405,000	\$ 6,250,000	\$ 350,000
Limited tax bonds	22,470,000	4,000,000	2,380,000	24,090,000	2,145,000
Components of Bonded Debt:					
Premiums on bonds	965,806	106,996	93,183	979,619	95,033
Accrued interest payable	55,798	81,909	55,798	81,909	81,909
Net pension obligation	722,992		34,632	688,360	
Compensated absences	<u>540,298</u>	<u>436,753</u>	<u>439,375</u>	<u>537,676</u>	<u>423,847</u>
Total governmental activities	<u>29,409,894</u>	<u>6,625,658</u>	<u>3,407,988</u>	<u>32,627,564</u>	<u>3,095,789</u>
Business-Type Activities:					
Revenue bonds	10,550,000	2,000,000	1,205,000	11,345,000	1,200,000
Components of Bonded Debt:					
Premium on bonds	236,388		20,813	215,575	23,102
Accrued interest payable	165,400	170,862	165,400	170,862	170,862
Net pension obligation	199,261		9,224	190,037	
Compensated absences	<u>140,208</u>	<u>94,050</u>	<u>90,972</u>	<u>143,286</u>	<u>97,385</u>
Total business-type activities	11,291,257	2,264,912	1,491,409	12,064,760	1,491,349
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	502,084		2,084	500,000	500,000
Premium on bonds	20,813	23,102	20,813	23,102	23,102
Accrued interest payable	<u>165,400</u>	<u>170,862</u>	<u>165,400</u>	<u>170,862</u>	<u>170,862</u>
Net business-type activities	<u>10,602,960</u>	<u>2,070,948</u>	<u>1,303,112</u>	<u>11,370,796</u>	<u>797,385</u>
Total government (net)	<u>\$ 40,012,854</u>	<u>\$ 8,696,606</u>	<u>\$ 4,711,100</u>	<u>\$ 43,998,360</u>	<u>\$ 3,893,174</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, 2013

NOTE 9 - LEASING OPERATIONS

Lessor

The City is involved in various operating leases as lessor. These leases include 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, 2013. Minimum future rentals to be received on noncancelable leases, as of September 30, 2013, for each of the next five years and in the aggregate are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2014	\$ <u>91,830</u>
	\$ <u><u>91,830</u></u>

Lessee

The City is involved in various operating leases as lessee. These leases include 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, 2013, for each of the next five years and in the aggregate are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2014	\$ 75,744
2015	74,029
2016	34,838
2017	<u>3,403</u>
	\$ <u><u>188,014</u></u>

NOTE 10 - 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 10 - 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>2012</u>	Plan Year <u>2013</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 2013 and 2012 was 13.84% and 13.88%, 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 2013 and 2012 was 13.51% and 13.44% respectively. However, the City changed the contribution rate to full rate of 13.84% in April 2013. 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)	\$ 1,301,923
Interest on net pension obligation (NPO)	21,857
Adjustment to ARC	<u>(65,686)</u>
Annual pension cost (APC)	1,258,094
Contributions made (at phase-in rate)	<u>(1,301,950)</u>
Increase in NPO	<u>(43,856)</u>
NPO, beginning of year	922,253
NPO, end of year	<u><u>\$ 878,397</u></u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 10 - 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>
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
2013	1,258,093	1,301,950	103.49%	(43,856)	878,397

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

Valuation date	12-31-10	12-31-11	12-31-12
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	27.0 years; closed period	26.0 years; closed period	25.0 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*	7.0%	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, 2013

NOTE 10 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN - Continued

Funded Status and Funding Progress

The funded status as of December 31, 2012, 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)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
2012	43,216,930	47,265,090	91.4%	4,048,160	9,262,178	43.7%

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)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(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%
2012	43,216,930	47,265,090	91.4%	4,048,160	9,262,178	43.7%

OPEB-Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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, 2013

NOTE 10 - 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>2012</u>	<u>2013</u>
City Specific:		
Supplemental death benefit:		
For active employees (Y/N)	Y	Y
For retirees (Y/N)	Y	Y

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. Such rates were 0.20% and 0.19% in 2013 and 2012, 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 TMRS SDBF for the years ended September 30, 2013, 2012, and 2011 were \$ 18,306, \$ 19,185, and \$ 21,227, 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.

NOTE 11 - 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. At August 31, 2012, there were 188 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2012, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,750
Terminated participants entitled to benefits but not yet receiving them	2,250
Current active participants (vested and non-vested)	<u>4,448</u>
	9,448

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 11 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND - Continued

Plan Description - continued

Senate Bill 411, 65th Legislature, Regular Session (1977) created TESRS and established the applicable benefit provisions. The 79th 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.

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, 2012 total contributions (dues and prior service) of \$ 3,517,455 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, 2012 and 2013. Total contributions made were less than the contributions required by the state statute and required based on the August 31, 2010 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2012 revealed the inadequacy of the expected contributions from the political subdivisions (dues and prior service contributions) even together with the actual state appropriations for the fiscal year ending August 31, 2013 (\$ 528,538 to pay for part of the System's administrative expenses) and with the assumed 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 \$ 530,000 each year to help pay for part of the System's administrative expenses.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 11 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND -
Continued

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ¹ - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered (b-a)/(c)
8/31/08 ²	\$ 60,987,157	\$ 64,227,341	\$ 3,240,184	95.0%	8,254	\$ 393
8/31/10 ³	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984
8/31/12 ²	67,987,487	101,856,042	33,868,555	66.7%	9,448	3,585

Notes:

¹ The actuarial accrued liability is based upon the entry age actuarial cost method.

² Changes in actuarial assumptions were reflected in this valuation.

³ Changes in actuarial assumptions and method were reflected in this valuation.

Fiscal Year Ending	<u>Three-Year Trend Information</u>		
	Annual Required Contributions (ARC)	Actual Contributions	Percentage of ARC Contributed
August 31, 2010	\$ 2,875,103 ¹	\$ 2,875,103	100%
August 31, 2011	3,125,329 ²	3,125,329	100%
August 31, 2012	4,423,898 ²	3,517,455	80%

¹ Based on the August 31, 2008 actuarial valuation.

² Based on the revised August 31, 2010 actuarial valuation.

³ Includes a requested state contribution of \$ 906,443.

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

NOTE 12 - 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 12 - DEFERRED COMPENSATION PLAN - Continued

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 13 - 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, 2013.

NOTE 14 - 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 15 - INDUSTRIAL DISTRICT CONTRACT

In 2011, the City of Lake Jackson, in conjunction with the Cities of Clute and Freeport, 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 15 - INDUSTRIAL DISTRICT CONTRACT - Continued

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, 2013 amounted to \$ 4,100,000.

NOTE 16 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2013, 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. Grant revenues are classified as intergovernmental revenues.

	<u>General Fund</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)	\$	\$ 210,011	\$ 210,011
 U.S. Department of Justice:			
Bulletproof Vest Partnership Program	617		617
 U.S. Department of Energy:			
Energy Efficiency and Conservation Block Grant	<u>94,226</u>		<u>94,226</u>
 Total	<u>\$ 94,843</u>	<u>\$ 210,011</u>	<u>\$ 304,854</u>

As of September 30, 2013, all cash and in-kind matching requirements had been met for those grants requiring local matching.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 16 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES - Continued

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 8). Requirements of the Single Audit Act and OMB Circular A-133 do not apply.

NOTE 17 - 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.

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, 2013, the City paid the Shelter \$ 111,038 under this agreement.

NOTE 18 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 31, 2014, the date which the financial statements were available to be issued.

On October 15, 2013, the City issued City of Lake Jackson, Texas Certificates of Obligation, Series 2013A, in the amount of \$ 1,500,000.

On November 13, 2013 the City entered into an Economic Development Agreement with The Dow Chemical Company (Dow) in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, Dow is expected to expend a certain amount of funds on a project in the City and the City will reimburse up to two million five hundred thousand dollars (\$ 2,500,000) in infrastructure costs related to the project. In addition the City will provide certain rebates according to terms of the agreement for real and personal property taxes. The term of the agreement is fifteen (15) years. The City expects to issue additional debt as a result of this agreement prior to December 31, 2014. Both the City and Dow have agreed to various covenants, warranties, obligations and duties as a part of this agreement.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 18 - EVALUATION OF SUBSEQUENT EVENTS - Continued

On December 2, 2013 the City entered into an Economic Development Agreement with Brazosport Creekside, LLC (the Developer) in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, the Developer will construct approximately 224 new homes in a development in the City. As a part of the development the City will reimburse the Developer up to six hundred seventy five thousand five hundred dollars (\$ 675,500) for the construction of a bridge. The reimbursement will occur based on additional property taxes collected over a period of fifteen (15) years. In addition the City will provide to the Developer five yearly payments of seventy thousand dollars (\$ 70,000) for infrastructure development beginning in the second year of the agreement.

On December 9, 2013 the City entered into an Economic Development Agreement with HEB Grocery Company, LP (HEB) in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, HEB will construct a HEB store and retail center in the City and the City will reimburse HEB up to three million dollars (\$ 3,000,000) in infrastructure costs related to the project. In addition the City will provide certain rebates according to terms of the agreement for real and personal property taxes and sales taxes. In no event shall the sum total of the tax rebates exceed five million dollars (\$ 5,000,000). The City expects to issue additional debt as a result of this agreement prior to December 31, 2014. Both the City and HEB have agreed to various covenants, warranties, obligations and duties as a part of this agreement.

NOTE 19 - EXCESS OF EXPENDITURES OVER APROPRIATIONS

During the year ended September 30, 2013, expenditures exceeded appropriations in the funds as follows:

Red Light Camera Fund	\$	8,287
Motel Occupancy Fund		33,982
Police Seizure Fund		30,610
Program Education Fund		19,834

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

***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.

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.

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.

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds - Continued

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.

Downtown Revitalization Fund – This fund accounts for the proceeds of the \$ 5.0 million bond issued for reconstruction of streets in the downtown area.

2013 Downtown Improvement Fund – This fund accounts for the proceeds of the 2013 Certificates of Obligation issued for the completion of phase III of the downtown plan – South Parking Place.

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2013

	Special Revenue Funds			
	Red Light Camera	Motel Occupancy Tax	Police Seizures	Program Education
<u>Assets and Deferred Outflows of Resources</u>				
Assets:				
Cash and temporary investments	\$ 39,761	\$ 42,375	\$ 122,313	\$ 103,865
Receivables (Net of Allowance for Uncollectibles):				
Taxes				17,025
Accounts				
Due from other funds				4,011
Total assets	<u>39,761</u>	<u>42,375</u>	<u>122,313</u>	<u>124,901</u>
Deferred Outflows of Resources:				
Deferred outflows of resources				
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 39,761</u>	<u>\$ 42,375</u>	<u>\$ 122,313</u>	<u>\$ 124,901</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 13,023	\$	\$	\$
Accrued interest payable				
Total liabilities	<u>13,023</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Deferred Inflows of Resources:				
Deferred inflows of resources				
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Restricted:				
Capital projects				
Traffic safety	26,738			
Program education				124,901
Encourage tourism		42,375		
Law enforcement			122,313	
Assigned				
Total fund balances	<u>26,738</u>	<u>42,375</u>	<u>122,313</u>	<u>124,901</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,761</u>	<u>\$ 42,375</u>	<u>\$ 122,313</u>	<u>\$ 124,901</u>

Debt Service Funds		Capital Projects Funds			
Economic Development	Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2004 Infrastructure	2009 Construction
\$ 406	\$	\$ 1,409,119	\$ 80,448	\$	\$
		41,244			
<u>406</u>	<u>-0-</u>	<u>1,450,363</u>	<u>80,448</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 406</u>	<u>\$ -0-</u>	<u>\$ 1,450,363</u>	<u>\$ 80,448</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 406	\$	\$ 80,031	\$ 80,448	\$	\$
<u>406</u>	<u>-0-</u>	<u>80,031</u>	<u>80,448</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
		1,370,332			
<u>-0-</u>	<u>-0-</u>	<u>1,370,332</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 406</u>	<u>\$ -0-</u>	<u>\$ 1,450,363</u>	<u>\$ 80,448</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS - Continued

September 30, 2013

	Capital Projects Funds			
	2010 Drainage Infrastructure	Downtown Revitalization	2013 Downtown Improvement	Total Non-major Governmental Funds
<u>Assets and Deferred Outflows of Resources</u>				
Assets:				
Cash and temporary investments	\$ 1,574,919	\$ 267,223	\$ 2,001,528	\$ 5,641,957
Receivables (Net of Allowance for Uncollectibles):				
Taxes				17,025
Accounts				41,244
Due from other funds				4,011
Total assets	<u>1,574,919</u>	<u>267,223</u>	<u>2,001,528</u>	<u>5,704,237</u>
Deferred Outflows of Resources:				
Deferred outflows of resources				-0-
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 1,574,919</u>	<u>\$ 267,223</u>	<u>\$ 2,001,528</u>	<u>\$ 5,704,237</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>				
Liabilities:				
Accounts payable	\$	\$ 122,727	\$	\$ 296,229
Accrued interest payable				406
Total liabilities		<u>122,727</u>	<u>-0-</u>	<u>296,635</u>
Deferred Inflows of Resources:				
Deferred inflows of resources				-0-
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Restricted:				
Capital projects	1,574,919	144,496	2,001,528	3,720,943
Traffic safety				26,738
Program education				124,901
Encourage tourism				42,375
Law enforcement				122,313
Assigned				1,370,332
Total fund balances	<u>1,574,919</u>	<u>144,496</u>	<u>2,001,528</u>	<u>5,407,602</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,574,919</u>	<u>\$ 267,223</u>	<u>\$ 2,001,528</u>	<u>\$ 5,704,237</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, 2013

	Special Revenue Funds			
	Red Light Camera	Motel Occupancy Tax	Police Seizures	Program Education
Revenues:				
Franchise tax	\$	\$	\$	\$ 69,597
Motel occupancy tax		274,101		
Intergovernmental				
Fines and fees	6,492			
Investment income		221	347	
Other			9,665	
Total revenues	6,492	274,322	10,012	69,597
Expenditures:				
Current:				
Cultural and Recreation:				
Contribution to Fine Arts Council		37,690		
Contribution to Museum of Natural Science		56,535		
Contribution to Chamber of Commerce		84,510		
Contribution to Historical Museum		56,535		
Other		6,395		19,834
Seizures administration			30,610	
Traffic control	4,268			
Capital outlay	24,019			
Debt Service:				
Principal				
Interest and fiscal charges				
Total expenditures	28,287	241,665	30,610	19,834
Excess (deficiency) of revenues over (under) expenditures	(21,795)	32,657	(20,598)	49,763
Other Financing Sources (Uses):				
Issuance of debt				
Bond issuance premium				
Transfers in				
Transfers out		(30,000)		
Intrafund transfers				
Total other financing sources (uses)	-0-	(30,000)	-0-	-0-
Net changes in fund balances	(21,795)	2,657	(20,598)	49,763
Fund balances – beginning	48,533	39,718	142,911	75,138
Fund balances – ending	\$ 26,738	\$ 42,375	\$ 122,313	\$ 124,901

Debt Service Funds		Capital Projects Funds			
Economic Development	Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2004 Infrastructure	2009 Construction
\$	\$	\$	\$	\$	\$
		154,277			
		4,795		189	
		10,757			
<u>-0-</u>	<u>-0-</u>	<u>169,829</u>	<u>-0-</u>	<u>189</u>	<u>-0-</u>
		104,688			
		920,005	5,749		
840,518	350,000				
<u>266,302</u>	<u>152,720</u>		<u>5</u>		
<u>1,106,820</u>	<u>502,720</u>	<u>1,024,693</u>	<u>5,754</u>	<u>-0-</u>	<u>-0-</u>
<u>(1,106,820)</u>	<u>(502,720)</u>	<u>(854,864)</u>	<u>(5,754)</u>	<u>189</u>	<u>-0-</u>
42,181					
1,064,639	502,720	750,000		(154,750)	(5)
			(24,025)	(67,182)	
<u>1,106,820</u>	<u>502,720</u>	<u>750,000</u>	<u>(24,025)</u>	<u>(221,932)</u>	<u>(5)</u>
	-0-	(104,864)	(29,779)	(221,932)	(5)
		<u>1,475,196</u>	<u>29,779</u>	<u>221,743</u>	<u>5</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,370,332</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</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, 2013

	Capital Projects Funds			Total Non-major Governmental Funds
	2010 Drainage Infrastructure	Downtown Revitalization	2013 Downtown Improvement	
Revenues:				
Franchise Tax	\$	\$	\$	\$ 69,597
Motel occupancy tax				274,101
Intergovernmental		55,734		210,011
Fines and fees				6,492
Investment income	1,506	1,542	316	8,916
Other				20,422
	<u>1,506</u>	<u>57,276</u>	<u>316</u>	<u>589,539</u>
Total revenues				
Expenditures:				
Current:				
Cultural and Recreation:				
Contribution to Fine Arts Council				37,690
Contribution to Museum of Natural Science				56,535
Contribution to Chamber of Commerce				84,510
Contribution to Historical Museum				56,535
Other				130,917
Seizures administration				30,610
Traffic control				4,268
Capital outlay		1,500,897		2,450,670
Debit Service:				
Principal				1,190,518
Interest and fiscal charges				419,027
	<u>-0-</u>	<u>1,500,897</u>	<u>-0-</u>	<u>4,461,280</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>1,506</u>	<u>(1,443,621)</u>	<u>316</u>	<u>(3,871,741)</u>
Other Financing Sources (Uses):				
Issuance of debt			2,000,000	2,000,000
Bond issuance premium			1,212	43,393
Transfers in				2,317,359
Transfers out				(184,755)
Intrafund transfers	91,207			-0-
	<u>91,207</u>	<u>-0-</u>	<u>2,001,212</u>	<u>4,175,997</u>
Total other financing sources (uses)				
Net changes in fund balances	92,713	(1,443,621)	2,001,528	304,256
Fund balances – beginning	<u>1,482,206</u>	<u>1,588,117</u>	<u></u>	<u>5,103,346</u>
Fund balances – ending	<u>\$ 1,574,919</u>	<u>\$ 144,496</u>	<u>\$ 2,001,528</u>	<u>\$ 5,407,602</u>

**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, 2013
With Comparative Actual Total for 2012

	2013			Variance with Final Budget- Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Fines and fees	\$ 40,000	\$ 40,000	\$ 6,492	\$(33,508)	\$ 25,178
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>6,492</u>	<u>(33,508)</u>	<u>25,178</u>
Expenditures:					
Current:					
Public Safety:					
Traffic control	20,000	20,000	4,268	15,732	107,958
Capital outlay			<u>24,019</u>	<u>(24,019)</u>	
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>28,287</u>	<u>(8,287)</u>	<u>107,958</u>
Excess (deficiency) of revenues over (under) expenditures	20,000	20,000	(21,795)	(41,795)	(82,780)
Fund balance – beginning	<u>48,533</u>	<u>48,533</u>	<u>48,533</u>	<u>-0-</u>	<u>131,313</u>
Fund balance – ending	<u>\$ 68,533</u>	<u>\$ 68,533</u>	<u>\$ 26,738</u>	<u>\$(41,795)</u>	<u>\$ 48,533</u>

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, 2013
With Comparative Actual Totals for 2012

	2013			Variance with Final Budget- Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Occupancy tax	\$ 209,000	\$ 209,000	\$ 274,101	\$ 65,101	\$ 219,915
Investment income	<u>300</u>	<u>300</u>	<u>221</u>	<u>(79)</u>	<u>296</u>
Total revenues	<u>209,300</u>	<u>209,300</u>	<u>274,322</u>	<u>65,022</u>	<u>220,211</u>
Expenditures:					
Current:					
Culture and recreation	<u>207,683</u>	<u>207,683</u>	<u>241,665</u>	<u>(33,982)</u>	<u>211,154</u>
Total expenditures	<u>207,683</u>	<u>207,683</u>	<u>241,655</u>	<u>(33,982)</u>	<u>211,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,617</u>	<u>1,617</u>	<u>32,657</u>	<u>31,040</u>	<u>9,057</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>(28,383)</u>	<u>(28,383)</u>	<u>2,657</u>	<u>31,040</u>	<u>(20,943)</u>
Fund balance – beginning	<u>39,718</u>	<u>39,718</u>	<u>39,718</u>	<u>-0-</u>	<u>60,661</u>
Fund balance – ending	<u>\$ 11,335</u>	<u>\$ 11,335</u>	<u>\$ 42,375</u>	<u>\$ 31,040</u>	<u>\$ 39,718</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, 2013
With Comparative Actual Totals for 2012

	2013			Variance with Final Budget- Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$	\$	\$ 347	\$ 347	\$ 333
Other			9,665	9,665	37,531
Total revenues	-0-	-0-	10,012	10,012	37,864
Expenditures:					
Current:					
Public Safety:					
Seizures administration			30,610	(30,610)	4,143
Capital outlay				-0-	12,477
Total expenditures	-0-	-0-	30,610	(30,610)	16,260
Excess (deficiency) of revenues over (under) expenditures	-0-	-0-	(20,598)	(20,598)	21,244
Fund balance – beginning	142,911	142,911	142,911	-0-	121,667
Fund balance – ending	\$ 142,911	\$ 142,911	\$ 122,313	\$(20,598)	\$ 142,911

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, 2013
With Comparative Actual Totals for 2012

	2013			Variance with Final Budget- Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Franchise tax	\$ 60,000	\$ 60,000	\$ 69,597	\$ 9,597	\$ 77,308
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>69,597</u>	<u>9,597</u>	<u>77,308</u>
Expenditures:					
Current:					
Culture and recreation			19,834	(19,834)	2,170
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>19,834</u>	<u>(19,834)</u>	<u>2,170</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,000</u>	<u>60,000</u>	<u>49,763</u>	<u>(10,237)</u>	<u>75,138</u>
Fund balance – beginning	<u>75,138</u>	<u>75,138</u>	<u>75,138</u>	<u>-0-</u>	<u>-0-</u>
Fund balance – ending	<u>\$ 135,138</u>	<u>\$ 135,138</u>	<u>\$ 124,901</u>	<u>\$(10,237)</u>	<u>\$ 75,138</u>

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, 2013
With Comparative Actual Total for 2012

	2013			Variance with Final Budget- Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	840,518	840,518	840,518		850,529
Interest and fiscal charges	<u>276,621</u>	<u>276,621</u>	<u>266,302</u>	<u>10,319</u>	<u>251,861</u>
Total expenditures	<u>1,117,139</u>	<u>1,117,139</u>	<u>1,106,820</u>	<u>10,319</u>	<u>1,102,390</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,117,139)</u>	<u>(1,117,139)</u>	<u>(1,106,820)</u>	<u>10,319</u>	<u>(1,102,390)</u>
Other Financing Sources (Uses):					
Bond issuance premium			42,181	42,181	-0-
Transfers in	<u>1,117,139</u>	<u>1,117,139</u>	<u>1,064,639</u>	<u>(52,500)</u>	<u>1,102,390</u>
Total other financing sources (uses)	<u>1,117,139</u>	<u>1,117,139</u>	<u>1,106,820</u>	<u>(10,319)</u>	<u>1,102,390</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, 2013
With Comparative Actual Totals for 2012

	2013			Variance with Final Budget- Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	350,000	350,000	350,000		330,000
Interest and fiscal charges	<u>153,720</u>	<u>153,720</u>	<u>152,720</u>	<u>1,000</u>	<u>234,857</u>
Total expenditures	<u>503,720</u>	<u>503,720</u>	<u>502,720</u>	<u>1,000</u>	<u>564,857</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(503,720)</u>	<u>(503,720)</u>	<u>(502,720)</u>	<u>1,000</u>	<u>(564,857)</u>
Other Financing Sources (Uses):					
Issuance of debt					4,440,690
Payment to bond refunding					(4,409,405)
Transfers in	<u>503,720</u>	<u>503,720</u>	<u>502,720</u>	<u>(1,000)</u>	<u>533,572</u>
Total other financing sources (uses)	<u>503,720</u>	<u>503,720</u>	<u>502,720</u>	<u>(1,000)</u>	<u>564,857</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>

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**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

General 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 Fund**

September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and temporary investments	\$ 12,457,681	\$ 11,755,980
Receivable (net of allowance for uncollectibles):		
Taxes	1,064,347	1,037,701
Accounts	57,331	87,200
Grants	49,981	190,736
Investments	399,000	399,000
Inventories	87,658	130,525
Prepaid expenditures	<u>741</u>	<u>5,265</u>
 Total assets	 <u>14,116,739</u>	 <u>13,606,407</u>
Deferred Outflows of Resources:		
Deferred outflows of resources		
 Total deferred outflows of resources	 <u>-0-</u>	 <u>-0-</u>
 Total assets and deferred outflows of resources	 <u>\$ 14,116,739</u>	 <u>\$ 13,606,407</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**COMPARATIVE BALANCE SHEETS -
General Fund - Continued**

September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 510,798	\$ 770,963
Cash bonds and taxes	270,285	390,022
Accrued wages	130,117	107,522
Due to other funds	4,011	
Unearned revenue	<u>74,629</u>	<u>108,105</u>
Total liabilities	<u>989,840</u>	<u>1,376,612</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>17,760</u>	
Total deferred inflows of resources	<u>17,760</u>	<u>-0-</u>
Fund Balance:		
Non-spendable:		
Inventory	87,658	130,525
Prepaid expenditures	741	5,265
Assigned:		
General contingencies	800,085	1,037,756
Unemployment insurance	176,847	194,179
Equipment replacement	5,544,711	4,909,100
Special events	12,308	31,881
Park	245,889	284,576
Unassigned	<u>6,240,900</u>	<u>5,636,513</u>
Total fund balance	<u>13,109,139</u>	<u>12,229,795</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 14,116,739</u>	<u>\$ 13,606,407</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, 2013

With Comparative Actual Totals for 2012

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,352,028	\$ 3,352,028
Sales	4,831,000	4,831,000
Franchise	1,534,000	1,534,000
Other	118,000	118,000
Industrial district	4,100,000	4,100,000
Revenue producing facilities	979,805	979,805
Fines and fees	433,700	433,700
Licenses and permits	209,100	209,100
Investment income	58,799	58,799
Miscellaneous	159,800	159,800
Total revenues	15,776,232	15,776,232
Expenditures:		
Current:		
General government and administration	3,464,004	3,464,004
Public safety	5,765,536	5,765,536
Public works	2,923,229	2,923,229
Culture and recreation	3,936,737	3,936,737
Capital outlay	653,781	653,870
Total expenditures	16,743,287	16,743,287
Excess (deficiency) of revenues over (under) expenditures	(967,055)	(967,055)
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,612,255	1,612,255
Transfers out	(1,077,090)	(1,077,090)
Total other financing sources (uses)	1,612,255	535,165
Net change in fund balance	645,200	(431,890)
Fund balance - beginning	12,229,795	12,229,795
Fund balance - ending	\$ 12,874,995	\$ 11,797,905

2013			2012	
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,351,088	\$	\$ 3,351,088	\$ (940)	\$ 3,296,462
5,093,359		5,093,359	262,359	4,772,141
1,547,112		1,547,112	13,112	1,516,140
141,546		141,546	23,546	130,992
4,100,000		4,100,000	-0-	4,100,000
94,843		94,843	94,843	5,316
1,043,331		1,043,331	63,526	1,042,830
563,208		563,208	129,508	479,425
245,897		245,897	36,797	227,672
70,907		70,907	12,108	75,352
<u>171,073</u>		<u>171,073</u>	<u>11,273</u>	<u>321,548</u>
<u>16,422,364</u>	<u>-0-</u>	<u>16,422,364</u>	<u>646,132</u>	<u>15,967,878</u>
3,297,784		3,297,784	166,220	3,084,407
5,686,957		5,686,957	78,579	5,600,724
2,483,528		2,483,528	439,701	2,454,131
3,866,230		3,866,230	70,507	3,810,251
<u>753,546</u>		<u>753,546</u>	<u>(99,765)</u>	<u>772,357</u>
<u>16,088,045</u>	<u>-0-</u>	<u>16,088,045</u>	<u>655,242</u>	<u>15,721,870</u>
<u>334,319</u>	<u>-0-</u>	<u>334,319</u>	<u>1,301,374</u>	<u>246,008</u>
14,745		14,745	14,745	73,120
1,612,255		1,612,255	-0-	1,670,652
<u>(1,081,975)</u>		<u>(1,081,975)</u>	<u>(4,885)</u>	<u>(1,055,680)</u>
<u>545,025</u>	<u>-0-</u>	<u>545,025</u>	<u>9,860</u>	<u>688,092</u>
879,344	-0-	879,344	1,311,234	934,100
<u>12,229,795</u>		<u>12,229,795</u>	<u>-0-</u>	<u>11,295,695</u>
<u>\$ 13,109,139</u>	<u>\$ -0-</u>	<u>\$ 13,109,139</u>	<u>\$ 1,311,234</u>	<u>\$ 12,229,795</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and temporary investments	\$ 2,024,110	\$ 1,802,921
Receivable (Net of Allowance for Uncollectibles):		
Taxes	430,670	411,566
Due from other funds		<u>3,360</u>
Total assets	<u>2,454,780</u>	<u>2,217,847</u>
Deferred Outflows of Resources:		
Deferred outflows of resources		
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 2,454,780</u>	<u>\$ 2,217,847</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ <u>162,082</u>	\$ <u>9,923</u>
Total liabilities	<u>162,082</u>	<u>9,923</u>
Deferred Inflows of Resources:		
Deferred inflows of resources		
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Fund Balances:		
Restricted For:		
Economic development	<u>2,292,698</u>	<u>2,207,924</u>
Total fund balances	<u>2,292,698</u>	<u>2,207,924</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,454,780</u>	<u>\$ 2,217,847</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, 2013
With Comparative Actual Totals for 2012

	2013			Variance with Final Budget- Positive (Negative)	2012
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 2,499,000	\$ 2,499,000	\$ 2,619,312	\$ 120,312	\$ 2,457,990
Investment income	<u>10,172</u>	<u>10,172</u>	<u>17,958</u>	<u>7,786</u>	<u>12,731</u>
Total revenues	<u>2,509,172</u>	<u>2,509,172</u>	<u>2,637,270</u>	<u>128,098</u>	<u>2,470,721</u>
Expenditures:					
Current:					
General government and administration	50,000	50,000	150,276	(100,276)	23,795
Capital outlay	<u>973,000</u>	<u>973,000</u>	<u>334,861</u>	<u>638,139</u>	<u>532,905</u>
Total expenditures	<u>1,023,000</u>	<u>1,023,000</u>	<u>485,137</u>	<u>537,863</u>	<u>556,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,486,172</u>	<u>1,486,172</u>	<u>2,152,133</u>	<u>665,961</u>	<u>1,914,021</u>
Other Financing Sources (Uses):					
Transfers out	(2,070,859)	(2,070,859)	(2,067,359)	3,500	(2,232,602)
Total other financing sources (uses)	(2,070,859)	(2,070,859)	(2,067,359)	3,500	(2,232,602)
Net changes in fund balance	(584,687)	(584,687)	84,774	669,461	(318,581)
Fund balances – beginning	<u>2,207,924</u>	<u>2,207,924</u>	<u>2,207,924</u>	<u>-0-</u>	<u>2,526,505</u>
Fund balances – ending	<u>\$ 1,623,237</u>	<u>\$ 1,623,237</u>	<u>\$ 2,292,698</u>	<u>\$ 669,461</u>	<u>\$ 2,207,924</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and temporary investments	\$ 708,190	\$ 608,001
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>14,024</u>	<u>21,215</u>
Total assets	<u>722,214</u>	<u>629,216</u>
Deferred Outflows of Resources:		
Deferred outflows of resources	<u> </u>	<u> </u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 722,214</u>	<u>\$ 629,216</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accrued interest	<u>\$ 709</u>	<u>\$ </u>
Total liabilities	<u>709</u>	<u>-0-</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>13,969</u>	<u>21,160</u>
Total deferred inflows of resources	<u>13,969</u>	<u>21,160</u>
Fund Balance:		
Restricted For:		
Debt service	<u>707,536</u>	<u>608,056</u>
Total fund balance	<u>707,536</u>	<u>608,056</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 722,214</u>	<u>\$ 629,216</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, 2013
With Comparative Actual Totals for 2012

	2013			Variance with Final Budget- Positive (Negative)	2012
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Taxes	\$ 2,250,000	\$ 2,250,000	\$ 2,272,588	\$ 22,588	\$ 2,253,191
Investment income	<u>8,000</u>	<u>8,000</u>	<u>9,551</u>	<u>1,551</u>	<u>7,175</u>
Total revenues	<u>2,258,000</u>	<u>2,258,000</u>	<u>2,282,139</u>	<u>24,139</u>	<u>2,260,366</u>
Expenditures:					
Debt Service:					
Principal	1,629,471	1,629,471	1,594,482	34,989	1,649,471
Interest and fiscal charges	<u>681,984</u>	<u>681,984</u>	<u>649,865</u>	<u>32,119</u>	<u>700,747</u>
Total expenditures	<u>2,311,455</u>	<u>2,311,455</u>	<u>2,244,347</u>	<u>67,108</u>	<u>2,350,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,455)</u>	<u>(53,455)</u>	<u>37,792</u>	<u>91,247</u>	<u>(89,852)</u>
Other Financing Sources (Uses):					
Issuance of debt					3,360,000
Bond issuance premium			61,688	61,688	370,180
Payment to bond refunding escrow agent					<u>(3,703,900)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>61,688</u>	<u>61,688</u>	<u>26,280</u>
Net changes in fund balance	<u>(53,455)</u>	<u>(53,455)</u>	<u>99,480</u>	<u>152,935</u>	<u>(63,572)</u>
Fund balance – beginning	<u>608,056</u>	<u>608,056</u>	<u>608,056</u>	<u>-0-</u>	<u>671,628</u>
Fund balance – ending	<u>\$ 554,601</u>	<u>\$ 554,601</u>	<u>\$ 707,536</u>	<u>\$ 152,935</u>	<u>\$ 608,056</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 POSITION
Enterprise Fund

September 30, 2013 and 2012

	<u>2013</u>	<u>(Restated) 2012</u>
Assets:		
Current Assets:		
Cash and temporary investments	\$ 3,660,188	\$ 3,585,654
Receivables (net of allowance for uncollectibles):		
Accounts	<u>506,476</u>	<u>541,629</u>
	<u>4,166,664</u>	<u>4,127,283</u>
Restricted Assets:		
Cash and temporary investments	2,640,545	670,080
Due from other governments	<u>5,318</u>	<u>5,318</u>
	<u>2,645,863</u>	<u>675,398</u>
Total current assets	<u>6,812,527</u>	<u>4,802,681</u>
Noncurrent Assets:		
Restricted Cash and Temporary Investments:		
Revenue bond covenant accounts	<u>2,316,144</u>	<u>2,297,519</u>
Total noncurrent restricted assets	<u>2,316,144</u>	<u>2,297,519</u>
Capital Assets:		
Property, plant and equipment	62,693,589	62,125,420
Construction in process	22,845	17,542
Less accumulated depreciation	<u>(32,513,813)</u>	<u>(30,513,920)</u>
Total capital assets (net of accumulated depreciation)	<u>30,202,621</u>	<u>31,629,042</u>
Total noncurrent assets	<u>32,518,765</u>	<u>33,926,561</u>
Total assets	<u>39,331,292</u>	<u>38,729,242</u>
Deferred Outflows of Resources:		
Deferred outflows of resources – debt refunding cost	<u>155,786</u>	<u>179,491</u>
Total deferred outflows of resources	<u>155,786</u>	<u>179,491</u>

(continued)

CITY OF LAKE JACKSON
Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Enterprise Fund - Continued

September 30, 2013 and 2012

	<u>2013</u>	<u>(Restated)</u> <u>2012</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 347,484	\$ 467,412
Accrued wages	31,274	23,570
Accrued compensated absences	97,385	58,137
Revenue bonds payable	<u>700,000</u>	<u>702,917</u>
	<u>1,176,143</u>	<u>1,252,036</u>
Current Liabilities Payable from Restricted Assets:		
Accrued interest	170,862	165,400
Customer deposits	663,088	604,036
Revenue bonds payable	<u>523,102</u>	<u>521,804</u>
Total current liabilities payable from restricted assets	<u>1,357,052</u>	<u>1,291,240</u>
Total current liabilities	<u>2,533,195</u>	<u>2,543,276</u>
Noncurrent Liabilities:		
Revenue bonds payable	10,337,473	9,494,474
Accrued compensated absences	45,901	82,071
Net pension obligation	<u>190,037</u>	<u>199,261</u>
Total noncurrent liabilities	<u>10,573,411</u>	<u>9,775,806</u>
Total liabilities	<u>13,106,606</u>	<u>12,319,082</u>
Deferred Inflows of Resources:		
Deferred inflows of resources		
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Net Position:		
Invested in capital assets, net of related debt	18,797,832	21,440,351
Restricted For:		
Revenue bond retirement	2,145,282	2,291,322
Construction	1,982,775	(94,549)
Unrestricted	<u>3,454,583</u>	<u>2,952,527</u>
Total net position	<u>\$ 26,380,472</u>	<u>\$ 26,589,651</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

Enterprise Fund

For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	(Restated) <u>2012</u>
Operating Revenues:		
Water service	\$ 3,561,044	\$ 3,569,045
Sewer service	3,408,385	3,420,461
Garbage fees	3,161,165	3,052,811
Tapping and connection fees	254,736	231,060
Operating grant revenue		143,858
Other	<u>169,403</u>	<u>141,740</u>
Total operating revenues	<u>10,554,733</u>	<u>10,558,975</u>
Operating Expenses:		
Utility administration	445,254	430,312
Water production, treatment and distribution	2,766,448	2,834,877
Sewer collection and treatment	2,104,225	1,984,118
Sanitation	2,278,112	2,219,316
Depreciation	<u>2,025,029</u>	<u>1,975,138</u>
Total operating expenses	<u>9,619,068</u>	<u>9,443,761</u>
Operating income	<u>935,665</u>	<u>1,115,214</u>
Non-Operating Revenues (Expenses):		
Interest revenue	33,961	39,848
Interest expense and fiscal charges	<u>(433,280)</u>	<u>(587,253)</u>
Total non-operating revenues (expenses)	<u>(399,319)</u>	<u>(547,405)</u>
Income (loss) before contributions and transfers	536,346	567,809
Capital contributions		28,969
Transfers in	486,730	290,680
Transfers out	<u>(1,232,255)</u>	<u>(1,290,652)</u>
Change in net position	<u>(209,179)</u>	<u>(403,194)</u>
Net position at beginning of year (restated)	<u>26,589,651</u>	<u>26,992,845</u>
Net position at end of year	<u>\$ 26,380,472</u>	<u>\$ 26,589,651</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 10,648,941	\$ 10,676,784
Payments to suppliers	(5,576,629)	(4,342,340)
Payments to employees	(2,135,784)	(2,985,707)
Net cash provided by operating activities	<u>2,936,528</u>	<u>3,348,737</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	486,730	290,680
Transfers out	(1,232,255)	(1,290,652)
Net cash used for non-capital financing activities	<u>(745,525)</u>	<u>(999,972)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(598,608)	(1,058,023)
Issuance of debt	2,000,000	
Principal paid on capital debt	(1,181,898)	(1,215,000)
Interest and fiscal charges paid on capital debt	(380,834)	(389,850)
Net cash used for capital and related financing activities	<u>(161,340)</u>	<u>(2,662,873)</u>
Cash Flows from Investing Activities:		
Interest received	<u>33,961</u>	<u>39,848</u>
Net cash provided by investing activities	<u>33,961</u>	<u>39,848</u>
Net increase (decrease) in cash and cash equivalents	2,063,624	(274,260)
Cash and cash equivalents at the beginning of year	<u>6,553,253</u>	<u>6,827,513</u>
Cash and cash equivalents at the end of year	<u>\$ 8,616,877</u>	<u>\$ 6,553,253</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ <u>935,665</u>	\$ <u>1,115,214</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	2,025,029	1,975,138
(Increase) decrease in accounts receivable	35,156	126,537
Increase (decrease) in accounts payable	(119,932)	71,464
Increase (decrease) in accrued wages payable	7,704	3,656
Increase (decrease) in net pension obligation	(9,224)	18,055
Increase (decrease) in accrued compensated absences	3,078	18,432
Increase (decrease) in customer deposits	<u>59,052</u>	<u>20,241</u>
Total adjustments	<u>2,000,863</u>	<u>2,233,523</u>
Net cash provided by operating activities	<u>\$ 2,936,528</u>	<u>\$ 3,348,737</u>
Non-cash Investing, Capital, and Financing Activities:		
Contributions of capital assets from governmental funds	\$ _____	\$ <u>28,969</u>
Net effect of non-cash transactions	<u>\$ -0-</u>	<u>\$ 28,969</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ACTUAL COMPARED TO BUDGETARY BASIS

Enterprise Fund

For the Year Ended September 30, 2013

With Comparative Actual Totals for 2012

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 3,618,147	\$ 3,618,147
Sewer service	3,534,925	3,534,925
Garbage fees	3,171,673	3,171,673
Tapping and connection fees	213,200	213,200
Operating grant revenue		
Other	120,602	120,602
Total revenues	10,658,547	10,658,547
Operating Expenses:		
Utility administration	513,920	513,920
Water production and treatment	3,006,780	3,006,780
Sewer collection	2,201,275	2,201,275
Sanitation	2,498,905	2,498,905
Depreciation		
Total operating expenses	8,220,880	8,220,880
Operating income	2,437,667	2,437,667
Non-operating Revenues (Expenses):		
Interest revenue	30,522	30,522
Interest expense and fiscal charge	(363,350)	(363,350)
Total non-operating revenues (expenses)	(332,828)	(332,828)
Income before contributions and transfers	2,104,839	2,104,839
Capital contributions		
Transfers in	296,300	327,090
Transfers out	(1,232,255)	(1,232,255)
Change in net position	1,168,884	1,199,674
Net position - beginning (restated)	26,589,651	26,589,651
Net position - ending	\$ 27,758,535	\$ 27,789,325

2013				(Restated) 2012
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,561,044	\$	\$ 3,561,044	\$ (57,103)	\$ 3,569,045
3,408,385		3,408,385	(126,540)	3,420,461
3,161,165		3,161,165	(10,508)	3,052,811
254,736		254,736	41,536	231,060
		-0-	-0-	143,858
<u>169,403</u>		<u>169,403</u>	<u>48,801</u>	<u>141,740</u>
<u>10,554,733</u>	<u>-0-</u>	<u>10,554,733</u>	<u>(103,814)</u>	<u>10,558,975</u>
445,254		445,254	68,666	430,312
2,766,448		2,766,448	240,332	2,834,877
2,104,225		2,104,225	97,050	1,984,118
2,278,112		2,278,112	220,793	2,219,316
<u>2,025,029</u>	<u>(2,025,029)</u>			<u>1,975,138</u>
<u>9,619,068</u>	<u>(2,025,029)</u>	<u>7,594,039</u>	<u>626,840</u>	<u>9,443,761</u>
<u>935,665</u>	<u>2,025,029</u>	<u>2,960,694</u>	<u>523,027</u>	<u>1,115,214</u>
33,961		33,961	3,439	39,848
<u>(433,280)</u>	<u>23,704</u>	<u>(409,576)</u>	<u>(46,226)</u>	<u>(587,253)</u>
<u>(399,319)</u>	<u>23,704</u>	<u>(375,615)</u>	<u>(42,787)</u>	<u>(547,405)</u>
536,346	2,048,733	2,585,079	480,240	567,809
		-0-	-0-	28,969
486,730		486,730	159,640	290,680
<u>(1,232,255)</u>		<u>(1,232,255)</u>	<u>-0-</u>	<u>(1,290,652)</u>
<u>(209,179)</u>	<u>2,048,733</u>	<u>1,839,554</u>	<u>639,880</u>	<u>(403,194)</u>
<u>26,589,651</u>		<u>26,589,651</u>	<u>-0-</u>	<u>26,992,845</u>
<u>\$ 26,380,472</u>	<u>\$ 2,048,733</u>	<u>\$ 28,429,205</u>	<u>\$ 639,880</u>	<u>\$ 26,589,651</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Golf Course Operating Fund

September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Current Assets:		
Cash and temporary investments	\$ 172,201	\$ 190,529
Receivables (net of allowance for uncollectibles):		
Accounts	42,282	15,674
Inventory	49,164	31,303
Prepaid expenses	<u>7,405</u>	<u>12,767</u>
Total current assets	<u>271,052</u>	<u>250,273</u>
Capital Assets:		
Property, plant and equipment	8,580,688	8,908,510
Less accumulated depreciation	<u>(2,251,081)</u>	<u>(2,350,500)</u>
Total capital assets (net of accumulated depreciation)	<u>6,329,607</u>	<u>6,558,010</u>
Total noncurrent assets	<u>6,329,607</u>	<u>6,558,010</u>
Total assets	<u>6,600,659</u>	<u>6,808,283</u>
Deferred Outflows of Resources:		
Deferred outflows of resources		
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>

(continued)

CITY OF LAKE JACKSON
Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Golf Course Operating Fund - Continued

September 30, 2013 and 2012

	2013	2012
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 31,643	\$ 43,328
Accrued wages	16,465	14,277
Unearned revenues	146,670	135,856
Due to other funds		3,360
Total current liabilities	194,778	196,821
Noncurrent Liabilities:		
Total noncurrent liabilities		
Total liabilities	194,778	196,821
Deferred Inflows of Resources:		
Deferred inflows of resources	70,876	101,252
Total deferred inflows of resources	70,876	101,252
Net Position:		
Invested in capital assets, net of related debt	6,329,607	6,558,010
Unrestricted	5,398	(47,800)
Total net position	\$ 6,335,005	\$ 6,510,210

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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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,562,226	\$ 1,524,281
Payments from (to) other funds		(3,070)
Payments to suppliers	(881,132)	(745,148)
Payments to employees	(852,215)	(819,501)
Net cash used for operating activities	<u>(171,121)</u>	<u>(43,438)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	150,000	250,000
Transfers out		<u>(3,360)</u>
Net cash provided by non-capital financing activities	<u>150,000</u>	<u>246,640</u>
Cash Flows from Capital and Related Financing Activities:		
Principal paid on capital debt		(129,623)
Interest and fiscal charges paid on capital debt		<u>(6,044)</u>
Net cash used for capital and related financing activities	<u>-0-</u>	<u>(135,667)</u>
Cash Flows from Investing Activities:		
Interest received	<u>2,793</u>	<u>2,584</u>
Net cash provided by investing activities	<u>2,793</u>	<u>2,584</u>
Net (decrease) increase in cash and cash equivalents	(18,328)	70,119
Cash and cash equivalents at the beginning of year	<u>190,529</u>	<u>120,410</u>
Cash and cash equivalents at the end of year	<u>\$ 172,201</u>	<u>\$ 190,529</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$(<u>364,212</u>)	\$(<u>396,760</u>)
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	264,617	357,089
(Increase) decrease in accounts receivable	(26,608)	11,194
(Increase) decrease in inventory	(17,861)	7,149
(Increase) decrease in prepaids	5,362	(821)
Increase (decrease) in accounts payable	(11,685)	(14,821)
Increase (decrease) in accrued wages	2,188	3,253
Increase (decrease) in unearned revenues	(19,562)	(6,651)
Increase (decrease) in due to other funds	<u>(3,360)</u>	<u>(3,070)</u>
Total adjustments	<u>193,091</u>	<u>353,322</u>
Net cash used for operating activities	\$(<u>171,121</u>)	\$(<u>43,438</u>)
Noncash Investing, Capital, and Financing Activities:		
Capital assets transferred from governmental funds	\$ <u>36,214</u>	\$ _____
Net effect of noncash transactions	\$ <u>36,214</u>	\$ <u>-0-</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2013
With Comparative Actual Totals for 2012

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 953,874	\$ 953,874
Cart	285,944	285,944
Pro shop	197,572	197,572
Range	68,692	68,692
Food and beverage	239,930	239,930
Other		
Total operating revenues	<u>1,746,012</u>	<u>1,746,012</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	114,810	114,810
Food and beverage	88,430	88,430
Payroll and related benefits	922,088	922,088
Other expenses	532,988	532,988
Management fee	84,000	84,000
Depreciation		
Total operating expenses	<u>1,742,316</u>	<u>1,742,316</u>
Operating income (loss)	<u>3,696</u>	<u>3,696</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	3,696	3,696
Capital contribution		
Transfers in	150,000	150,000
Transfers out		
Change in net position	153,696	153,696
Fund balances - beginning	<u>6,510,210</u>	<u>6,510,210</u>
Fund balances - ending	<u>\$ 6,663,906</u>	<u>\$ 6,663,906</u>

2013			2012	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 888,645	\$	\$ 888,645	\$(65,229)	\$ 842,671
249,180		249,180	(36,764)	227,564
146,349		146,349	(51,223)	153,927
73,630		73,630	4,938	63,965
246,157		246,157	6,227	230,885
4,435		4,435	4,435	726
<u>1,608,396</u>	<u>-0-</u>	<u>1,608,396</u>	<u>(137,616)</u>	<u>1,519,738</u>
99,861		99,861	14,949	107,173
108,851		108,851	(20,421)	90,445
748,017		748,017	174,071	822,753
667,262		667,262	(134,274)	453,941
84,000		84,000	-0-	85,097
<u>264,617</u>	<u>(264,617)</u>		<u>-0-</u>	<u>357,089</u>
<u>1,972,608</u>	<u>(264,617)</u>	<u>1,707,991</u>	<u>34,325</u>	<u>1,916,498</u>
<u>(364,212)</u>	<u>264,617</u>	<u>(99,595)</u>	<u>(103,291)</u>	<u>(396,760)</u>
2,793		2,793	2,793	2,584
			-0-	(6,044)
<u>2,793</u>	<u>-0-</u>	<u>2,793</u>	<u>2,793</u>	<u>(3,460)</u>
<u>(361,419)</u>	<u>264,617</u>	<u>(96,802)</u>	<u>(100,498)</u>	<u>(400,220)</u>
36,214		36,214	36,214	-0-
150,000		150,000	-0-	250,000
			-0-	(3,360)
<u>(175,205)</u>	<u>264,617</u>	<u>89,412</u>	<u>(64,284)</u>	<u>(153,580)</u>
<u>6,510,210</u>		<u>6,510,210</u>	<u>-0-</u>	<u>6,663,790</u>
<u>\$ 6,335,005</u>	<u>\$ 264,617</u>	<u>\$ 6,599,622</u>	<u>\$(64,284)</u>	<u>\$ 6,510,210</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Governmental Funds Capital Assets:		
Land	\$ 2,397,003	\$ 2,397,003
Buildings	26,202,247	26,202,247
Improvements other than buildings	16,418,193	15,685,358
Machinery and equipment	12,917,756	11,765,261
Infrastructure	77,162,886	76,591,432
Construction in progress	<u>9,761,830</u>	<u>8,563,193</u>
Total governmental funds capital assets	<u>\$ 144,859,915</u>	<u>\$ 141,204,494</u>
Investments in Governmental Funds Capital Assets by Source:		
General fund	\$ 12,576,900	\$ 11,904,010
Special revenue fund	4,322,009	3,963,129
Capital projects fund	104,777,666	102,154,015
Contributed	<u>23,183,340</u>	<u>23,183,340</u>
Total governmental funds capital assets	<u>\$ 144,859,915</u>	<u>\$ 141,204,494</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, 2013

<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	4,326,406
Culture and recreation	<u>1,302,271</u>	<u>14,936,386</u>	<u>10,439,147</u>
Total governmental funds capital assets	<u>\$ 2,397,003</u>	<u>\$ 26,202,247</u>	<u>\$ 16,418,193</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>
\$ 1,421,220	\$ 268,900	\$ 7,285,968	\$ 13,257,012
6,661,959	323,634	6,003	14,846,060
2,788,491	76,346,482	1,781,387	87,120,611
<u>2,046,086</u>	<u>223,870</u>	<u>688,472</u>	<u>29,636,232</u>
<u>\$ 12,917,756</u>	<u>\$ 77,162,886</u>	<u>\$ 9,761,830</u>	<u>\$ 144,859,915</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, 2013

<u>Function</u>	<u>Governmental Funds Capital Assets 10/01/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 09/30/13</u>
General government	\$ 11,481,800	\$ 1,788,442	\$ 13,230	\$ 13,257,012
Public safety	14,189,647	711,613	55,200	14,846,060
Public works	86,314,548	806,063		87,120,611
Culture and recreation	<u>29,218,499</u>	<u>429,959</u>	<u>12,226</u>	<u>29,636,232</u>
Total governmental funds capital assets	<u>\$ 141,204,494</u>	<u>\$ 3,736,077</u>	<u>\$ 80,656</u>	<u>\$ 144,859,915</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 AND DEFERRED OUTFLOWS
OF RESOURCES, AND LIABILITIES AND DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

September 30, 2013

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
<u>Assets and Deferred Outflows of Resources</u>				
Assets:				
Cash and cash equivalents	\$ 6,065	\$ 12,451,616	\$	\$
Receivables (net of allowance for uncollectibles):				
Taxes	17,705			
Customer accounts	57,331			
Sales tax	861,340			
Franchise tax	185,302			
Grants	49,981			
Due from clearing fund	5,902,728		125,815	800,085
Investments		399,000		
Inventories:				
Resale items	14,155			
Supplies	73,503			
Prepaid expenditures	741			
	<u>7,168,851</u>	<u>12,850,616</u>	<u>125,815</u>	<u>800,085</u>
Total assets				
Deferred Outflows of Resources:				
Deferred outflows of resources				
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total outflows of resources				
Total assets and deferred outflows of resources	<u>\$ 7,168,851</u>	<u>\$ 12,850,616</u>	<u>\$ 125,815</u>	<u>\$ 800,085</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 12,457,681
					17,705
					57,331
					861,340
					185,302
					49,981
5,584,617	177,007	14,475	245,889	(12,850,616)	-0-
					399,000
					14,155
					73,503
					741
<u>5,584,617</u>	<u>177,007</u>	<u>14,475</u>	<u>245,889</u>	<u>(12,850,616)</u>	<u>14,116,739</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 5,584,617</u>	<u>\$ 177,007</u>	<u>\$ 14,475</u>	<u>\$ 245,889</u>	<u>\$(12,850,616)</u>	<u>\$ 14,116,739</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**CONSOLIDATED SCHEDULE OF ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES, AND LIABILITIES AND DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES - Continued**

September 30, 2013

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 347,750	\$	\$ 120,815	\$
Cash bonds and taxes	270,285			
Accrued wages	130,117			
Unearned revenue	74,629			
Due to other funds	<u>4,011</u>	<u>12,850,616</u>	<u> </u>	<u> </u>
Total liabilities	<u>826,792</u>	<u>12,850,616</u>	<u>120,815</u>	<u>-0-</u>
Deferred Inflows of Resources:				
Deferred inflows of resources	<u>17,760</u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>17,760</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Non-spendable:				
Inventory	87,658			
Prepaid expenditures	741			
Assigned:				
Contingencies				800,085
Unemployment insurance				
Equipment replacement				
Special events				
Park improvement				
Unassigned	<u>6,235,900</u>	<u> </u>	<u>5,000</u>	<u> </u>
Total fund balances	<u>6,324,299</u>	<u>-0-</u>	<u>5,000</u>	<u>800,085</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,168,851</u>	<u>\$ 12,850,616</u>	<u>\$ 125,815</u>	<u>\$ 800,085</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$ 39,906	\$ 160	\$ 2,167	\$	\$	\$ 510,798
					270,285
					130,117
					74,629
				(12,850,616)	4,011
<u>39,606</u>	<u>160</u>	<u>2,167</u>	<u>-0-</u>	<u>(12,850,616)</u>	<u>989,840</u>
					17,760
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>17,760</u>
					87,658
					741
					800,085
5,544,711	176,847				176,847
					5,544,711
		12,308			12,308
			245,889		245,889
					6,240,900
<u>5,544,711</u>	<u>176,847</u>	<u>12,308</u>	<u>245,889</u>	<u>-0-</u>	<u>13,109,139</u>
<u>\$ 5,584,617</u>	<u>\$ 177,007</u>	<u>\$ 14,475</u>	<u>\$ 245,889</u>	<u>\$(12,850,616)</u>	<u>\$ 14,116,739</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2013

	General	Clearing	Payroll	General Contingencies
Revenues:				
Taxes:				
Property	\$ 3,351,088	\$	\$	\$
Sales	5,093,359			
Franchise	1,547,112			
Other	141,546			
Industrial district	4,100,000			
Intergovernmental	617			
Recreation	1,043,331			
Fines and fees	563,208			
Licenses and permits	245,897			
Investment income	35,545			4,929
Miscellaneous	154,868	-	-	-
Total revenues	16,276,571	-0-	-0-	4,929
Expenditures:				
Current:				
General government and administration				
General administration	1,398,244			
Finance	844,602			
Elections	2,631			
Legal	160,607			
Municipal court	326,944			
Engineering	409,861			
Public Safety:				
Police	4,428,431			
Fire	563,011			
EMS department	407,620			
Humane	267,129			
Public works:				
Garage	555,315			
Street	671,366			
Drainage	683,564			
Building inspection	539,476			
Culture and recreation:				
Parks	1,081,754			
Recreation	1,855,683			
Civic Center & Jasmine Hall	529,641			
Commissions and Boards	298,522			
Special Events				
Capital outlay	57,414	-	-	-
Total expenditures	15,081,815	-0-	-0-	-0-

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 3,351,088
					5,093,359
					1,547,112
					141,546
					4,100,000
94,226					94,843
					1,043,331
					563,208
					245,897
28,129	991		1,313		70,907
		16,205			171,073
<u>122,355</u>	<u>991</u>	<u>16,205</u>	<u>1,313</u>	<u>-0-</u>	<u>16,422,364</u>
134,109	18,323				1,550,676
					844,602
					2,631
2,463					163,070
					326,944
					409,861
9,859					4,438,290
2,058					565,069
8,849					416,469
					267,129
4,521					559,836
23,550					694,916
					683,564
5,736					545,212
			4,500		1,086,254
10,352					1,866,035
					529,641
					298,522
		85,778			85,778
<u>660,632</u>	<u></u>	<u>85,778</u>	<u>35,500</u>	<u></u>	<u>753,546</u>
<u>862,129</u>	<u>18,323</u>	<u>85,778</u>	<u>40,000</u>	<u>-0-</u>	<u>16,088,045</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2013

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>1,194,756</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>4,929</u>
Other Financing Sources (Uses):				
Sale of capital assets				
Transfers in	1,132,990			
Transfers out	<u>(1,770,750)</u>			<u>(242,600)</u>
Total other financing sources (uses)	<u>(637,760)</u>	<u>-0-</u>	<u>-0-</u>	<u>(242,600)</u>
Net changes in fund balances	556,996	-0-	-0-	(237,671)
Fund balances, October 1	<u>5,767,303</u>		<u>5,000</u>	<u>1,037,756</u>
Fund balances, September 30	<u>\$ 6,324,299</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 800,085</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
<u>\$ (739,774)</u>	<u>\$ (17,332)</u>	<u>\$ (69,573)</u>	<u>\$ (38,687)</u>	<u>\$ -0-</u>	<u>\$ 334,319</u>
14,745					14,745
1,692,615		50,000		(1,263,350)	1,612,255
<u>(331,975)</u>	<u> </u>	<u> </u>	<u> </u>	<u>1,263,350</u>	<u>(1,081,975)</u>
<u>1,375,385</u>	<u>-0-</u>	<u>50,000</u>	<u>-0-</u>	<u>-0-</u>	<u>545,025</u>
635,611	(17,332)	(19,573)	(38,687)	-0-	879,344
<u>4,909,100</u>	<u>194,179</u>	<u>31,881</u>	<u>284,576</u>	<u> </u>	<u>12,229,795</u>
<u>\$ 5,544,711</u>	<u>\$ 176,847</u>	<u>\$ 12,308</u>	<u>\$ 245,889</u>	<u>\$ -0-</u>	<u>\$ 13,109,139</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2013

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Assets:			
Current Assets:			
Cash and temporary investments	\$ 2,282,533	\$ 348,494	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	<u>506,476</u>	<u> </u>	<u> </u>
	<u>2,789,009</u>	<u>348,494</u>	<u>-0-</u>
Current Restricted Assets:			
Cash and temporary investments	663,088		
Due from other governments	<u> </u>	<u> </u>	<u> </u>
Total restricted current assets	<u>663,088</u>	<u>-0-</u>	<u>-0-</u>
Total current assets	<u>3,452,097</u>	<u>348,494</u>	<u>-0-</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u> </u>	<u> </u>	<u>2,316,144</u>
Total noncurrent restricted assets	<u>-0-</u>	<u>-0-</u>	<u>2,316,144</u>
Capital Assets:			
Property, plant and equipment	62,693,589		
Construction in progress	5,303		
Less accumulated depreciation	<u>(32,513,813)</u>	<u> </u>	<u> </u>
Total capital assets (net of accumulated depreciation)	<u>30,185,079</u>	<u>-0-</u>	<u>-0-</u>
Total noncurrent assets	<u>30,185,079</u>	<u>-0-</u>	<u>2,316,144</u>
Total assets	<u>33,637,176</u>	<u>348,494</u>	<u>2,316,144</u>
Deferred Outflows of Resources:			
Deferred outflows of resources – loss on refunding of debt	<u> </u>	<u> </u>	<u>155,786</u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>155,786</u>

(continued)

<u>Utility Construction</u>	<u>2007 Treatment Bond</u>	<u>2009 Revenue Bond</u>	<u>2013 Water & Sewer</u>	<u>Total</u>
\$ 1,029,161	\$	\$	\$	\$ 3,660,188
				506,476
<u>1,029,161</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,166,664</u>
	(5,318)	(17,542)	2,000,317	2,640,545
	<u>5,318</u>			<u>5,318</u>
<u>-0-</u>	<u>-0-</u>	<u>(17,542)</u>	<u>2,000,317</u>	<u>2,645,863</u>
<u>1,029,161</u>	<u>-0-</u>	<u>(17,542)</u>	<u>2,000,317</u>	<u>6,812,527</u>
				2,316,144
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,316,144</u>
				62,693,589
		17,542		22,845
				<u>(32,513,813)</u>
<u>-0-</u>	<u>-0-</u>	<u>17,542</u>	<u>-0-</u>	<u>30,202,621</u>
<u>-0-</u>	<u>-0-</u>	<u>17,542</u>	<u>-0-</u>	<u>32,518,765</u>
<u>1,029,161</u>	<u>-0-</u>	<u>-0-</u>	<u>2,000,317</u>	<u>39,331,292</u>
				155,786
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>155,786</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2013

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 347,484	\$	\$
Accrued wages	31,274		
Accrued compensated absences	97,385		
Revenue bonds payable	<u>700,000</u>		
	<u>1,176,143</u>	<u>-0-</u>	<u>-0-</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest			170,862
Customer deposits	663,088		
Revenue bonds payable			<u>523,102</u>
Total current liabilities payable from restricted assets	<u>663,088</u>	<u>-0-</u>	<u>693,964</u>
Total current liabilities	1,839,231	-0-	693,964
Noncurrent Liabilities:			
Revenue bonds payable	10,145,000		192,473
Accrued compensated absences	45,901		
Net pension obligation	<u>190,037</u>		
Total noncurrent liabilities	<u>10,380,938</u>	<u>-0-</u>	<u>192,473</u>
Total liabilities	<u>12,220,169</u>	<u>-0-</u>	<u>886,437</u>
Deferred Inflows of Resources:			
Deferred inflows of resources			
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Position:			
Invested in capital assets, net of related debt	19,340,079		(559,789)
Restricted For:			
Revenue bond retirement			2,145,282
Construction			
Unrestricted	<u>2,076,928</u>	<u>348,494</u>	
Total net position	<u>\$ 21,417,007</u>	<u>\$ 348,494</u>	<u>\$ 1,585,493</u>

Utility Construction	2007 Utility Bond	2009 Revenue Bond	2013 Revenue Bond	Total
\$	\$	\$	\$	\$ 347,484
				31,274
				97,385
				<u>700,000</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,176,143</u>
				170,862
				663,088
				<u>523,102</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,357,052</u>
				2,533,195
				10,337,473
				45,901
				<u>190,037</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,573,411</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>13,106,606</u>
				-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
		17,542		18,797,832
		(17,542)	2,000,317	2,145,282
<u>1,029,161</u>				<u>1,982,775</u>
				<u>3,454,583</u>
<u>\$ 1,029,161</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,000,317</u>	<u>\$ 26,380,472</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2013

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 3,561,044	\$	\$
Sewer service	3,408,385		
Garbage fees	3,161,165		
Tapping and connection fees	254,736		
Other	<u>169,403</u>		
Total operating revenues	<u>10,554,733</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	445,254		
Water production and treatment	2,694,938		
Sewer collection	2,104,225		
Sanitation	2,278,112		
Depreciation	<u>2,025,029</u>		
Total operating expenses	<u>9,547,558</u>	<u>-0-</u>	<u>-0-</u>
Operating income	<u>1,007,175</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	14,901	2,038	12,023
Interest expense and fiscal charges			<u>(433,280)</u>
Total non-operating revenues (expenses)	<u>14,901</u>	<u>2,038</u>	<u>(421,257)</u>
Income (loss) before contributions and transfers	1,022,076	2,038	(421,257)
Transfers In (Out):			
Transfers in	331,975		
Transfers out	<u>(1,232,255)</u>		
Intrafund transfers	<u>(2,204,384)</u>	<u>(70,400)</u>	<u>366,418</u>
Change in net position	<u>(2,082,588)</u>	<u>(68,362)</u>	<u>(54,839)</u>
Net position at beginning of year (restated)	<u>23,499,595</u>	<u>416,856</u>	<u>1,640,332</u>
Net position at end of year	<u>\$ 21,417,007</u>	<u>\$ 348,494</u>	<u>\$ 1,585,493</u>

Utility Construction	2007 Utility Bond	2009 Revenue Bond	2013 Revenue Bond	Total
\$	\$	\$	\$	\$ 3,561,044
				3,408,385
				3,161,165
				254,736
				169,403
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,554,773</u>
71,510				445,254
				2,766,448
				2,104,225
				2,278,112
				<u>2,025,029</u>
<u>71,510</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,619,068</u>
<u>(71,510)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>935,665</u>
4,552		130	317	33,961
				<u>(433,280)</u>
<u>4,552</u>	<u>-0-</u>	<u>130</u>	<u>317</u>	<u>(399,319)</u>
<u>(66,958)</u>		<u>130</u>	<u>317</u>	<u>536,346</u>
	94,549	60,206		486,730
				<u>(1,232,255)</u>
<u>152,155</u>		<u>(243,789)</u>	<u>2,000,000</u>	<u>-0-</u>
85,197	94,549	(183,453)	2,000,317	(209,179)
<u>943,964</u>	<u>(94,549)</u>	<u>183,453</u>	<u>-0-</u>	<u>26,589,651</u>
<u>\$ 1,029,161</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,000,317</u>	<u>\$ 26,380,472</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

CONSOLIDATED SCHEDULE OF CASH FLOWS
ENTERPRISE FUND - SUB-FUNDS

For the Year Ended September 30, 2013

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 10,648,941	\$	\$
Payments to customers and suppliers	(5,505,119)		
Payments to employees	(2,135,784)		
Net cash provided (used) by operating activities	3,008,038	-0-	-0-
Cash Flows from Non-Capital Financing Activities:			
Transfers in	331,975		
Transfers out	(1,232,255)		
Intrafund transfers	(2,204,384)	(70,400)	366,418
Net cash provided (used) by non-capital financing activities	(3,104,664)	(70,400)	366,418
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(598,608)		
Issuance of debt	2,000,000		
Principal paid on capital debt	(1,202,916)		21,018
Interest and fiscal charges paid on capital debt			(380,834)
Net cash provided (used) by capital and related financing activities	198,476	-0-	(359,816)
Cash Flows from Investing Activities:			
Interest on investments	14,901	2,038	12,023
Net cash provided (used) by investing activities	14,901	2,038	12,023
Net increase (decrease) in cash and cash equivalents	116,751	(68,362)	18,625
Cash and cash equivalents at the beginning of year	2,828,870	416,856	2,297,519
Cash and cash equivalents at the end of year	\$ 2,945,621	\$ 348,494	\$ 2,316,144
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:			
Operating income (loss)	\$ 1,007,175	\$	\$
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,025,029		
(Increase) decrease in accounts receivable	35,156		
Increase (decrease) in accounts payable	(119,932)		
Increase (decrease) in accrued wages payable	7,704		
Increase (decrease) in net pension obligation	(9,224)		
Increase (decrease) in accrued compensated absences	3,078		
Increase (decrease) in customer deposits	59,052		
Total adjustments	2,000,863	-0-	-0-
Net cash provided (used) by operating activities	\$ 3,008,038	\$ -0-	\$ -0-

Utility Construction	2007 Utility Bond	2009 Revenue Bond	2013 Revenue Bond	Total
\$	\$	\$	\$	\$ 10,648,941
(71,510)				(5,576,629)
				(2,135,784)
(71,510)	-0-	-0-	-0-	2,936,528
	94,549	60,206		486,730
152,155		(243,789)	2,000,000	(1,232,255)
152,155	94,549	(183,583)	2,000,000	(745,525)
				(598,608)
				2,000,000
				(1,181,898)
				(380,834)
-0-	-0-	-0-	-0-	(161,340)
4,552		130	317	33,961
4,552	-0-	130	317	33,961
85,197	94,549	(183,453)	2,000,317	2,063,624
943,964	(99,867)	165,911		6,553,253
\$ 1,029,161	\$(5,318)	\$(17,542)	\$ 2,000,317	\$ 8,616,877
\$(71,510)				\$ 935,665
				2,025,029
				35,156
				(119,932)
				7,704
				(9,224)
				3,078
				59,052
-0-	-0-	-0-	-0-	2,000,863
\$(71,510)	\$(0-)	\$(0-)	\$(0-)	\$ 2,936,528

CITY OF LAKE JACKSON

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS
DEBT SERVICE SCHEDULE**

September 30, 2013

Year Ending 09/30	Series 2004		Series 2007	
	Principal	Interest	Principal	Interest
2014	\$ 180,000	\$ 71,820	\$ 265,000	\$ 143,100
2015	180,000	65,835	265,000	132,500
2016	180,000	59,715	265,000	121,900
2017	180,000	53,370	265,000	111,300
2018	180,000	46,800	265,000	100,700
2019	180,000	40,050	265,000	90,100
2020	180,000	33,120	265,000	79,500
2021	180,000	26,010	265,000	68,900
2022	180,000	18,720	265,000	58,300
2023	180,000	11,295	265,000	47,700
2024	180,000	3,780	265,000	37,100
2025			265,000	26,500
2026			265,000	15,900
2027			265,000	5,300
2028				
2029				
2030				
2031				
2032				
2033				
TOTAL	\$ 1,980,000	\$ 430,515	\$ 3,710,000	\$ 1,038,800

(continued)

Series 2009		Series 2009 Refunding		Series 2009 Certificate	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 120,000	\$ 76,500	\$ 690,000	\$ 84,450	\$ 250,000	\$ 163,125
120,000	70,800	680,000	63,900	250,000	154,375
120,000	65,550	670,000	43,650	250,000	145,625
120,000	60,750	660,000	22,875	250,000	136,875
120,000	56,025	285,000	7,162	250,000	127,500
120,000	51,450	60,000	1,088	250,000	117,500
120,000	46,950			250,000	107,500
120,000	42,450			250,000	97,500
120,000	37,800			250,000	87,500
120,000	33,000			250,000	77,500
120,000	28,200			250,000	67,500
120,000	23,220			250,000	57,500
120,000	18,060			250,000	47,375
120,000	12,900			250,000	37,062
120,000	7,740			250,000	26,625
120,000	2,580			250,000	16,063
				250,000	5,375
<hr/>		<hr/>		<hr/>	
<u>\$ 1,920,000</u>	<u>\$ 633,975</u>	<u>\$ 3,045,000</u>	<u>\$ 223,125</u>	<u>\$ 4,250,000</u>	<u>\$ 1,472,500</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2013

Year Ending 09/30	Series 2010		Series 2011	
	Principal	Interest	Principal	Interest
2014	\$ 150,000	\$ 93,525	\$ 740,000	\$ 242,100
2015	150,000	89,025	740,000	219,900
2016	150,000	84,525	740,000	197,700
2017	150,000	79,800	750,000	171,600
2018	150,000	74,850	755,000	141,500
2019	150,000	69,375	745,000	111,500
2020	150,000	63,375	745,000	81,700
2021	150,000	57,375	740,000	52,000
2022	150,000	51,375	555,000	26,100
2023	150,000	45,375	375,000	7,500
2024	150,000	39,375		
2025	150,000	33,375		
2026	150,000	27,375		
2027	150,000	21,375		
2028	150,000	15,375		
2029	150,000	9,281		
2030	150,000	3,094		
2031				
2032				
2033				
TOTAL	\$ 2,550,000	\$ 857,850	\$ 6,885,000	\$ 1,251,600

(continued)

Series 2013 LTB		Series 2013 Certificate		Totals		
Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 160,000	\$ 108,356	\$ 100,000	\$ 61,833	\$ 2,655,000	\$ 1,044,809	\$ 3,699,809
240,000	80,800	100,000	45,750	2,725,000	922,885	3,647,885
200,000	77,500	100,000	43,750	2,675,000	839,915	3,514,915
200,000	74,500	100,000	41,750	2,675,000	752,820	3,427,820
200,000	71,500	100,000	39,750	2,305,000	665,787	2,970,787
200,000	68,500	100,000	37,750	2,070,000	587,313	2,657,313
200,000	65,500	100,000	35,750	2,010,000	513,395	2,523,395
200,000	62,000	100,000	33,750	2,005,000	439,985	2,444,985
200,000	58,000	100,000	31,750	1,820,000	369,545	2,189,545
200,000	54,000	100,000	29,625	1,640,000	305,995	1,945,995
200,000	50,000	100,000	27,375	1,265,000	253,330	1,518,330
200,000	46,000	100,000	24,875	1,085,000	211,470	1,296,470
200,000	41,500	100,000	22,125	1,085,000	172,335	1,257,335
200,000	36,500	100,000	19,375	1,085,000	132,512	1,217,512
200,000	31,500	100,000	16,500	820,000	97,740	917,740
200,000	26,500	100,000	13,500	820,000	67,924	887,924
200,000	21,000	100,000	10,500	700,000	39,969	739,969
200,000	15,000	100,000	7,500	300,000	22,500	322,500
200,000	9,000	100,000	4,500	300,000	13,500	313,500
200,000	3,000	100,000	1,500	300,000	4,500	304,500
<u>\$ 4,000,000</u>	<u>\$ 1,000,656</u>	<u>\$ 2,000,000</u>	<u>\$ 549,208</u>	<u>\$ 30,340,000</u>	<u>\$ 7,458,229</u>	<u>\$ 37,798,229</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2013

Year Ending 09/30	Series 2007		Series 2009 Refunding	
	Principal	Interest	Principal	Interest
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				
2031				
2032				
2033				
TOTAL	<u>\$ 1,400,000</u>	<u>\$ 420,000</u>	<u>\$ 295,000</u>	<u>\$ 15,800</u>

Series 2009		Series 2010 Refunding		Series 2013	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 85,000	\$ 58,625	\$ 815,000	\$ 208,825	\$ 1,000,000	\$ 48,626
85,000	55,225	800,000	188,450	1,000,000	53,250
85,000	51,825	785,000	168,450	1,000,000	50,750
85,000	48,850	770,000	144,900	1,000,000	48,250
85,000	45,875	765,000	121,800	1,000,000	45,750
85,000	42,900	765,000	91,200	1,000,000	43,250
85,000	39,500	760,000	60,600	1,000,000	40,750
85,000	36,100	755,000	30,200	1,000,000	38,000
85,000	32,700			1,000,000	35,250
85,000	29,300			1,000,000	32,500
85,000	25,688			1,000,000	29,750
85,000	22,075			1,000,000	27,000
85,000	18,463			1,000,000	24,000
85,000	14,850			1,000,000	21,000
85,000	11,025			1,000,000	18,000
80,000	7,200			1,000,000	15,000
80,000	3,600			1,000,000	12,000
				1,000,000	9,000
				1,000,000	6,000
				1,000,000	3,000
	3,600				
<u>\$ 1,435,000</u>	<u>\$ 543,801</u>	<u>\$ 6,215,000</u>	<u>\$ 1,014,425</u>	<u>\$ 2,000,000</u>	<u>\$ 601,126</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2013

Year Ending 09/30	Totals		
	Principal	Interest	Total
2014	\$ 1,200,000	\$ 379,676	\$ 1,579,676
2015	1,185,000	354,275	1,539,275
2016	1,165,000	321,875	1,486,875
2017	1,055,000	286,000	1,341,000
2018	1,050,000	253,425	1,303,425
2019	1,050,000	213,350	1,263,350
2020	1,045,000	172,850	1,217,850
2021	1,040,000	132,300	1,172,300
2022	285,000	91,950	376,950
2023	285,000	81,800	366,800
2024	285,000	71,438	356,438
2025	285,000	61,075	346,075
2026	285,000	50,463	335,463
2027	285,000	39,850	324,850
2028	185,000	29,025	214,025
2029	180,000	22,200	202,200
2030	180,000	15,600	195,600
2031	100,000	9,000	109,000
2032	100,000	6,000	106,000
2033	100,000	3,000	103,000
TOTAL	<u>\$ 11,345,000</u>	<u>\$ 2,595,152</u>	<u>\$ 13,940,152</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

INSURANCE COVERAGE

September 30, 2013

<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	10/01/14
Automobile liability	5,000,000	10/01/14
Other Liability:		
Law enforcement liability	5,000,000	10/01/14
Errors and omissions	2,000,000	10/01/14
Property coverage	50,771,072	10/01/14
Mobil equipment	2,026,791	10/01/14
Boiler and machinery	8,000,000	10/01/14
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	31,528,974	01/26/15
Pollution liability insurance	2,000,000	10/01/14

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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 Position by Component - Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 21,403,827	\$ 22,161,825	\$ 25,482,995	\$ 20,767,169	\$ 22,531,131
Restricted	7,026,879	4,864,344	2,501,788	7,165,037	6,127,672
Unrestricted	<u>10,686,871</u>	<u>10,933,704</u>	<u>10,411,172</u>	<u>12,535,286</u>	<u>12,901,474</u>
Total governmental activities net Position	<u>\$ 39,117,577</u>	<u>\$ 37,959,873</u>	<u>\$ 38,395,955</u>	<u>\$ 40,467,492</u>	<u>\$ 41,560,277</u>
Business-type Activities Net Position:					
Invested in capital assets, net of related debt	\$ 26,654,525	\$ 28,016,142	\$ 27,043,902	\$ 26,931,575	\$ 27,384,565
Restricted	3,150,305	2,185,194	2,588,178	4,403,071	4,433,305
Unrestricted	<u>5,609,797</u>	<u>5,673,377</u>	<u>5,882,669</u>	<u>3,862,779</u>	<u>3,228,210</u>
Total business-type activities net position	<u>\$ 35,414,627</u>	<u>\$ 35,874,713</u>	<u>\$ 35,514,749</u>	<u>\$ 35,197,425</u>	<u>\$ 35,046,080</u>
Primary Government:					
Invested in capital assets, net of related debt	\$ 48,058,352	\$ 50,177,967	\$ 52,526,897	\$ 47,698,744	\$ 49,915,696
Restricted	10,177,184	7,049,538	5,089,966	11,568,108	10,560,977
Unrestricted	<u>16,296,668</u>	<u>16,607,081</u>	<u>16,293,841</u>	<u>16,398,065</u>	<u>16,129,684</u>
Total primary government net position	<u>\$ 74,532,204</u>	<u>\$ 73,834,586</u>	<u>\$ 73,910,704</u>	<u>\$ 75,664,917</u>	<u>\$ 76,606,357</u>

Source: Comprehensive Annual Financial Report

<u>2009</u>	<u>2010</u>	<u>2011</u>	(Restated) <u>2012</u>	<u>2013</u>
\$ 24,720,024	\$ 29,710,085	\$ 30,758,109	\$ 31,925,095	\$ 32,758,260
5,539,740	3,464,062	3,492,533	2,954,878	3,336,660
<u>13,589,900</u>	<u>11,359,453</u>	<u>11,811,249</u>	<u>12,831,196</u>	<u>13,720,520</u>
<u>\$ 43,849,664</u>	<u>\$ 44,533,600</u>	<u>\$ 46,061,891</u>	<u>\$ 47,711,169</u>	<u>\$ 49,815,440</u>
\$ 27,423,694	\$ 28,033,629	\$ 28,073,361	\$ 27,647,349	\$ 25,127,439
3,762,045	2,477,733	2,108,449	2,203,481	4,128,057
<u>3,586,865</u>	<u>3,024,992</u>	<u>3,474,825</u>	<u>3,249,031</u>	<u>3,459,981</u>
<u>\$ 34,772,604</u>	<u>\$ 33,536,354</u>	<u>\$ 33,656,635</u>	<u>\$ 33,099,861</u>	<u>\$ 32,715,477</u>
\$ 52,143,718	\$ 57,743,714	\$ 58,831,470	\$ 59,572,444	\$ 57,885,699
9,301,785	5,941,795	5,600,982	5,158,359	7,464,717
<u>17,176,765</u>	<u>14,384,445</u>	<u>15,286,074</u>	<u>16,080,227</u>	<u>17,180,501</u>
<u>\$ 78,622,268</u>	<u>\$ 78,069,954</u>	<u>\$ 79,718,526</u>	<u>\$ 80,811,030</u>	<u>\$ 82,530,917</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2004	2005	2006	2007	2008
Expenses					
Governmental Activities:					
General government and administration	\$ 2,236,563	\$ 2,362,231	\$ 2,602,960	\$ 2,933,681	\$ 2,894,285
Public safety	4,540,176	4,737,631	5,138,326	5,238,784	5,464,662
Public works	5,032,811	5,185,215	5,632,640	5,346,890	5,925,876
Culture and recreation	4,281,044	4,457,243	4,634,673	4,621,273	4,977,391
Interest on long-term debt	1,338,856	1,355,910	1,250,474	1,225,583	1,260,296
Total governmental activities expenses	17,429,450	18,098,230	19,259,073	19,366,211	20,522,510
Business-type Activities:					
Water and sewer	4,806,503	5,694,639	6,191,778	6,407,376	6,614,955
Sanitation	2,128,248	2,296,436	2,435,453	2,629,561	2,573,279
Golf Course	646,775	1,613,195	1,783,080	1,868,965	2,017,199
Total business-type activities expenses	7,581,526	9,604,270	10,410,311	10,905,902	11,205,433
Total primary government expenses	\$ 25,010,976	\$ 27,702,500	\$ 29,669,384	\$ 30,272,113	\$ 31,727,943
Program Revenues					
Governmental Activities:					
Charges for Services:					
General government and administration	\$ 619,755	\$ 514,764	\$ 520,176	\$ 442,892	\$ 451,580
Public safety		3,381			
Public works		217,827		244,049	239,063
Culture and recreation	889,460	900,630	877,552	974,310	986,604
Operating grants and contributions			97,341	25,000	744,892
Capital grants and contributions	126,410		626,803	856,100	
Total governmental activities program revenues	1,635,625	1,636,602	2,121,872	2,542,351	2,422,139
Business-type Activities:					
Charges for Services:					
Water and sewer	5,530,449	5,824,846	5,852,076	5,614,724	6,678,843
Sanitation	2,555,225	2,611,266	2,668,684	2,823,869	2,970,992
Golf	523,655	1,305,294	1,570,279	1,637,741	1,847,418
Operating grants and contributions			62,298		
Capital grants and contributions					
Total business-type activities program revenues	8,609,329	9,741,406	10,153,337	10,076,334	11,497,253
Total primary government program revenues	\$ 10,244,954	\$ 11,378,008	\$ 12,275,209	\$ 12,618,685	\$ 13,919,392

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2004	2005	2006	2007	2008
Net (Expense)/Revenue:					
Governmental activities	\$(15,793,825)	\$(16,461,628)	\$(17,137,201)	\$(16,823,860)	\$(18,100,371)
Business-type activities	<u>1,027,803</u>	<u>137,136</u>	<u>(256,974)</u>	<u>(829,568)</u>	<u>291,820</u>
Total primary governmental net expense	<u>(14,766,022)</u>	<u>(16,324,492)</u>	<u>(17,394,175)</u>	<u>(17,653,428)</u>	<u>(17,808,551)</u>
General Revenues & Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Ad valorem	4,459,509	4,627,407	4,850,943	5,020,245	5,366,631
Sales	5,715,688	5,871,195	6,392,501	6,972,467	6,890,894
Occupancy	127,660	208,377	239,924	272,624	272,703
Franchise	1,327,269	1,391,393	1,683,612	1,596,697	1,525,195
Other	49,640	49,647	54,768	59,590	145,269
Industrial district	2,693,480	2,672,510	2,881,045	3,220,061	3,422,770
Investment earnings	218,164	467,505	687,327	819,379	656,899
Miscellaneous	94,481	72,298	124,902	103,123	182,791
Gain (loss) on sale/retirement of capital assets		23,505		56,533	22,498
Transfers	<u>(7,617,499)</u>	<u>(79,913)</u>	<u>517,117</u>	<u>(53,112)</u>	<u>707,506</u>
Total governmental activities	<u>7,068,392</u>	<u>15,303,924</u>	<u>17,432,139</u>	<u>18,067,607</u>	<u>19,193,156</u>
Business-type Activities:					
Investment earnings	123,215	243,037	395,581	443,132	264,341
Gain on sale/retirement of capital assets			(4,074)	16,000	
Miscellaneous	31,312				
Transfers	<u>7,617,499</u>	<u>79,913</u>	<u>(495,032)</u>	<u>53,112</u>	<u>(707,506)</u>
Total business-type activities	<u>7,772,026</u>	<u>322,950</u>	<u>(103,525)</u>	<u>512,244</u>	<u>(443,165)</u>
Total primary government	<u>14,840,418</u>	<u>15,626,874</u>	<u>17,328,614</u>	<u>18,579,851</u>	<u>18,749,991</u>
Change in Net Position					
Governmental activities	(8,725,433)	(1,157,704)	294,938	1,243,747	1,092,785
Business-type activities	<u>8,799,829</u>	<u>460,086</u>	<u>(360,499)</u>	<u>(317,324)</u>	<u>(151,345)</u>
Total primary government	<u>\$ 74,396</u>	<u>\$ (697,618)</u>	<u>\$ (65,561)</u>	<u>\$ 926,423</u>	<u>\$ 941,440</u>

Source: Comprehensive Annual Financial Report

<u>2009</u>	<u>2010</u>	<u>2011</u>	(Restated) <u>2012</u>	<u>2013</u>
\$(17,507,557)	\$(18,525,998)	\$(17,678,272)	\$(18,335,776)	\$(18,241,858)
<u>165,258</u>	<u>(483,672)</u>	<u>503,570</u>	<u>154,126</u>	<u>174,387</u>
<u>(17,342,299)</u>	<u>(19,009,670)</u>	<u>(17,174,702)</u>	<u>(18,181,650)</u>	<u>(18,067,471)</u>
5,685,508	5,690,679	5,640,962	5,537,580	5,606,122
7,043,241	6,709,639	6,918,501	7,230,131	7,712,671
218,277	206,933	226,240	219,915	274,101
1,586,698	1,610,075	1,619,883	1,593,448	1,616,709
130,559	134,657	130,638	130,992	141,546
3,962,165	3,843,335	3,984,300	4,100,000	4,100,000
193,207	99,729	100,646	106,725	107,960
138,624	282,518	165,279	22,367	191,495
325,310	70,055		290,564	
<u>513,355</u>	<u>745,253</u>	<u>420,114</u>	<u>753,332</u>	<u>595,525</u>
<u>19,796,944</u>	<u>19,392,873</u>	<u>19,206,563</u>	<u>19,985,054</u>	<u>20,346,129</u>
74,621	38,844	36,825	42,432	36,754
<u>(513,353)</u>	<u>(745,253)</u>	<u>(420,114)</u>	<u>(753,332)</u>	<u>(595,525)</u>
<u>(438,734)</u>	<u>(706,409)</u>	<u>(383,289)</u>	<u>(710,900)</u>	<u>558,771</u>
<u>19,358,210</u>	<u>18,686,464</u>	<u>18,823,274</u>	<u>19,274,154</u>	<u>19,787,358</u>
2,289,387	866,875	1,528,291	1,649,278	2,104,271
<u>(273,476)</u>	<u>(1,190,081)</u>	<u>120,281</u>	<u>(556,774)</u>	<u>(384,384)</u>
<u>\$ 2,015,911</u>	<u>\$(323,206)</u>	<u>\$ 1,648,572</u>	<u>\$ 1,092,504</u>	<u>\$ 1,719,887</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund:					
Reserved for other/non-spendable*	\$ 67,614	\$ 538,565	\$ 199,512	\$ 125,301	\$ 442,782
Assigned:					
General contingencies					
Unemployment insurance					
Equipment replacement					
Special events					
Parks					
Unreserved/unassigned*	<u>7,741,804</u>	<u>7,242,862</u>	<u>7,504,971</u>	<u>9,010,029</u>	<u>7,914,743</u>
Total general fund	\$ <u>7,809,418</u>	\$ <u>7,781,427</u>	\$ <u>7,704,483</u>	\$ <u>9,135,330</u>	\$ <u>8,357,525</u>
All Other Governmental Funds:					
Reserved For:					
Debt service	\$ 768,321	\$ 604,045	\$ 550,663	\$ 534,831	\$ 527,608
Capital projects	5,978,847	3,998,032	1,706,433	6,344,497	5,648,872
Unreserved, Reported In:					
Special Revenue	1,694,660	1,551,229	1,593,812	1,843,390	2,432,834
Capital projects	<u>1,616,002</u>	<u>1,989,716</u>	<u>1,515,074</u>	<u>1,132,586</u>	<u>2,299,863</u>
Total all other governmental funds	\$ <u>10,057,830</u>	\$ <u>8,143,022</u>	\$ <u>5,365,982</u>	\$ <u>9,855,304</u>	\$ <u>10,909,177</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 331,434	\$ 262,501	\$ 179,575	\$ 135,790	\$ 88,399
		1,032,819	1,037,756	800,085
		203,627	194,179	176,847
		4,033,149	4,909,100	5,544,711
		6,660	31,881	12,308
		336,842	284,576	245,889
<u>9,290,235</u>	<u>10,273,711</u>	<u>5,503,023</u>	<u>5,636,513</u>	<u>6,240,900</u>
<u>\$ 9,621,669</u>	<u>\$ 10,536,212</u>	<u>\$ 11,295,695</u>	<u>\$ 12,229,795</u>	<u>\$ 13,109,139</u>

\$ 719,637	\$ 705,816
4,838,804	9,470,729
2,578,102	2,784,937
<u>1,612,184</u>	<u>1,378,000</u>
<u>\$ 9,748,727</u>	<u>\$ 14,339,482</u>

\$ 671,628	\$ 608,056	\$ 707,536
5,562,372	3,321,850	7,526,486
2,526,505	2,207,924	2,292,698
60,661	39,718	42,375
121,667	142,911	122,313
131,313	48,533	26,738
4,157		
	75,138	124,901
<u>1,353,206</u>	<u>1,475,196</u>	<u>1,370,332</u>
<u>\$ 10,431,509</u>	<u>\$ 7,919,326</u>	<u>\$ 12,313,379</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:					
Taxes and industrial district	\$ 14,341,593	\$ 14,808,784	\$ 16,102,183	\$ 17,130,142	\$ 17,628,611
Intergovernmental	103,345	221,208	724,144	646,100	744,892
Charges for services	889,460	900,630	877,552	974,310	986,604
Fines and fees	304,200	327,720	306,426	442,892	429,564
Licenses and permits	315,555	187,044	213,750	244,049	239,063
Special assessment	3,597			3,246	100
Investment earnings	218,164	467,505	687,327	819,379	656,900
Contributions	23,065	600	1,025	2,020	515
Miscellaneous	90,884	71,698	124,902	97,857	182,275
Total revenues	<u>16,289,863</u>	<u>16,985,189</u>	<u>19,037,309</u>	<u>20,359,995</u>	<u>20,868,524</u>
Expenditures:					
General government administration	2,047,348	2,181,307	2,404,638	2,737,126	2,707,090
Public safety	4,135,938	4,323,056	4,585,013	4,663,457	4,949,286
Public works	2,184,224	2,267,855	2,640,909	2,298,989	3,882,411
Culture and recreation	3,502,390	3,728,855	3,900,092	3,863,375	4,227,705
Capital outlay	6,380,274	2,817,025	5,478,274	2,568,700	2,393,437
Debt Service:					
Principal	2,110,000	2,285,000	2,285,000	2,345,000	2,580,000
Interest and fiscal charges	1,374,354	1,338,466	1,232,899	1,267,213	1,238,338
Total expenditures	<u>21,734,528</u>	<u>8,941,564</u>	<u>22,526,825</u>	<u>19,743,860</u>	<u>21,978,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,444,665)</u>	<u>(1,956,375)</u>	<u>(3,489,516)</u>	<u>616,135</u>	<u>(1,109,743)</u>
Other Financing Sources (Uses):					
Issuance of debt	3,600,000			5,300,000	
Discount on bonds issued				613	
Premium on bonds issued					
Sale of capital asset	137,058	71,558	9,250	56,533	54,638
Payment to bond refunding escrow agent					
Transfers in	3,492,943	4,659,251	3,815,160	3,107,252	5,217,473
Transfers out	<u>(2,895,709)</u>	<u>(4,717,233)</u>	<u>(3,320,128)</u>	<u>(3,160,364)</u>	<u>(4,509,967)</u>
Total other financing sources (uses)	<u>4,334,292</u>	<u>13,576</u>	<u>504,282</u>	<u>5,304,034</u>	<u>762,144</u>
Net change in fund balances	<u>\$ (1,110,373)</u>	<u>\$ (1,942,799)</u>	<u>\$ (2,985,234)</u>	<u>\$ 5,920,169</u>	<u>\$ (347,599)</u>
Debt Service as a percentage of noncapital Expenditures	22.7%	22.5%	20.6%	21.0%	19.5%

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 18,612,438	\$ 18,187,067	\$ 18,526,662	\$ 18,824,139	\$ 19,468,703
1,566,242	1,025,417	405,794	131,528	304,854
931,477	1,035,350	1,005,931	1,042,830	1,043,331
425,746	383,023	418,536	504,603	569,700
186,017	237,964	213,772	227,672	245,897
655	2,349	4,712		
191,524	99,729	100,646	106,725	107,960
			100,168	
<u>140,307</u>	<u>282,518</u>	<u>160,567</u>	<u>290,564</u>	<u>191,495</u>
<u>22,054,406</u>	<u>21,253,417</u>	<u>20,836,620</u>	<u>21,228,229</u>	<u>21,931,940</u>
2,874,769	2,984,712	2,862,240	3,068,045	3,478,670
5,189,939	5,410,431	5,559,479	5,600,724	5,686,957
3,679,429	3,637,437	2,671,957	2,717,025	2,618,713
4,102,208	4,199,311	4,067,243	4,105,287	4,101,500
6,007,292	4,615,889	5,355,135	4,181,783	3,736,077
2,260,000	2,530,000	2,715,000	2,830,000	2,785,000
<u>1,273,840</u>	<u>1,318,896</u>	<u>1,272,263</u>	<u>1,187,465</u>	<u>1,068,892</u>
<u>25,387,477</u>	<u>24,696,676</u>	<u>24,503,317</u>	<u>23,690,329</u>	<u>23,475,809</u>
<u>(3,333,071)</u>	<u>(3,443,259)</u>	<u>(3,666,697)</u>	<u>(2,462,100)</u>	<u>(1,543,869)</u>
9,245,000	8,000,000		7,360,000	6,000,000
144,553	133,249		810,870	106,996
386,858	70,055	28,330	73,120	14,745
(6,894,852)			(8,113,305)	
3,608,298	4,172,617	4,058,123	4,071,614	3,929,614
<u>(3,053,092)</u>	<u>(3,427,364)</u>	<u>(3,638,009)</u>	<u>(3,318,282)</u>	<u>(3,334,089)</u>
<u>3,436,765</u>	<u>8,948,557</u>	<u>448,444</u>	<u>884,017</u>	<u>6,717,266</u>
<u>\$ 103,694</u>	<u>\$ 5,505,298</u>	<u>\$(3,218,253)</u>	<u>\$(1,578,083)</u>	<u>\$ 5,173,397</u>
18.2%	19.2%	20.8%	20.6%	19.5%

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			
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
2013	1,567,292,079	119,916,600	315,852,118	1,371,356,561	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	
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	
2013	0.2323	0.1577	0.3900	0.4302	1.2553	0.0450	0.2673	0.1002	

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

2013			2004		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Brazos Mall Owners LLC	\$ 20,274,050	1.39%	Wal-Mart Stores Inc.	\$ 16,320,490	1.32%
Wal-Mart Stores Inc.	17,099,810	1.18%	WXI/Z Southwest Mall Real	13,750,870	1.11%
Redwood Edgewater	13,871,380	0.95%	Fazio Peter & Shari (Lowe's	11,875,040	0.96%
Centerpoint Energy	10,380,990	0.71%	Centerpoint Energy, Inc.	9,832,500	0.79%
Lowe's	10,131,050	0.70%	Home Depot	9,469,470	0.77%
Dow Chemical Company	9,581,820	0.66%	Dow Chemical Company	9,381,790	0.76%
Texas Dow Employees CU	8,613,300	0.59%	Dillard's, Inc.	7,361,510	0.59%
Partners of Lake Jackson LTD	7,569,350	0.52%	Lake Jackson Apt Assoc.	7,313,990	0.59%
Spyglass – Lake Jackson	7,426,560	0.51%	Don Davis Buick/Pontiac/GMC	5,367,770	0.43%
Gulf Coast Kingston Properties	<u>6,434,200</u>	<u>0.44%</u>	Southwestern Bell	<u>5,291,170</u>	<u>0.43%</u>
Total	<u>\$ 111,382,510</u>	<u>7.66%</u>	Total	<u>\$ 95,964,600</u>	<u>7.75%</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 ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	4,425,124	4,368,949	98.7%	52,798	4,421,747	99.9%
2005	4,608,542	4,563,655	99.0%	41,619	4,605,274	99.9%
2006	4,855,562	4,818,745	99.2%	34,206	4,852,951	99.9%
2007	4,980,528	4,940,579	99.2%	36,261	4,976,840	99.9%
2008	5,348,657	5,294,887	99.0%	42,432	5,337,319	99.8%
2009	5,636,199	5,582,960	99.1%	35,871	5,618,831	99.7%
2010	5,706,573	5,606,421	98.2%	44,394	5,650,815	99.0%
2011	5,599,633	5,545,788	99.0%	37,435	5,583,223	99.7%
2012	5,506,055	5,468,387	99.3%	23,837	5,492,224	99.7%
2013	5,581,007	5,546,523	99.4%		5,546,523	99.4%

Source: Brazoria County Tax Office

¹ 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 ¹	Total Sales Tax Collections	Percentage Growth	Sales Tax as a % of Total Revenues	Per Capita ²
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
2013	5,093,359	2,619,312	7,712,671	6.7%	40.5%	279.04

Source: Finance Department

¹ 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.

² 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			
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
2013	18,742,518	11,597,482	11,345,000	-0-	41,685,000	4.39%	1,508

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 ⁰	Less: Amounts Available in Debt Service Fund	Less: Amounts Payable from Half-Cent Optional Tax ¹	Net Bonded Debt	Percentage of Actual Taxable Value of Property ²	Per Capita ³
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	15,998,944	2.08%	1,067
2013	30,340,000	707,537	11,597,482	18,034,981	2.21%	1,098

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

⁰ Does not include Revenue Bonds

¹ Includes Series 2009 & 2013 Certificates of Obligation and 2009 & 2011 refunding; all of which are being repaid from revenues generated from the half-cent optional sales tax. Does not include Revenue bonds.

² See Table 5 for property value data.

³ 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, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>As of</u>	<u>Estimated Percentage Applicable**</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:				
Velasco Drainage District	\$ 6,400,000	09/30/13	16.86%	\$ 1,079,040
Brazosport I.S.D.	128,556,832	08/31/13	17.65%	22,690,281
Brazosport Jr. College	72,370,000	08/31/13	17.65%	12,773,305
Port Freeport	6,265,000	09/30/13	13.51%	846,402
Brazoria County	83,865,000	09/30/13	6.91%	5,795,072
Angleton Drainage District	--	09/30/13	3.44%	--
Angleton/Danbury Hospital District	11,410,000	09/30/13	0.60%	68,460
Columbia-Brazoria I.S.D.	34,500,000	06/30/13	0.71%	244,950
Angleton I.S.D.	137,988,021	08/31/13	0.40%	<u>551,952</u>
Subtotal, overlapping debt				44,049,462
City of Lack Jackson (direct debt)	31,840,000	* 09/30/13	100.00%	<u>31,840,000</u>
Total direct and overlapping debt				<u>\$ 75,889,462</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 ⁰	Less: Operating Expenses ¹	Net Available Revenue	Average Annual Requirement	Average Coverage	Maximum Annual Requirements	Maximum Coverage
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
2013	7,427,529	5,315,927	2,111,602	697,008	3.03	1,579,676	1.34

Source: Lake Jackson Finance Department

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

¹ 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 ¹	School Enrollment	Unemploy- ment Rate	Labor Force
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
2013	27,640	950,594,880	34,392	--	6,268	6.1%	13,649

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.

¹ Median age only available in Census Years.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 15
Principal Employers
Current Year and Ten Years Ago

2013			2004		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
The Dow Chemical Company	4,200	4.47%	The Dow Chemical Company	4,894	6.47%
The Infinity Group	2,694	2.87%	Texas Dept of Criminal Justice	2,063	2.73%
Texas Dept of Criminal Justice	2,361	2.51%	U.S. Contractors Inc.	1,856	2.45%
Zachry Construction Company	1,393	1.48%	Gulf States Inc.	1,300	1.72%
Phillips 66	900	0.96%	ConocoPhillips	1,000	1.32%
Schlumberger Technology Corp	850	0.90%	Kroger Food Stores	740	0.98%
Miken Specialties	825	0.88%	Zachary	731	0.97%
T.I.C. Energy & Chemical, Inc.	788	0.84%	BASF Corporation	707	0.94%
BASF Corporation	773	0.82%	Industrial Specialists Inc.	673	0.89%
Excel	<u>762</u>	<u>0.81%</u>	Brazos M&E Inc.	<u>557</u>	<u>0.74%</u>
Total	<u>15,546</u>	<u>16.54%</u>	Total	<u>14,521</u>	<u>19.21%</u>

Source: Economic Development Alliance for Brazoria County

Note: City wide employer information not readily available.

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>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>	<u>2013</u>
General Government and Administration	32	31	31	31	35	35	35	35	35	35
Public Safety:										
Police	57	57	58	58	59	59	61	60	60	61
Fire	2	1	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	16
Building/Code	6	6	6	6	8	8	8	8	8	8
Garage	9	9	9	9	9	9	9	9	9	9
Water and Sewer	38	38	37	37	37	37	37	37	37	37
Sanitation	<u>25</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>	<u>229</u>

Source: City Budget

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

<u>Function/Program</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>	<u>Est. 2013</u>
Public Safety:										
Police:										
% Criminal Offenses Cleared	64%	52%	55%	54%	55%	57%	43%	41%	39%	72% ²
Traffic contacts	17,119	16,406	18,039	18,296	14,406	13,515	15,169	22,500	18,523	20,000
Fire:										
Fire calls	469	486	519	537	532	520	520	502	441	550
EMS calls	1,514	1,629	1,891	2,183	2,197	2,448	2,730	2,811	2,907	3,052
Inspections	226	253	243	408	319	368	257	341	289	350
Public Works:										
Streets:										
Potholes repaired	486	481	314	363	235	223	469	665	301	350
Gutter sweeping (cu yd)	1,176	1,676	1,430	1,300	1,707	1,570	1,864	2,178	1,820	2,000
Culture and Recreation:										
Recreation Center members	5,586	4,937	5,864	5,800	6,204	5,738	4,926	3,861	4,434	7,000
Recreation Center Attendance	241,350	168,967	142,234	190,000	240,600	251,750	229,059	207,189	175,528	192,000
Water and Sewer:										
Number of sewer leaks Repaired										
Repaired	45	133	3	5	3	8	3	6	1	10
Linear feet of sewer mains cleaned	39,085	122,216	47,735	108,464	45,215	29,430	20,232	25,000	67,726	65,000
Sanitation:										
Refuse Collected: ¹										
Residential garbage (cu yd)	25,000	27,060	27,031	27,200	28,000	24,070	22,214	24,000	20,331	24,000
Commercial garbage (cu yd)	37,000	26,698	40,459	40,800	42,000	36,106	22,898	36,000	33,389	36,000

Source: City Departments

¹ Does not include non-compacted refuse collection.

² Represents actual percentage; not estimate.

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

<u>Function/Program</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>	<u>2013</u>
Public Safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Culture and Recreation:										
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 ¹	1,296	1,296	1,296	1,306	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
Water:										
Water mains (miles)	130	130	130	130	130	130	130	130	130	130
Fire Hydrants	917	917	917	917	917	917	917	917	917	1,000
Wastewater²										
Maximum daily treatment capacity (thousands of gallons)	2,150	5,890	5,890	5,890	5,890	5,890	5,890	5,890	5,890	5,890

Source: Various City departments

¹ In 2007 Dow donated 9.86 acres of land.

² The expansion and upgrade of the Wastewater treatment plant was completed in 2005.

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CONTINUING FINANCIAL DISCLOSURES

As of 01/31/14

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 1/31/14)

Summary of Bonds Outstanding

General Obligation Bonds and Certificates of Obligation

2004 Limited Tax Bonds	\$ 1,980,000
2007 Limited Tax Bonds	3,710,000
2009 Limited Tax Bonds	1,920,000
2009 Limited Tax Refunding Bonds (\$ 2,008,000)*	3,045,000
2009 Certificates of Obligation (downtown)*	4,250,000
2010 Limited Tax Bonds	2,550,000
2011 Limited Tax Refunding Bonds (\$ 4,000,000)*	6,885,000
2013 Limited Tax Bonds	4,000,000
2013 Certificates of Obligation (downtown)*	2,000,000
2013A Certificates of Obligation	<u>1,500,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>31,840,000</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	\$ 1,400,000
2009 Waterworks and Sewer System Bonds	1,435,000
2009 Waterworks and Sewer System Refunding Bonds	295,000
2010 Waterworks and Sewer System Refunding Bonds	6,215,000
2013 Waterworks and Sewer System Bonds	<u>2,000,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>11,345,000</u>

General Obligation Bonds Authorized but not Issued as of 01/31/14

None.

Waterworks and Sewer System Bonds Authorized but not Issued as of 01/31/14

None.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-2 Financial Information (As of 1/31/2014)

2013 Assessed Valuation (100% of Actual) ¹	\$ <u>1,453,802,962</u>
<u>General Obligation Bonds Outstanding</u>²	
Presently outstanding (01/31/14)	\$ 31,840,000
Other Bonds issued to date	<u>-0-</u>
Gross debt	31,840,000
Less: Amounts payable from ½ Cent Optional Tax	13,097,482
Less: Debt Service Cash Balance	<u>2,501,132</u>
Net Debt	\$ <u>16,241,386</u>
Ratio of Net Debt to 2013 Assessed Valuation	1.12%
2014 Estimated Population	28,000
2013 Assessed Valuation per Capita	\$ 51,921.53
Net Debt per Capita	\$ 580.05
Area of the City	18 square miles

¹ Tax Year; Net of exemptions in the amount of \$ 344,767,422.

² 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.	\$ 137,988,021	08/31/13	0.40%	\$ 551,952
Angleton-Danbury Hospital District	11,410,000	09/30/13	0.60%	68,460
Angleton Drainage District	-0-	08/31/13	3.44%	-0-
Brazoria County	83,865,000	09/30/13	6.91%	5,795,072
Brazosport I.S.D.	128,556,832	08/31/13	17.65%	22,690,281
Brazos River Harbor Navigation District	6,265,000	09/30/13	13.51%	846,402
Brazosport Jr. College	72,370,000	09/30/13	17.65%	12,773,305
Columbia-Brazoria I.S.D.	34,500,000	06/30/13	0.71%	244,950
Velasco Drainage District	6,400,000	09/30/13	16.86%	<u>1,079,040</u>
Total Overlapping Debt				44,049,462
City of Lake Jackson (direct debt)				<u>31,840,000</u>
Total Direct and Overlapping Debt				<u>\$ 75,889,462</u>
Ratio of Total Direct and Overlapping Debt to 2012 Assessed Valuation				5.22%
Per Capita Total Direct and Overlapping Debt				\$ 2,710
Assessed Valuation per Capita				\$ 51,922

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>
2014	\$ 2,805,000	\$ 1,077,351	\$ 3,882,351
2015	2,875,000	954,010	3,829,010
2016	2,825,000	868,040	3,693,040
2017	2,825,000	777,945	3,602,945
2018	2,455,000	687,725	3,142,725
2019	2,220,000	605,688	2,825,688
2020	2,160,000	528,020	2,688,020
2021	2,155,000	450,860	2,605,860
2022	1,970,000	376,295	2,346,295
2023	1,790,000	308,245	2,098,245
2024	1,265,000	253,330	1,518,330
2025	1,085,000	211,470	1,296,470
2026	1,085,000	172,335	1,257,335
2027	1,085,000	132,513	1,217,513
2028	820,000	97,740	917,740
2029	820,000	67,924	887,924
2030	700,000	39,969	739,969
2031	300,000	22,500	322,500
2032	300,000	13,500	313,500
2033	<u>300,000</u>	<u>4,500</u>	<u>304,500</u>
	<u>\$ 31,840,000</u>	<u>\$ 7,649,960</u>	<u>\$ 39,489,960</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>
2014	\$ 1,200,000	\$ 379,676	\$ 1,579,676
2015	1,185,000	354,275	1,539,275
2016	1,165,000	321,875	1,486,875
2017	1,055,000	286,000	1,341,000
2018	1,050,000	253,425	1,303,425
2019	1,050,000	213,350	1,263,350
2020	1,045,000	172,850	1,217,850
2021	1,040,000	132,300	1,172,300
2022	285,000	91,950	376,950
2023	285,000	81,800	366,800
2024	285,000	71,438	356,438
2025	285,000	61,075	346,075
2026	285,000	50,463	335,463
2027	285,000	39,850	324,850
2028	185,000	29,025	214,025
2029	180,000	22,200	202,200
2030	180,000	15,600	195,600
2031	100,000	9,000	109,000
2032	100,000	6,000	106,000
2033	<u>100,000</u>	<u>3,000</u>	<u>103,000</u>
	<u>\$ 11,345,000</u>	<u>\$ 2,595,152</u>	<u>\$ 13,940,152</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 9/30/13, the debt service on \$ 4,710,650 (principal and interest) of the 2011 Limited Tax Refunding Bonds, the 2009, 2013 and 2013A Certificates of Obligation, and \$ 1,504,657 (principal and interest) of the 2009 Limited Tax Refunding Bonds. (These are to be repaid from the half cent sales tax).

	<u>Average Requirements (2014-2031)</u>	<u>Maximum Requirement 2014</u>
General Obligation Debt Service Requirements	\$ 1,272,179	\$ 2,218,063
Debt Service Fund tax rate required on 2012 Assessed Taxable Valuation of \$ 1,453,802,962 @ 98% collection	\$ 0.089	\$ 0.156

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 (2014-2031)</u>	<u>Maximum Requirement 2014</u>
General Obligation Debt Service Requirements	\$ 1,617,473	\$ 3,124,851
Debt Service Fund tax rate required on 2012 Assessed Taxable Valuation of \$ 1,453,802,962 @ 98% collection	\$ 0.114	\$ 0.219

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	Fiscal Year	Assessed Taxable Valuation	Tax Rate	Percent Tax Collections		Year Ending
				Current	Total	
2002	2003	\$ 1,117,428,789	0.3750	98.6%	99.9%	09/30/03
2003	2004	1,187,071,311	0.3703	98.7%	99.9%	09/30/04
2004	2005	1,237,823,934	0.3700	99.0%	99.9%	09/30/05
2005	2006	1,273,933,920	0.3800	99.2%	99.9%	09/30/06
2006	2007	1,354,217,330	0.3700	99.2%	99.8%	09/30/07
2007	2008	1,391,605,040	0.3850	99.0%	99.08%	09/30/08
2008	2009	1,451,257,205	0.3900	99.0%	99.7%	09/30/09
2009	2010	1,456,655,358	0.3900	99.0%	99.0%	09/30/10
2010	2011	1,439,512,774	0.3900	98.2%	99.7%	09/30/11
2011	2012	1,414,924,084	0.3900	85.6%	99.7%	09/30/12
2012	2013	1,431,169,883	0.3900	99.4%	99.4%	09/30/13
2013	2014	1,451,619,228	0.3900	81.4%	81.4%	thru 1/31/2014

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	2013	2012	2011	2010	2009
General Fund	\$ 0.2323	\$ 0.2323	\$ 0.2315	\$ 0.2345	\$ 0.2340
Debt Service Fund	<u>0.1577</u>	<u>0.1577</u>	<u>0.1585</u>	<u>0.1555</u>	<u>0.1560</u>
Total Tax Rate	<u>\$ 0.3900</u>				

CITY OF LAKE JACKSON

Lake Jackson, Texas

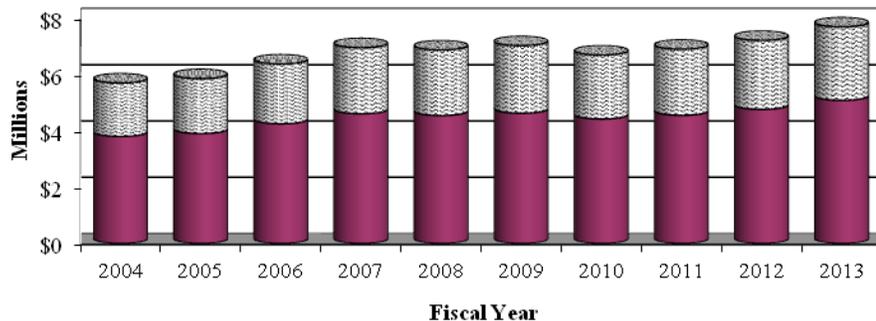
Table CD-8
Sales Tax Collection History

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 Tax¹</u>
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
2013	5,093,359	2,619,312



¹ 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

<u>Resources</u>	ACTUAL 2011-12	BUDGET 2012-13	ACTUAL 2012-13	ADOPTED 2013-14
Fund Balance	\$ <u>2,526,505</u>	\$ <u>2,204,564</u>	\$ <u>2,204,564</u>	\$ <u>2,292,698</u>
Revenues:				
Half Cent Sales Tax	2,457,990	2,499,000	2,619,312	2,638,463
Interest income	<u>12,731</u>	<u>10,172</u>	<u>17,958</u>	<u>8,394</u>
	<u>2,470,721</u>	<u>2,509,172</u>	<u>2,637,270</u>	<u>2,646,857</u>
Total Resources	\$ <u>4,997,226</u>	\$ <u>4,713,736</u>	\$ <u>4,841,834</u>	\$ <u>4,939,555</u>
<u>Expenditures</u>	ACTUAL 2011-12	BUDGET 2012-13	ACTUAL 2012-13	ADOPTED 2013-14
Transfer to Economic Development Debt Service	\$ 1,102,389	\$ 1,067,139	\$ 1,064,639	\$ 816,888
New Bond Issue - S. Parking Place	-0-	50,000	-0-	161,833
New Bond Issue - Water to Airport	-0-	-0-	-0-	202,500
This Way/Center Way to 332	-0-	385,000	-0-	-0-
New Mall Entrance	-0-	-0-	-0-	300,000
Downtown Maintenance	23,795	50,000	24,640	50,000
S. Parking Place - Design	42,762	-0-	19,312	-0-
Recreation Center - Pool Pak	-0-	-0-	-0-	-0-
Repair MacLean Jogging Trail	-0-	-0-	-0-	-0-
Park projects previously approved	490,144	538,000	437,825	-0-
Park projects approval	-0-	-0-	-0-	203,000
Transfer to Golf Course Debt Service	533,572	503,720	502,720	506,525
Golf Course Operating	250,000	150,000	150,000	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>2,792,662</u>	\$ <u>3,093,859</u>	\$ <u>2,549,136</u>	\$ <u>2,740,746</u>
Ending Fund Balance	\$ <u>2,204,564</u>	\$ <u>1,619,877</u>	\$ <u>2,292,698</u>	\$ <u>2,198,809</u>

- (1) Due to the timing of the bond issuance, debt service payments related to this new issuance will begin in the current year (fiscal year 2013-2014) instead of the originally budgeted fiscal year 2012-2013.
- (2) The This Way/Center Way project was budgeted in fiscal year 2012-2013, but the project will begin this year (fiscal year 2013-2014).
- (3) The original budget for South Parking Place design was in fiscal year 2011-2012 with some of the expenditures being recognized in fiscal year 2012-2013.
- (4) Natatorium Ventilation Sock \$ 54,000, A/C Replacement at Golf Course \$ 7,500, Recreation Center Air Handlers & Controls \$ 134,000 and Mobile Storage Units \$ 7,500.

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 9/30/13	\$ 608,056
Debt Service Tax Levy of \$.1524 per \$ 100 of Assessed Valuation on 2013 Assessed Valuation of \$ 1,453,802,962 at 98% collection	2,171,284
Interest Earnings on Debt Service Fund	<u>9,551</u>
Total Available for 2014 Debt Service	2,788,891
Less: 2014 Debt Service Requirements	<u>2,218,063</u>
Projected Debt Service Fund Balance at 9/30/14	<u>\$ 570,828</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 01/31/14, there are five outstanding issues, the 2009 Refunding CO's for the Recreation Center, Civic Center and Golf Course; the 2009 CO's for the Downtown Revitalization Project, the \$ 4 million of the 2011 Limited Tax Refund Bonds, the 2013 CO's for Phase 3 of the Downtown Project and the 2013A CO's that will be used to fund the extension of water for further development.

	<u>Golf Course</u>	<u>Economic Development</u>
Debt Service Fund Balance as of 9/30/13	\$ -0-	\$ -0-
Transfer from Golf Course Operations		
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>505,525</u>	<u>1,158,763</u>
Total Available for 2014 Debt Service	505,525	1,158,763
Less: 2014 Debt Service Requirements	<u>505,525</u>	<u>1,158,763</u>
Projected Debt Service Fund Balance at 9/30/14	<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 9/30/13	\$ 2,316,144
Transfer from Utility Operating Fund (as budgeted)	1,569,535
Transfer from Debt Service Reserve (as budgeted)	-0-
2014 Projected Interest Earnings	<u>10,000</u>
Total Available for 2014 Debt Service	3,895,679
Less: 2014 Debt Service Requirements (including agent fees)	<u>1,579,676</u>
Projected Debt Service Fund Balance at 9/30/14	<u><u>\$ 2,316,003</u></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	
	2013	2012
Revenues:		
Taxes	\$ 19,468,703	\$ 18,824,139
Intergovernmental	304,854	131,528
Charges for services	1,043,331	1,042,830
Fines and fees	569,700	504,603
Licenses and permits	245,897	227,672
Investment earnings	107,960	106,725
Miscellaneous	191,495	390,732
Total revenues	21,931,940	21,228,229
Expenditures:		
General government and administration	3,393,618	3,068,045
Public safety	5,686,957	5,600,724
Public works	2,618,713	2,717,025
Culture and recreation	4,186,552	4,105,287
Capital Outlay	3,736,077	4,181,783
Debt Service:		
Principal	2,785,000	2,830,000
Interest and fiscal charges	1,068,892	1,187,465
Total expenditures	23,475,809	23,690,329
Excess of revenues over (under) expenditures	(1,543,869)	(2,462,100)
Other Financing Sources (Uses):		
Bonds issued	6,000,000	7,360,000
Premium on bonds issued	106,996	810,870
Sale of capital assets	14,745	73,120
Payment to bond refunding escrow agent		(8,113,305)
Transfers in	3,929,614	4,071,614
Transfers out	(3,334,089)	(3,318,282)
Total other financing sources (uses)	6,717,266	884,017
Net change in fund balances	\$ 5,173,397	\$(1,578,083)

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, 2013 and 2012.

	2013	(Restated) 2012
Revenues:		
Water and sewer services	\$ 6,969,429	\$ 6,989,506
Sanitation service	3,161,165	3,052,811
Tapping and connection fees	254,736	231,060
Golf course fees and charges	1,603,961	1,519,012
Other	173,838	286,324
	<u>12,163,129</u>	<u>12,078,713</u>
Operating Expenses:		
Utility administration	445,254	430,312
Reimbursed administrative	438,390	474,922
Water and sewer	4,870,673	4,818,995
Golf course	1,707,991	1,559,409
Sanitation	2,278,112	2,219,316
	<u>9,740,420</u>	<u>9,502,954</u>
Net revenues as described by Bond ordinance	<u>2,422,709</u>	<u>2,575,759</u>
Nonoperating Revenues (Expenses):		
Depreciation	(2,289,645)	(2,332,227)
Interest earnings	36,754	42,432
Interest expense and fiscal charges	(433,280)	(593,297)
Capital Contributions	150,000	250,000
Transfers:		
for franchise fee	(102,000)	(110,500)
for equipment replacement	(691,865)	(705,230)
for Contingency	154,754	
for Golf Course debt service		(3,360)
Assets purchased by general fund	369,189	319,649
	<u>(2,907,093)</u>	<u>(3,132,533)</u>
Net income (restated)	<u>\$ (384,384)</u>	<u>\$ (556,774)</u>
Coverage of average annual debt service requirements	3.03%	3.20%
Customer count (residential & commercial)	8,809	8,806

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, 2013.

Water:	First 2000 gallons	\$ 11.40 Minimum
	Over 2000 gallons	\$ 3.20 per 1,000 gallons
	Over 20,000 gallons	\$ 3.45 per 1,000 gallons
Sewer:	First 2000 gallons	\$ 11.40 Minimum
	Over 2000 gallons	\$ 3.40 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 \$ 1.94.

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); 495 Commercial businesses and 8,269 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 2013 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Brazosport Hospital	Hospital	20,976	2.12%
Oyster Creek Apartments	Apartments	20,771	2.10%
Buc-ee's #29	Gas Station/Car Wash	13,028	1.32%
The Palms	Apartments	12,364	1.25%
Brazosport College	College	12,364	1.25%
Gateway Housing	Apartments	8,856	0.90%
Oakwood Apartments	Apartments	8,732	0.88%
Raamco Raintree LP	Apartments	8,115	0.82%
Linmark Oaks, LLC	Apartments	6,904	0.70%
Ling Villages	Apartments	<u>6,142</u>	<u>0.62%</u>
		<u>118,511</u>	<u>11.99%</u>

Total water consumption for the period October 1, 2012 to September 30, 2013 in thousands of gallons was 972,227.

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 2013 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Brazos Mall Owners, LLC	Retail	\$ 20,274,050	1.39%
Wal-Mart Stores Inc.	Retail	17,099,810	1.18%
Redwood Edgewater	Apartments	13,871,380	0.95%
Centerpoint Energy, Inc.	Utility	10,380,990	0.71%
Lowe's	Retail	10,131,050	0.70%
Dow Chemical Company	Various property	9,581,820	0.66%
Texas Dow Employees Credit Union	Financial Institution	9,581,820	0.66%
Partners of Lake Jackson LTD	Apartments	7,569,350	0.52%
Spyglass – Lake Jackson	Apartments	7,426,560	0.51%
Gulf Coast Kingston Properties	Apartments	6,434,200	0.44%
Carriage Inn	Apartments	5,794,260	0.40%
Clark Richard A.	Various property	4,767,640	0.40%
Lowe's	Retail	5,411,950	0.37%
Leo Martin Chevrolet Inc.	Dealership	5,400,500	0.37%
Dayton Hudson Corp (Target)	Retail	5,072,920	0.35%
Dillard's Properties, Inc.	Retail	5,026,310	0.35%
Candlewood Suites.	Hotel	4,706,250	0.32%
		<u>\$ 149,530,860</u>	<u>10.29%</u>

Assessed Valuation by Classification

<u>Classification</u>	<u>2013 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,210,607,562	70.14%
Real, Vacant Platted Lots/Tracts	16,216,920	0.94%
Commercial & Industrial	260,948,419	15.12%
Real Acreage (Land Only)	9,233,635	0.54%
Utilities and Pipelines	17,756,170	1.03%
Special Inventory and other	<u>211,103,288</u>	<u>12.23%</u>
Total Market/Appraised Value	\$ 1,725,865,994	<u>100.00%</u>
Less Exemptions	<u>344,767,422</u>	
	\$ 1,381,098,572	
Under protest at certification	<u>72,704,390</u>	
Net Taxable Value	<u>\$ 1,453,802,962</u>	

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-17
General Fund - Budget Summary

On September 3, 2013 the 2013-14 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	2011-12 <u>Actual</u>	2012-13 <u>Actual</u>	2013-14 <u>Adopted Budget</u>
Revenues:			
Property tax	\$ 3,296,462	\$ 3,351,088	\$ 3,453,769
Sales tax	4,772,141	5,093,359	5,117,000
Franchise fees	1,608,383	1,653,123	1,583,000
Industrial district	4,100,000	4,100,000	4,186,000
Licenses and permits	227,672	245,897	239,100
Fines and fees	459,083	535,119	476,600
Civic Center fees	232,819	261,466	248,600
Recreation Center fees	810,011	781,865	882,140
Intergovernmental *	262,417	174,218	92,000
Interest and other	124,344	158,993	199,621
Utility Administrative fee	438,389	438,390	438,390
Transfer from Economic Development	350,000	350,000	350,000
Transfer from General Contingency	<u>242,600</u>	<u>242,600</u>	<u>-0-</u>
 Total revenues	 <u>\$ 16,924,321</u>	 <u>\$ 17,386,118</u>	 <u>\$ 17,266,320</u>
 Expenditures:			
General government services	\$ 1,558,438	\$ 1,332,898	\$ 1,952,399
Financial services	1,219,968	1,224,576	1,320,488
Legal services	155,330	160,607	172,393
Public safety services *	6,113,773	6,301,377	6,626,392
Engineering services	403,688	418,421	416,380
Public works services	2,832,550	2,832,550	3,159,385
Parks & recreation services	3,582,399	3,565,074	3,310,332
Miscellaneous services	271,940	275,640	308,551
Budget saving transfers	<u>765,000</u>	<u>750,000</u>	<u></u>
 Total expenditures	 <u>\$ 16,903,086</u>	 <u>\$ 16,852,565</u>	 <u>\$ 17,266,320</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-18
Utility Fund - Budget Summary

On September 3, 2013 the 2013-14 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2011-12</u> Actual	<u>2012-13</u> Actual	<u>2013-14</u> Adopted Budget
Revenues:			
Plumbing fees	\$ 21,708	\$ 16,620	\$ 18,000
Tap fees	16,430	35,845	12,000
Administrative fees	193,109	202,315	190,700
Water sales	3,754,229	3,753,218	3,946,572
Sewer sales	3,423,041	3,409,124	3,656,419
Senior discount	(182,428)	(191,380)	(200,000)
Sanitation sales	3,062,140	3,182,156	3,189,724
Other revenues	133,167	147,863	130,624
Interest & sales tax discount	21,746	15,843	14,562
Transfer from General Contingency	<u>70,000</u>	<u>70,400</u>	<u>-0-</u>
Total revenues	<u>\$ 10,513,542</u>	<u>\$ 10,642,002</u>	<u>\$ 10,958,601</u>
Expenditures:			
Utility administration	\$ 448,925	\$ 441,859	\$ 470,629
Water	2,796,014	2,740,044	2,940,635
Wastewater	2,140,958	2,268,175	2,393,153
Sanitation	2,715,987	2,773,539	3,044,460
Non-departmental	<u>2,196,283</u>	<u>2,109,725</u>	<u>2,109,724</u>
Total expenditures	<u>\$ 10,298,167</u>	<u>\$ 10,333,343</u>	<u>\$ 10,958,601</u>