



City of
LAKE JACKSON
Enchantment



Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2015

CITY OF LAKE JACKSON, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**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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INTRODUCTORY SECTION

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CITY OF LAKE JACKSON

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March 29, 2016

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, 2015. 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 39 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 near 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 Brazoria County economy, especially Southern Brazoria County, is experiencing an industrial boom. Currently nearly \$30 billion in industrial expansion is underway. Some 15,000 construction workers are building the various chemical and petrochemical plants in the county. According to the Economic Development Alliance of Brazoria County, the current \$30 billion in industrial expansion will generate some 1,500 permanent, high paying industrial jobs which will then create 5,000 indirect jobs serving the industrial jobs.

This expansion is forecast to continue as another \$7.5 billion to \$10 billion of additional industrial investment is under serious consideration. This would add another 400 to 500 direct jobs and another 1,000 to 1,500 indirect jobs. Another 10,000 construction workers would be needed for these projects.

While lower oil and gas prices may create hardships for other parts of Texas, they are a positive to the chemical/petrochemical industrial. Natural gas is the primary feedstock for the chemical industry. Low natural gas prices and abundant supplies available here in Texas is literally fueling this massive industrial expansion.

The Dow Chemical Company is building its Texas Innovation Center near downtown Lake Jackson. The 30 acre Texas Innovation Center campus includes administrative offices which opened this past June, and world class research and development facilities which are nearing completion. Over 2,000 employees will be employed at this facility when all buildings are complete in 2017.

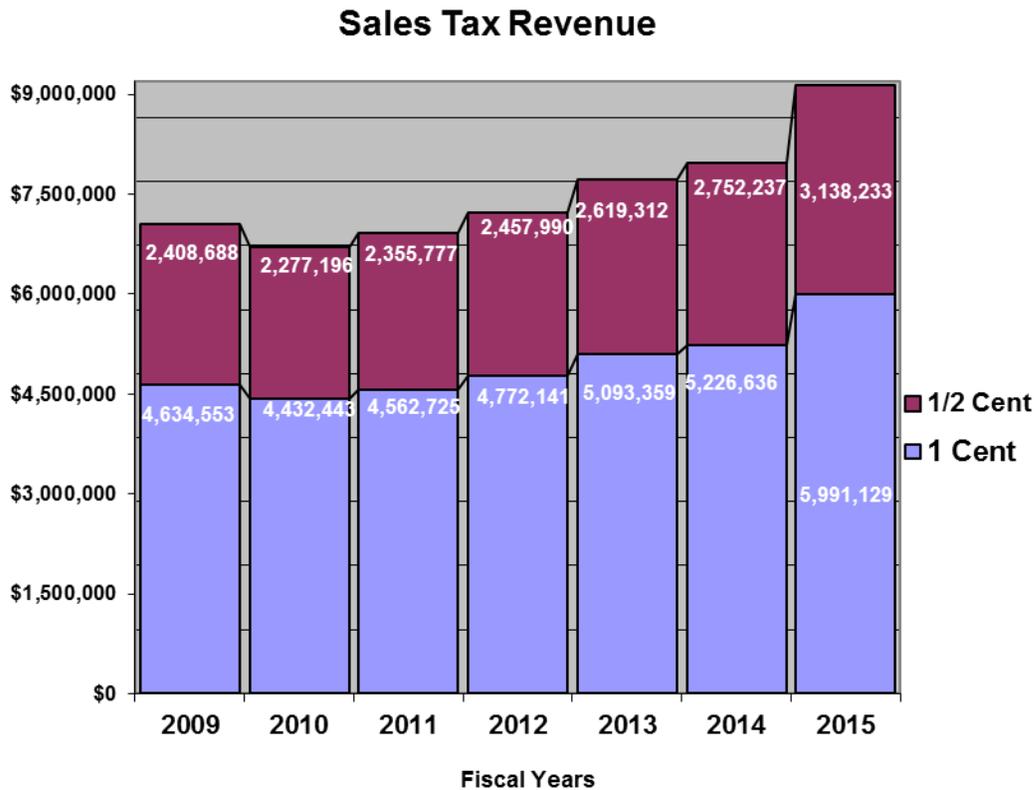
This impressive industrial development is spurring our local economy to new heights. The HEB Corporation took an old 28 acre duplex area and has repurposed it. The anchor is a new 83,000 square foot HEB. The remaining acreage will include additional retail, multi-family housing and office space.

Of equal importance to the booming area economy is Freeport LNG receiving final regulatory approval for its natural gas liquefaction project.. 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 of Trains 1, 2 and 3 of the \$14 Billion project are now in progress. Construction will likely be complete in 2018-2019 will generate 3,500 construction jobs and 160 full time positions. Additionally, Freeport LNG has commenced the regulatory approval process for Train 4 which will likely extend the construction jobs through 2021.

CITY ECONOMY

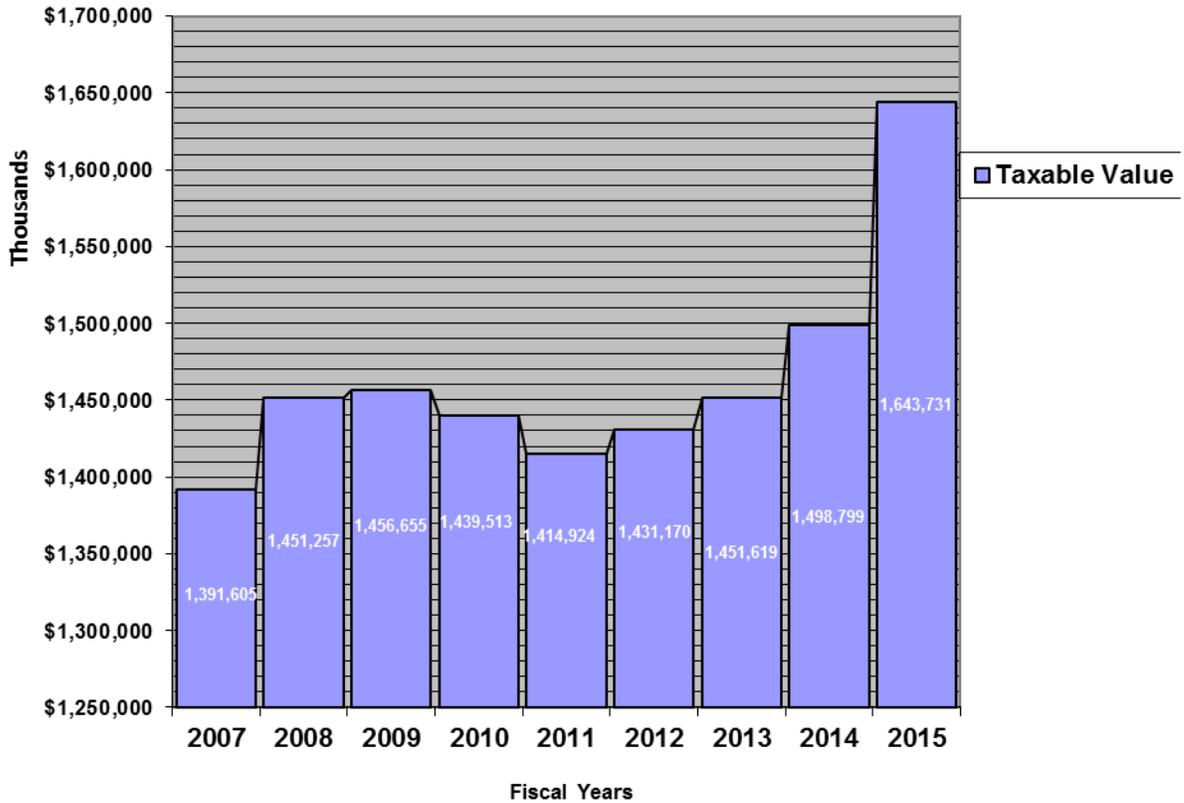
The economic impact to the city of these projects is substantial. Sales Tax in FY 2015 increased over 14% compared to FY 2014 and FY 2016 year-to-date is up 6%.

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 2015, sales tax collections totaled \$9,129,362, a 14.4% increase from the previous year. Of the total sales tax revenue, approximately \$6.0 million was allocated to the General Fund, and approximately \$3.1 million to the Economic Development Fund.



Taxable assessed values increased almost 10%. With construction underway on the Creekside subdivision, the completion of construction of the Dow Innovation Center, two new apartment complexes nearing completion and three new hotels nearing commencement of construction, it is anticipated this upward trend will continue.

Taxable Assessed Property Valuations



MAJOR ISSUES AND INITIATIVES

Housing is a big need in our area. Just in the last year the city has approved two new class “A” apartment projects (Plantation Park and Urban Crest) totaling over 500 units. These projects are under construction and will open in 2016.

The need for single family housing is crucial. The new Creekside subdivision (224 lots) is currently into its 2nd and 3rd phase. Lots are selling as soon as they hit the market. The proposed 987 acre Alden subdivision is projected to have anywhere from 1,300 to 2,200 single family homes. The City of Lake Jackson is proactively supporting the development of the Alden area by extending the initial water and sewer system to the area. While the extension of the water and sewer encourages the Alden development, it is primarily aimed at providing service to the Texas Gulf Coast Regional Airport and planned business park.

Other developments generated by this incredible growth include three new hotel properties – The Courtyard by Marriot, the Staybridge Suites, and the LaQuinta Del Sol.

The Brazos Mall is under new ownership and there are plans for \$24 million in upgrades for the mall.

The City of Lake Jackson continues its commitment to infrastructure repair and replacement. In May, 2016 the voters will consider a \$16 million bond issue to continue our downtown revitalization project (\$9.9 million), residential street replacement (\$3.8 million), a new bridge at Plantation Drive and Medical Drive (\$1.0 million), and other drainage and traffic related improvements (\$1.3 million).

The future of Lake Jackson and all of Southern Brazoria County is very bright. It is anticipated that this industrial expansion/growth will continue unabated for another 5-10 years at the least.

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, 2014. 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 seventeen 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,



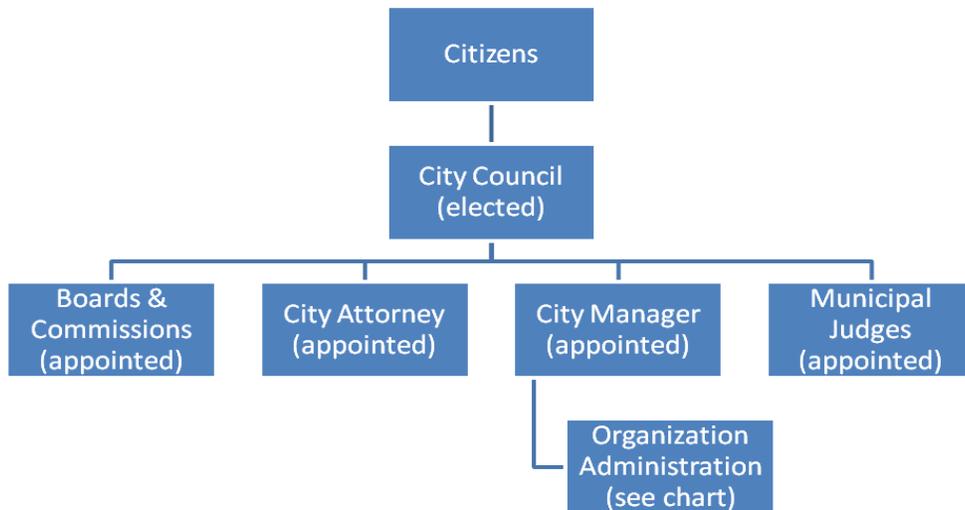
William P. Yenne
City Manager



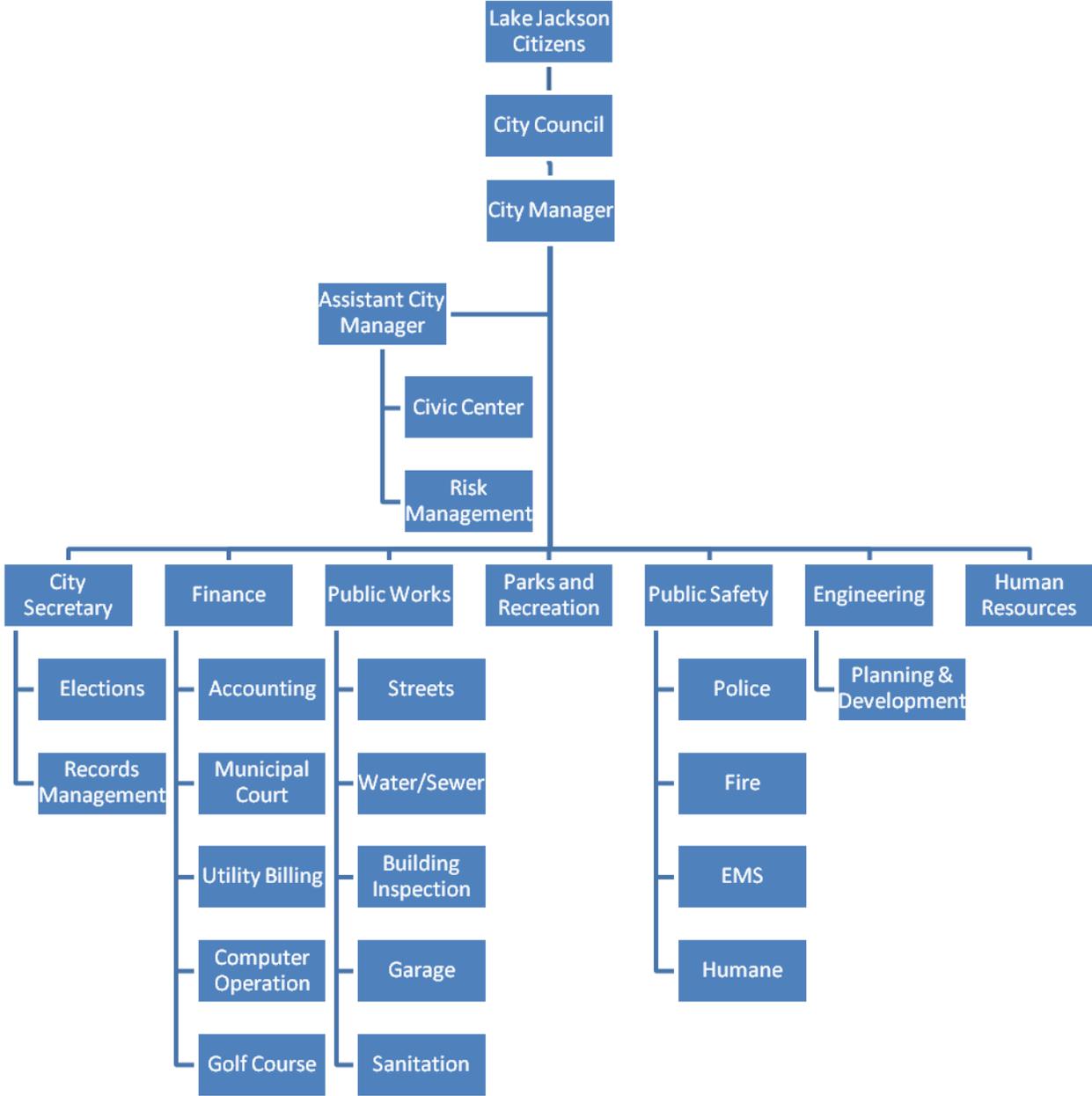
Pamela K. Eaves, CPA
Finance Director

City of Lake Jackson

Council-Manager Government



Organization Administration Chart



Elected Officials

	Official	Title	Years Of Service	Term Expire	Occupation
*	Joe Rinehart	Mayor	4	2018	Retired
	Heather Melass	Councilmember	5	2017	Retired
**	Will Brooks	Councilmember	4	2018	Engineer
***	Gerald Roznovsky	Councilmember	3	2017	Business Owner
	Ralph “Buster” Buell	Councilmember	2	2018	Retired
	Jon Baker	Councilmember	5	2017	Law Enforcement

* Served as Councilmember 2003-2009 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>36 years</i>
	<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>21 years</i>
	<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>26 years</i>
	<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>37 years</i>
	<i>Sherri Russell</i>	<i>City Attorney</i>	<i>9 years</i>
	<i>First Southwest Company</i>	<i>Financial Advisors</i>	<i>11 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, 2014

Executive Director/CEO

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FINANCIAL SECTION

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Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Ste 135
Houston, Texas 77042
281-974-3416

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, 2015, 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.

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Partnering for CPA Practice Success

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

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, 2015, 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 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension related schedules for Texas Municipal Retirement System and Texas Emergency Services Retirement System on pages 5 through 13 and pages 87 through 90 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 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.

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

The combining and individual fund statements and schedules and other 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 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 statements and schedules and other 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 29, 2016, 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.

Kenneamer, Masters & Burdord, LLC

Lake Jackson, Texas
March 29, 2016

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CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

As management of the City of Lake Jackson (the "City"), 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, 2015. 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-xv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 86,028,230 (net position). This number must be viewed in the context that the vast majority of the City's net position of \$ 59,366,755 (69.01%) are investments in capital assets (e.g. land, buildings, improvements and other than buildings, furniture, equipment and vehicles, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. Most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The net position externally restricted for specific purposes totals \$ 8,047,269 (9.35%). The remaining \$ 18,614,206 (21.64%) 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 \$ 30,275,942. Within this total, \$ 100,472 is non-spendable, \$ 13,146,302 is restricted by specific legal requirements, such as debt covenants, \$ 903,264 has been committed for general contingency purpose, and \$ 8,645,069 has been assigned to specific types of expenditures.
- At the end of the current fiscal year, the general fund balance was \$ 15,027,639. Of this amount, \$ 100,472 is non-spendable, \$ 903,264 has been committed for general contingency purpose, and \$ 6,543,068 has been assigned primarily for equipment replacement. The remaining \$ 7,480,835 is unassigned and can be used for any lawful purpose.
- During the year, the City reported net pension liability of \$ 2,410,727 at September 30, 2015 with the implementation of GASB statements Nos. 68 and 71.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 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 business.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

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.

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 16-19 of this report.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains sixteen (16) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Fund (special revenue fund), General Debt Service Fund, and 2014 Economic

CITY OF LAKE JACKSON, TEXAS
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For the Year Ended September 30, 2015

Incentive Fund (capital projects fund); all of which are considered to be major funds. Data from the other twelve (12) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental funds financial statements can be found on pages 20-28 of this report.

Proprietary Funds. The City maintains two categories of *proprietary funds* - Enterprise Fund and Golf Course Operating Fund. Proprietary funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses proprietary funds to account for its water and sewer, golf, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 30-35 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 37-83 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 87-90 of this report. The combining and individual fund statements and schedules referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 92-140 of this report. Other schedules can be found on pages 142 – 167 of this report. The statistical section can be found on pages 170-193 of this report following the other schedules. The continuing financial disclosures can be found on pages 197-214 of this report following the statistical section.

Government-wide Financial Analysis

With the implementation of GASB Statements Nos. 68 and 71, comparable information for the year ended September 30, 2014 is not available, therefore, only one year is presented. Beginning with September 30, 2016 financial statements, comparative information will resume.

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 86,028,230 as of September 30, 2015.

The largest portion of the City's net position, \$ 59,366,755 (69.01%) reflects its investments in capital assets less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. An additional portion of the City's net position of \$ 8,047,269 (9.35%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 18,614,206 (21.64%) may be used to meet the government's ongoing obligations to citizens and creditors.

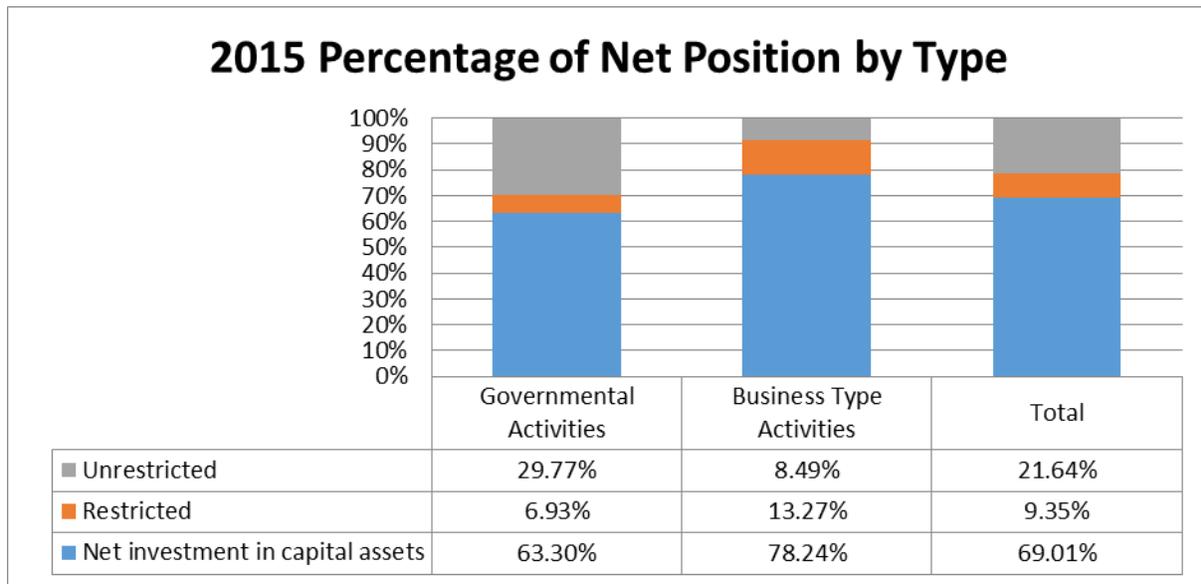
As of September 30, 2015, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories governmental and business-type activities.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

There was a decrease of \$ 606,871 in restricted net position and an increase of \$ 1,878,750 net investment in capital assets. The decrease in restricted net position and the increase in net investment in capital assets, resulted from the new construction projects, and the net of issuance of the new long-term debt and payments of debt.

NET POSITION

	Governmental Activities	Business-type Activities	Totals
Current and other assets	\$ 32,301,497	\$ 9,702,935	\$ 42,004,432
Capital assets	<u>56,428,167</u>	<u>34,217,955</u>	<u>90,646,122</u>
Total assets	<u>88,729,664</u>	<u>43,920,890</u>	<u>132,650,554</u>
Deferred outflows of resources	<u>1,179,814</u>	<u>387,517</u>	<u>1,567,331</u>
Total deferred outflows of resources	<u>1,179,814</u>	<u>387,517</u>	<u>1,567,331</u>
Other liabilities	1,469,228	2,112,240	3,581,468
Long-term liabilities	<u>34,861,894</u>	<u>9,222,286</u>	<u>44,084,180</u>
Total liabilities	<u>36,331,122</u>	<u>11,334,526</u>	<u>47,665,648</u>
Deferred inflows of resources	<u>414,498</u>	<u>109,509</u>	<u>524,007</u>
Total deferred inflows of resources	<u>414,498</u>	<u>109,509</u>	<u>524,007</u>
Net Position:			
Net investment in capital assets	33,652,498	25,714,257	59,366,755
Restricted	3,686,401	4,360,868	8,047,269
Unrestricted	<u>15,824,959</u>	<u>2,789,247</u>	<u>18,614,206</u>
Total net position	<u>\$ 53,163,858</u>	<u>\$ 32,864,372</u>	<u>\$ 86,028,230</u>



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Analysis of the City's Operations: The following table provides a summary of the City's operations for the year ended September 30, 2015.

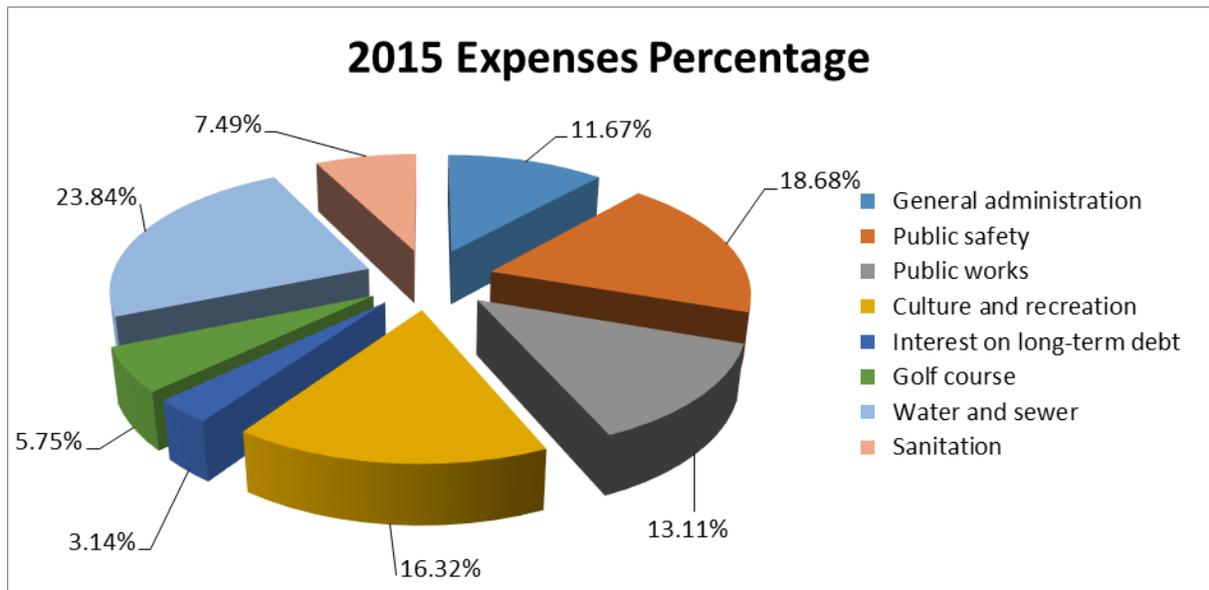
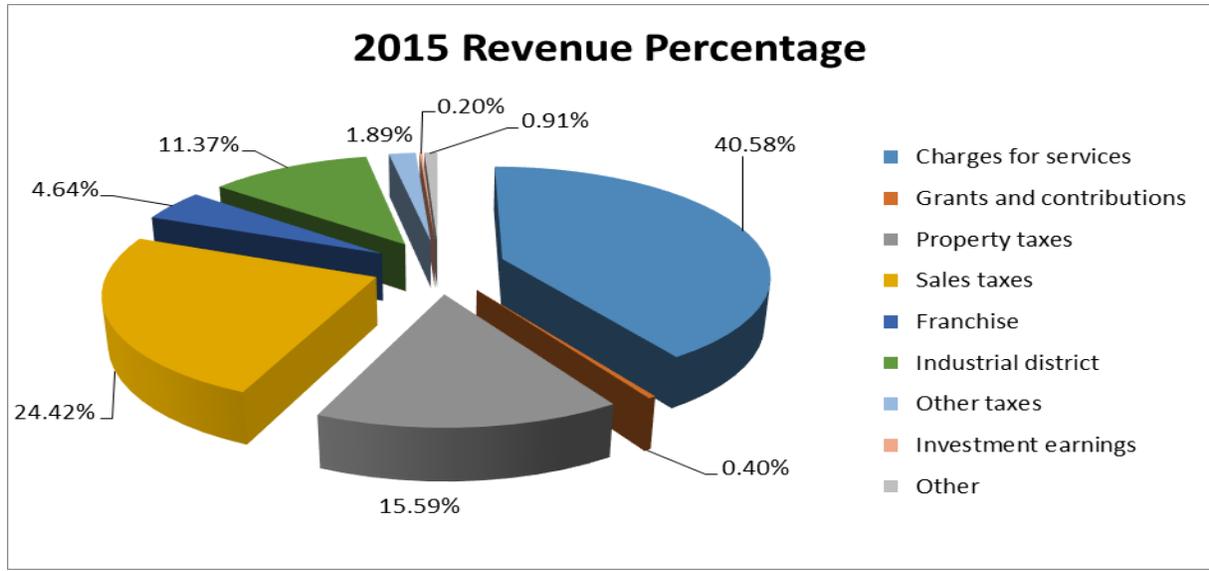
CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 2,437,276	\$ 12,734,417	\$ 15,171,693
Operating grants and contributions	111,615		111,615
Capital grants and contributions		38,897	38,897
General Revenues:			
Property taxes	5,827,889		5,827,889
Sales taxes	9,129,362		9,129,362
Franchise taxes	1,734,149		1,734,149
Occupancy taxes	498,844		498,844
Alcoholic beverage taxes	116,215		116,215
Criminal justice taxes	21,342		21,342
Apartment taxes	69,344		69,344
Industrial district	4,249,304		4,249,304
Investment earnings	57,363	15,740	73,103
Miscellaneous	333,321		333,321
Gain on disposal of capital assets	7,314		7,314
Total revenues	<u>24,593,338</u>	<u>12,789,054</u>	<u>37,382,392</u>
Expenses:			
General government and administration	3,976,659		3,976,659
Public safety	6,364,951		6,364,951
Public works	4,466,925		4,466,925
Culture and recreation	5,561,349		5,561,349
Interest on long-term debt	1,071,742		1,071,742
Water and sewer		8,122,897	8,122,897
Sanitation		2,551,608	2,551,608
Golf course		1,962,353	1,962,353
Total expenses	<u>21,441,626</u>	<u>12,636,858</u>	<u>34,078,484</u>
Increase in net position before transfers and contributions	3,151,712	152,196	3,303,908
Transfers	<u>326,052</u>	<u>(326,052)</u>	<u>-0-</u>
Change in net position	3,477,764	(173,856)	3,303,908
Net position, October 1 (restated)	<u>49,686,094</u>	<u>33,038,228</u>	<u>82,724,322</u>
Net position, September 30	<u>\$ 53,163,858</u>	<u>\$ 32,864,372</u>	<u>\$ 86,028,230</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Governmental Activities: Governmental activities increased the City's net position by \$ 3,477,764. The increase mainly reflects the increase in charges for services, and sales taxes.

Business-type Activities: Business activities decreased the City's net position by \$ 173,856 (0.53%) which was resulted from fund transfers out.



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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's governmental funds reported combined ending fund balances of \$ 30,275,942. 24.71% of this total amount (\$ 7,480,835) constitutes unassigned fund balance. The remainder of the fund balance has been categorized as 1) non-spendable (\$ 100,472), 2) restricted (\$ 13,146,302), 3) committed (\$ 903,264), and 4) assigned (\$ 8,645,069).

In the General Fund, the City budgeted for a fund balance decrease of \$ 1,137,473. This included budgeting a \$ 1,000,000 transfer to the General Construction Fund. This transfer reflects the fiscal year 2014 budget savings. 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 2015 of \$ 1,203,243. This better than budget performance is due to the City's continued emphasis on expenditure control, and conservative budgeting of revenues.

The Economic Development fund is used to account for revenue from the half-cent sales tax. In 2015, 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 \$ 106,587.

The Debt Service fund balance decreased by \$ 10,569, which was consistent with the City's budget.

The 2014 Economic Incentive fund balance increased by \$ 5,504,299 due to the issuance of the new 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, 2015 amounted to \$ 2,789,247. Total net position decreased \$ 173,856. In 2015, the decrease in net position for proprietary funds was a combination of a \$ 37,261 decrease in the Enterprise Fund and a \$ 136,595 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. Sales tax revenue continued its recovery and exceeded expectations by finishing the year in excess of 13.39% over budget. Licenses and permits revenue exceeded budgeted amounts by 65.05% as the result of the growth of the construction projects in the area.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

The City's general fund expenditure budget exceeded the actual expenditures by \$ 904,072 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 2015, the City transferred fiscal 2014 budget savings of \$ 1,000,000 to the General Construction Fund.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$ 90,646,122 (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 \$ 1,890,571. (\$ 631,648 decrease for governmental activities and \$ 1,258,923 decrease in business-type activities).

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

- Water SCADA radio \$ 132,413,
- Street and sidewalk improvements totaling \$ 2,436,560,
- Building and Improvements totaling \$ 3,872,258
- Mobile Equipment for Streets, Parks and Garage \$ 372,081
- Police Vehicles \$ 238,839
- Computer Network Equipment \$ 216,942

**CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities	Business-type Activities	Totals
Land	\$ 2,397,003	\$ 3,821,585	\$ 6,218,588
Buildings	17,756,181	1,476,524	19,232,705
Improvements other than buildings	7,436,270	14,541,298	21,977,568
Furniture, equipment and vehicles	4,149,710	2,185,582	6,335,292
Infrastructure	22,942,308	11,845,483	34,787,791
Construction in progress	1,746,695	347,483	2,094,178
Total	\$ 56,428,167	\$ 34,217,955	\$ 90,646,122

Additional information on the City'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 had a total bonded debt and notes payable of \$ 40,345,000. Of this amount, \$ 31,385,000 is comprised of 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 \$ 8,960,000 represents bonds secured by water and sewer revenues.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

OUTSTANDING LONG-TERM DEBT AT YEAR END

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Certificate of obligations	\$ 11,975,000	\$	\$ 11,975,000
Limited tax bonds	19,410,000		19,410,000
Revenue bonds	<u> </u>	<u>8,960,000</u>	<u>8,960,000</u>
 Total	 <u>\$ 31,385,000</u>	 <u>\$ 8,960,000</u>	 <u>\$ 40,345,000</u>

During the fiscal year, the City's total bonded debt increased \$ 1,165,000 or 2.97% due to the net of issuance of bonds less 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's long term debt can be found in Note 8 on pages 62-68 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2015-16 Budget, General Fund revenues and transfers-in are budgeted to increase by 6.3% from the 2014-15 fiscal year budget. However, due to very strong revenues in 2014-15, the 2015-16 budgeted amount is 1.07% less than 2014-15 actual revenues. Sales tax continues to be the largest source of General Fund budgeted revenue at 31%. Property taxes account for 20.0% of the General Fund budgeted revenues. Certified assessed taxable valuations increased by 10.17%.

The Utility Fund 2015-16 budget is 5.7% more than the proceeding year's budget. For the fiscal year 2015-16 the Brazosport Water Authority continues with a multi-year improvement plan including the building of a desalination plant. As a result, they are increasing rates by 16.8% from \$2.25/1,000 gallons to \$2.63/1,000 gallons. The City's base water rate for 2015-16 fiscal year will increase from \$11.70/month to \$12.90/month. Water rates for usage above the 2,000 gallon base amount will increase by \$.50/ 1,000 gallons. The rate for usage between 2,000 and 20,000 gallons will be \$4.00/1,000 gallons and the rate for over 20,000 gallons will be \$4.25. The base sewer rate for the 2015-16 budget year will increase from \$11.70/month to \$13.05/month. The over 2,000 gallon rate will increase from \$3.70/1,000 gallons to \$4.25.

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, 2015

	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 29,273,641	\$ 3,098,010	\$ 32,371,651
Taxes receivable (net)	1,856,145		1,856,145
Accounts receivable (net)	651,955	806,131	1,458,086
Due from other governments	20,284		20,284
Investments	399,000		399,000
Inventories	100,472	27,198	127,670
Prepaid expenses		9,471	9,471
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		5,756,807	5,756,807
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	17,756,181	1,476,524	19,232,705
Improvements other than buildings	7,436,270	14,541,298	21,977,568
Furniture, equipment, and vehicles	4,149,710	2,185,582	6,335,292
Infrastructure	22,942,308	11,845,483	34,787,791
Construction in progress	1,746,695	347,483	2,094,178
Total assets	88,729,664	43,920,890	132,650,554
Deferred Outflows of Resources:			
Deferred outflows of resources - debt refunding loss	68,223	108,821	177,044
Deferred outflows of resources - pension	1,111,591	278,696	1,390,287
Total deferred outflows of resources	1,179,814	387,517	1,567,331

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2015

	Governmental Activities	Business- Type Activities	Total
Liabilities:			
Accounts payable	\$ 706,250	\$ 482,121	\$ 1,188,371
Cash bonds and taxes	400,125		400,125
Accrued wages	262,024	86,941	348,965
Unearned revenue	100,829	141,921	242,750
Liabilities payable from restricted assets		1,401,257	1,401,257
Noncurrent liabilities:			
Due within one year	3,899,492	820,173	4,719,665
Due in more than one year	<u>30,962,402</u>	<u>8,402,113</u>	<u>39,364,515</u>
Total liabilities	<u>36,331,122</u>	<u>11,334,526</u>	<u>47,665,648</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - gain on capital lease		10,125	10,125
Deferred inflows of resources - pension	<u>414,498</u>	<u>99,384</u>	<u>513,882</u>
Total deferred inflows of resources	<u>414,498</u>	<u>109,509</u>	<u>524,007</u>
Net Position:			
Net investment in capital assets	33,652,498	25,714,257	59,366,755
Restricted For:			
Debt service	765,299	1,675,881	2,441,180
Economic development	2,519,353		2,519,353
Construction		2,684,987	2,684,987
Other	401,749		401,749
Unrestricted	<u>15,824,959</u>	<u>2,789,247</u>	<u>18,614,206</u>
Total net position	<u>\$ 53,163,858</u>	<u>\$ 32,864,372</u>	<u>\$ 86,028,230</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 3,976,659	\$ 584,423	\$	\$
Public safety	6,364,951		111,615	
Public works	4,466,925	666,610		
Culture and recreation	5,561,349	1,186,243		
Interest on long-term debt	<u>1,071,742</u>			
Total governmental activities	<u>21,441,626</u>	<u>2,437,276</u>	<u>111,615</u>	<u>-0-</u>
Business-type Activities:				
Water and sewer	8,122,897	8,060,180		38,897
Sanitation	2,551,608	3,287,706		
Golf course	<u>1,962,353</u>	<u>1,386,531</u>		
Total business-type activities	<u>12,636,858</u>	<u>12,734,417</u>	<u>-0-</u>	<u>38,897</u>
Total	<u>\$ 34,078,484</u>	<u>\$ 15,171,693</u>	<u>\$ 111,615</u>	<u>\$ 38,897</u>

General Revenue:

 Taxes:

 Property taxes

 Sales taxes

 Franchise

 Occupancy

 Other

 Industrial district

 Investment earnings

 Miscellaneous

 Gain on the disposal of capital assets

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
\$(3,392,236)	\$	\$(3,392,236)
(6,253,336)		(6,253,336)
(3,800,315)		(3,800,315)
(4,375,106)		(4,375,106)
<u>(1,071,742)</u>		<u>(1,071,742)</u>
<u>(18,892,735)</u>	<u>-0-</u>	<u>(18,892,735)</u>
	(23,820)	(23,820)
	736,098	736,098
	<u>(575,822)</u>	<u>(575,822)</u>
<u>-0-</u>	<u>136,456</u>	<u>136,456</u>
<u>(18,892,735)</u>	<u>136,456</u>	<u>(18,756,279)</u>
5,827,889		5,827,889
9,129,362		9,129,362
1,734,149		1,734,149
498,844		498,844
206,901		206,901
4,249,304		4,249,304
57,363	15,740	73,103
333,321		333,321
7,314		7,314
<u>326,052</u>	<u>(326,052)</u>	<u>-0-</u>
<u>22,370,499</u>	<u>(310,312)</u>	<u>22,060,187</u>
3,477,764	(173,856)	3,303,908
<u>49,686,094</u>	<u>33,038,228</u>	<u>82,724,322</u>
<u>\$ 53,163,858</u>	<u>\$ 32,864,372</u>	<u>\$ 86,028,230</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2015

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>General Debt Service Fund</u>	<u>2014 Economic Incentive Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets and Deferred Outflows of Resources</u>						
Assets:						
Cash and temporary investments	\$ 14,471,336	\$ 2,024,750	\$ 705,634	\$ 5,504,299	\$ 6,567,622	\$ 29,273,641
Receivables (net of allowance for uncollectibles):						
Taxes	1,288,588	528,076	17,539		21,942	1,856,145
Accounts	46,877				91,680	138,557
Grants	20,284					20,284
Investments	399,000					399,000
Inventories	<u>100,472</u>					<u>100,472</u>
Total assets	<u>16,326,557</u>	<u>2,552,826</u>	<u>723,173</u>	<u>5,504,299</u>	<u>6,681,244</u>	<u>31,788,099</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>\$ 16,326,557</u>	<u>\$ 2,552,826</u>	<u>\$ 723,173</u>	<u>\$ 5,504,299</u>	<u>\$ 6,681,244</u>	<u>\$ 31,788,099</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 530,495	\$ 33,473	\$ 316		\$ 141,966	\$ 706,250
Cash bonds and taxes	400,125					400,125
Accrued wages	262,024					262,024
Unearned revenue	<u>80,829</u>				<u>20,000</u>	<u>100,829</u>
Total liabilities	<u>1,273,473</u>	<u>33,473</u>	<u>316</u>	<u>-0-</u>	<u>161,966</u>	<u>1,469,228</u>
Deferred Inflows of Resources:						
Deferred inflows of resources-property taxes	<u>25,445</u>		<u>17,484</u>			<u>42,929</u>
Total deferred inflows of resources	<u>25,445</u>	<u>-0-</u>	<u>17,484</u>	<u>-0-</u>	<u>-0-</u>	<u>42,929</u>
Fund Balances:						
Non-spendable	100,472					100,472
Restricted		2,519,353	705,373	5,504,299	4,417,277	13,146,302
Committed	903,264					903,264
Assigned	6,543,068				2,102,001	8,645,069
Unassigned	<u>7,480,835</u>					<u>7,480,835</u>
Total fund balances	<u>15,027,639</u>	<u>2,519,353</u>	<u>705,373</u>	<u>5,504,299</u>	<u>6,519,278</u>	<u>30,275,942</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,326,557</u>	<u>\$ 2,552,826</u>	<u>\$ 723,173</u>	<u>\$ 5,504,299</u>	<u>\$ 6,681,244</u>	<u>\$ 31,788,099</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, 2015

Total fund balances – governmental funds balance sheet	\$ 30,275,942
Amounts reported for governmental activities 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 \$ 149,336,352 in assets less \$ 92,908,185 in accumulated depreciation.	56,428,167
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 \$ 25,390 and \$ 17,539, respectively.	42,929
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 \$ 1,348,945 net of allowance for uncollectible accounts of \$ 835,547 of the general fund amounted to \$ 513,398.	513,398
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 \$ 68,223 (issuance costs of \$ 107,366 less amortization of \$ 39,143).	68,223
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 \$ 901,193 (premium on the sale of bonds of \$ 1,336,488 less amortization of \$ 435,295).	(901,193)
Pension deferred outflows of resources of \$ 1,210,310 less amortization of \$ 98,719.	1,111,591
Pension deferred inflows of resources of \$ 570,332 less amortization of \$ 155,834.	(414,498)
Payable for bond principal and other long-term debt are not reported in the funds.	(31,385,000)
Payable for bond interest is not reported in the funds.	(43,045)
Net pension liability is not reported in the funds.	(1,950,105)
Payable for long-term compensated absences is not reported in the funds.	<u>(582,551)</u>
Net position of governmental activities – statement of net position.	<u>\$ 53,163,858</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, 2015

	General Fund	Economic Development Fund	General Debt Service Fund	2014 Economic Incentive Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes:						
Property	\$ 3,615,757	\$	\$ 2,202,155	\$	\$	\$ 5,817,912
Sales	5,991,129	3,138,233				9,129,362
Franchise	1,646,902				87,247	1,734,149
Occupancy					498,844	498,844
Other	206,901					206,901
Industrial district	4,249,304					4,249,304
Intergovernmental	8,443				103,172	111,615
Revenue producing facilities	1,186,243					1,186,243
Fines and fees	573,801					573,801
Licenses and permits	666,610					666,610
Investment income	38,474	6,832	2,872	3,270	5,915	57,363
Miscellaneous	146,148				187,173	333,321
Total revenues	18,329,712	3,145,065	2,205,027	3,270	882,351	24,565,425
Expenditures:						
Current:						
General government and administration	3,536,378				251,574	3,787,952
Public safety	5,843,285				123,372	5,966,657
Public works	2,576,814				1,750	2,578,564
Culture and recreation	4,274,608	55,918			481,581	4,812,107
Capital outlay	1,017,483	309,693			1,839,488	3,166,664
Debt Service:						
Principal retirement			1,642,639		1,507,361	3,150,000
Interest and fiscal charges			572,957		590,566	1,163,523
Total expenditures	17,248,568	365,611	2,215,596	-0-	4,795,692	24,625,467
Excess (deficiency) of revenues over (under) expenditures	1,081,144	2,779,454	(10,569)	3,270	(3,913,341)	(60,042)
Other Financing Sources (Uses):						
Issuance of bonds				5,500,000		5,500,000
Bond issuance premium				1,029	82,571	83,600
Sale of capital assets	81,393					81,393
Transfers in	1,623,339				3,022,867	4,646,206
Transfers out	(1,582,633)	(2,672,867)			(64,654)	(4,320,154)
Total other financing sources (uses)	122,099	(2,672,867)	-0-	5,501,029	3,040,784	5,991,045
Net change in fund balances	1,203,243	106,587	(10,569)	5,504,299	(872,557)	5,931,003
Fund balances - beginning	13,824,396	2,412,766	715,942	-0-	7,391,835	24,344,939
Fund balances - ending	\$ 15,027,639	\$ 2,519,353	\$ 705,373	\$ 5,504,299	\$ 6,519,278	\$ 30,275,942

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 THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2015

Net change in fund balances – total governmental funds \$ 5,931,003

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 \$ 3,127,767 less depreciation of \$ 3,685,336 in the current period. (557,569)

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 increased by \$ 6,534 and \$ 3,443 , respectively. 9,977

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. 10,622

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 \$ 3,150,000. 3,150,000

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 \$ 5,500,000 for bonds. (5,500,000)

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 \$ 9,908. (9,908)

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 amortization of \$ 103,745 less current proceeds of \$ 83,600. 20,145

Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 521,095 less than the amount reported in the funds. 521,095

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. (2,056)

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2015

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.	\$(21,466)
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 \$ 74,079 (cost of \$ 2,254,556 less accumulated depreciation of \$ 2,180,477).	<u>74,079</u>
Change in net position of governmental activities	<u>\$ 3,477,764</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, 2015

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,621,536	\$ 3,621,536
Sales	5,283,875	5,283,875
Franchise	1,544,875	1,544,875
Other	92,000	92,000
Industrial district	4,248,890	4,248,890
Intergovernmental		
Revenue producing facilities	1,082,600	1,082,600
Fines and fees	566,500	566,500
Licenses and permits	403,859	403,859
Investment income	32,000	32,000
Miscellaneous	126,550	126,550
Total revenues	<u>17,002,685</u>	<u>17,002,685</u>
Expenditures:		
Current:		
General government and administration	3,385,799	3,385,799
Public safety	6,125,037	6,125,037
Public works	3,089,105	3,089,105
Culture and recreation	4,418,827	4,418,827
Capital outlay	1,133,872	1,133,872
Total expenditures	<u>18,152,640</u>	<u>18,152,640</u>
Excess (deficiency) of revenues over (under) expenditures	(1,149,955)	(1,149,955)
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,595,115	1,595,115
Transfer out	(382,633)	(1,582,633)
Total other financing sources (uses)	<u>1,212,482</u>	<u>12,482</u>
Net change in fund balance	62,527	(1,137,473)
Fund balance - beginning	<u>13,824,396</u>	<u>13,824,396</u>
Fund balance - ending	<u>\$ 13,886,923</u>	<u>\$ 12,686,923</u>

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)
\$ 3,615,757	\$	\$ 3,615,757	\$ (5,779)
5,991,129		5,991,129	707,254
1,646,902		1,646,902	102,027
206,901		206,901	114,901
4,249,304		4,249,304	414
8,443		8,443	8,443
1,186,243		1,186,243	103,643
573,801		573,801	7,301
666,610		666,610	262,751
38,474		38,474	6,474
146,148		146,148	19,598
<u>18,329,712</u>	<u>-0-</u>	<u>18,329,712</u>	<u>1,327,027</u>
3,536,378		3,536,378	(150,579)
5,843,285		5,843,285	281,752
2,576,814		2,576,814	512,291
4,274,608		4,274,608	144,219
<u>1,017,483</u>	<u></u>	<u>1,017,483</u>	<u>116,389</u>
<u>17,248,568</u>	<u>-0-</u>	<u>17,248,568</u>	<u>904,072</u>
<u>1,081,144</u>	<u>-0-</u>	<u>1,081,144</u>	<u>2,231,099</u>
81,393		81,393	81,393
1,623,339		1,623,339	28,224
(<u>1,582,633</u>)	<u></u>	(<u>1,582,633</u>)	<u>-0-</u>
<u>122,099</u>	<u>-0-</u>	<u>122,099</u>	<u>109,617</u>
1,203,243	-0-	1,203,243	2,340,716
<u>13,824,396</u>	<u>-0-</u>	<u>13,824,396</u>	<u>-0-</u>
\$ <u>15,027,639</u>	\$ <u>-0-</u>	\$ <u>15,027,639</u>	\$ <u>2,340,716</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,783,000	\$ 2,783,000	\$ 3,138,233	\$ 355,233
Investment income	<u>8,000</u>	<u>8,000</u>	<u>6,832</u>	<u>(1,168)</u>
Total revenues	<u>2,791,000</u>	<u>2,791,000</u>	<u>3,145,065</u>	<u>354,065</u>
Expenditures:				
Current:				
Culture and recreation	50,000	50,000	55,918	(5,918)
Capital outlay	<u>1,167,125</u>	<u>973,000</u>	<u>309,693</u>	<u>663,307</u>
Total expenditures	<u>1,217,125</u>	<u>1,023,000</u>	<u>365,611</u>	<u>657,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,573,875</u>	<u>1,768,000</u>	<u>2,779,454</u>	<u>1,011,454</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,513,914)</u>	<u>(2,707,859)</u>	<u>(2,672,867)</u>	<u>(602,008)</u>
Total other financing sources (uses)	<u>(1,513,914)</u>	<u>(2,707,859)</u>	<u>(2,672,867)</u>	<u>(602,008)</u>
Net change in fund balance	59,961	(302,859)	106,587	409,446
Fund balance - beginning	<u>2,412,766</u>	<u>2,412,766</u>	<u>2,412,766</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 2,472,727</u>	<u>\$ 2,109,907</u>	<u>\$ 2,519,353</u>	<u>\$ 409,446</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, 2015

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Assets:			
Current Assets:			
Cash and temporary investments	\$ 3,002,342	\$ 95,668	\$ 3,098,010
Receivables (net of allowance for uncollectibles):			
Accounts	790,995	15,136	806,131
Inventory		27,198	27,198
Prepaid expenses		9,471	9,471
	<u>3,793,337</u>	<u>147,473</u>	<u>3,940,810</u>
Current Restricted Assets:			
Cash and temporary investments	3,415,923		3,415,923
Due from other governments	5,318		5,318
Total current restricted assets	<u>3,421,241</u>	<u>-0-</u>	<u>3,421,241</u>
Total current assets	<u>7,214,578</u>	<u>147,473</u>	<u>7,362,051</u>
Noncurrent Assets:			
Restricted Cash and Temporary Investments:			
Revenue bond covenant accounts	2,340,884		2,340,884
Total noncurrent restricted assets	<u>2,340,884</u>	<u>-0-</u>	<u>2,340,884</u>
Capital Assets:			
Property, plant and equipment	64,459,576	8,983,622	73,443,198
Construction in progress	347,483		347,483
Less accumulated depreciation	(36,519,669)	(3,053,057)	(39,572,726)
Total capital assets (net of accumulated depreciation)	<u>28,287,390</u>	<u>5,930,565</u>	<u>34,217,955</u>
Total noncurrent assets	<u>30,628,274</u>	<u>5,930,565</u>	<u>36,558,839</u>
Total assets	<u>37,842,852</u>	<u>6,078,038</u>	<u>43,920,890</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - debt refunding costs	108,821		108,821
Deferred outflows of resources - pension	278,696		278,696
Total deferred outflows of resources	<u>387,517</u>	<u>-0-</u>	<u>387,517</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS - Continued

September 30, 2015

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 422,193	\$ 59,928	\$ 482,121
Accrued wages	65,149	21,792	86,941
Unearned revenue		141,921	141,921
Accrued compensated absences	102,861		102,861
Net pension liability	46,062		46,062
Revenue bonds payable	<u>671,250</u>		<u>671,250</u>
	<u>1,307,515</u>	<u>223,641</u>	<u>1,531,156</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest	148,151		148,151
Customer deposits	736,254		736,254
Revenue bonds payable	<u>516,852</u>		<u>516,852</u>
Total current liabilities payable from restricted assets	<u>1,401,257</u>	<u>-0-</u>	<u>1,401,257</u>
Total current liabilities	<u>2,708,772</u>	<u>223,641</u>	<u>2,932,413</u>
Noncurrent Liabilities:			
Revenue bonds payable	7,941,269		7,941,269
Accrued compensated absences	46,284		46,284
Net pension liability	<u>414,560</u>		<u>414,560</u>
Total noncurrent liabilities	<u>8,402,113</u>	<u>-0-</u>	<u>8,402,113</u>
Total liabilities	<u>11,110,885</u>	<u>223,641</u>	<u>11,334,526</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - gain on capital lease		10,125	10,125
Deferred inflows of resources - pension	<u>99,384</u>		<u>99,384</u>
Total deferred inflows of resources	<u>99,384</u>	<u>10,125</u>	<u>109,509</u>
Net Position:			
Net investment in capital assets	19,783,692	5,930,565	25,714,257
Restricted For:			
Revenue bond retirement	1,675,881		1,675,881
Construction	2,684,987		2,684,987
Unrestricted	<u>2,875,540</u>	<u>(86,293)</u>	<u>2,789,247</u>
Total net position	<u>\$ 27,020,100</u>	<u>\$ 5,844,272</u>	<u>\$ 32,864,372</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2015

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 3,912,414	\$	\$ 3,912,414
Sewer service	3,616,255		3,616,255
Garbage fees	3,287,706		3,287,706
Tapping and connection fees	329,992		329,992
Golf course fees and charges		1,386,531	1,386,531
Other	<u>201,519</u>		<u>201,519</u>
Total operating revenues	<u>11,347,886</u>	<u>1,386,531</u>	<u>12,734,417</u>
Operating Expenses:			
Utility administration	430,822		430,822
Water production and treatment	3,133,454		3,133,454
Sewer collection	2,110,332		2,110,332
Sanitation	2,551,608		2,551,608
Golf course		1,742,911	1,742,911
Depreciation	<u>2,094,283</u>	<u>219,442</u>	<u>2,313,725</u>
Total operating expenses	<u>10,320,499</u>	<u>1,962,353</u>	<u>12,282,852</u>
Operating income (loss)	<u>1,027,387</u>	<u>(575,822)</u>	<u>451,565</u>
Non-Operating Revenues (Expenses):			
Interest revenue	15,410	330	15,740
Loss on disposal of capital assets	(10,764)		(10,764)
Interest expense and fiscal charges	<u>(343,242)</u>		<u>(343,242)</u>
Total non-operating revenues (expenses)	<u>(338,596)</u>	<u>330</u>	<u>(338,266)</u>
Income (loss) before contributions and transfers	688,791	(575,492)	113,299
Capital contributions		38,897	38,897
Transfers in	482,633	400,000	882,633
Transfers out	<u>(1,208,685)</u>		<u>(1,208,685)</u>
Change in net position	<u>(37,261)</u>	<u>(136,595)</u>	<u>(173,856)</u>
Net position at beginning of year (restated)	<u>27,057,361</u>	<u>5,980,867</u>	<u>33,038,228</u>
Net position at end of year	<u>\$ 27,020,100</u>	<u>\$ 5,844,272</u>	<u>\$ 32,864,372</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 CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2015

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 11,261,777	\$ 1,391,239	\$ 12,653,016
Payments to suppliers	(5,834,243)	(861,297)	(6,695,540)
Payments to employees	(2,446,023)	(877,686)	(3,323,709)
Net cash provided (used) by operating activities	2,981,511	(347,744)	2,633,767
Cash Flows from Non-Capital Financing Activities:			
Transfers in	482,633	400,000	882,633
Transfers out	(1,208,685)		(1,208,685)
Net cash provided (used) by non-capital and related financing activities	(726,052)	400,000	(326,052)
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(1,026,668)		(1,026,668)
Principal and premium paid on capital debt	(1,208,102)		(1,208,102)
Interest and fiscal charges paid on capital debt	(334,672)		(334,672)
Net cash used for capital and related financing activities	(2,569,442)	-0-	(2,569,442)
Cash Flows from Investing Activities:			
Interest on investments	15,410	330	15,740
Net cash provided by investing activities	15,410	330	15,740
Net increase (decrease) in cash and cash equivalents	(298,573)	52,586	(245,987)
Cash and cash equivalents at the beginning of year	9,057,722	43,082	9,100,804
Cash and cash equivalents at the end of year	\$ 8,759,149	\$ 95,668	\$ 8,854,817

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2015

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,027,387	\$(575,822)	\$ 451,565
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,094,283	219,442	2,313,725
(Increase) decrease in accounts receivable	(122,557)	40,739	(81,818)
(Increase) decrease in inventory		10,672	10,672
(Increase) decrease in prepaid expenses		(9,471)	(9,471)
Increase (decrease) in accounts payable	43,778	(393)	43,385
Increase (decrease) in accrued wages payable	5,970	3,120	9,090
Increase (decrease) in net pension obligation	(105,876)		(105,876)
Increase (decrease) in accrued compensated absences	2,078		2,078
Increase (decrease) in deferred revenue		(36,031)	(36,031)
Increase (decrease) in customer deposits	36,448		36,448
Total adjustments	1,954,124	228,078	2,182,202
Net cash provided (used) by operating activities	\$ 2,981,511	\$(347,744)	\$ 2,633,767
Non-cash Investing, Capital, and Financing Activities:			
Capital contribution	\$	\$ 38,897	\$ 38,897
Net effect of non-cash transactions	\$ -0-	\$ 38,897	\$ 38,897

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Lake Jackson (the 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, 2015

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.

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, 2015

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.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

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.

2014 Economic Incentive Fund accounts for the proceeds of the Series 2014 Texas Certificates of Obligation issued for financing the redevelopment of the Oak Woods subdivision and the development of the Dow Texas Innovation Center.

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.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - continued

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. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The statement was implemented and did 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 statement was implemented and did not 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 statement was implemented and did not have a material effect on the City's financial statements. This statement is effective for periods beginning after June 15, 2013.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68", was issued November 2013. The statement was implemented and did have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - continued

GASB No. 72, "Fair Value Measurement and Application" was issued February 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City, however there will be additional disclosures related to Fair Values. This statement is effective for periods beginning after June 15, 2015.

GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of Statements 67 and 68" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2016.

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2016.

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2017.

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2015.

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2015.

GASB No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" was issued in December 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2015.

GASB No. 79, "Certain External Investment Pools and Pool Participants" was issued in December 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which is effective for reporting periods beginning after December 15, 2015.

GASB No. 80 "Blending Requirements for Certain Component Units and amendment of GASB No. 14" was issued in January 2016. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for period beginning after June 15, 2016.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

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, 2015:

Governmental Fund Types: There are no reconciling items for governmental fund.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - continued

Proprietary Fund Types:

	<u>Enterprise Fund</u>
Change in net position - GAAP basis	\$(37,261)
Provisions for Current Adjustments To:	
Depreciation	2,094,283
Amortization of loss on refunding debt	<u>23,704</u>
Change in net position - budgetary basis	\$ <u>2,080,726</u>
	<u>Golf Course Operating Fund</u>
Change in net position - GAAP basis	\$(136,595)
Provisions for Current Adjustments To:	
Depreciation	<u>219,442</u>
Change in net position - budgetary basis	\$ <u>82,847</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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Encumbrances - continued

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. The city canceled all the open purchase orders at the end of fiscal year, therefore, the city had no outstanding encumbrances as of September 31, 2015.

Cash and Cash Equivalents

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

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

The City elected to implement GASB Statement No. 31 (GASB 31), *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* as of September 30, 1996. As a governmental entity other than an external investment pool in accordance with GASB 31, the City's investments are stated at fair value, except for interest-earning investment contracts and external investment pools (See Note 3). In applying GASB 31, the City utilizes the following methods and assumptions as of September 30, 2015:

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Receivables, Payables and Transfers

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

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, 2015.

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).

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

The assessed value of the property tax roll on August 1, 2014, upon which the levy for the 2014-15 fiscal year was based, was \$ 1,496,958,230. 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, 2015, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.240778 and \$ 0.146722 per \$ 100 valuation, respectively, for a total of \$ 0.3875 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2015, were 99.74% 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, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 25,390 and \$ 17,539 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences – Continued

As of September 30, 2015, there is no maturing compensated absences payable in the General Fund. Accrued compensated absences reported in the Enterprise Fund at September 30, 2015 totaled \$ 149,145.

Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2015, consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 67,387	\$
Supplies held for resale	<u>33,085</u>	<u>27,198</u>
	<u>\$ 100,472</u>	<u>\$ 27,198</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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, or by an official to whom that authority has been given.

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.

CITY OF LAKE JACKSON
Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following schedule presents details of fund balance components at September 30, 2015:

	General Fund	Economic Development Fund	General Debt Service Fund	2014 Economic Incentive Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Non-spendable:						
Inventory	\$ 100,472					\$ 100,472
Restricted:						
Debt service			705,373		9,303	714,676
Capital projects				5,504,299	4,006,225	9,510,524
Economic development		2,519,353				2,519,353
Program education					281,104	281,104
Encourage tourism					49,798	49,798
Law enforcement					70,847	70,847
Committed:						
Contingencies	903,264					903,264
Assigned:						
General construction					2,102,001	2,102,001
Unemployment insurance	144,302					144,302
Equipment replacement	6,193,352					6,193,352
Special events	32,652					32,652
Park improvement	172,762					172,762
Unassigned	7,480,835					7,480,835
 Total fund balances	 \$ 15,027,639	 \$ 2,519,353	 \$ 705,373	 \$ 5,504,299	 \$ 6,519,278	 \$ 30,275,942

In accordance with City Resolution 11-624, the City committed the total fund balance of General Contingency Fund, a sub fund of the General Fund, for emergency use and in the event purchases cannot be accommodated through current year savings. The City Council delegates authority to the City Manager or the Finance Director to assign funds, when it is appropriate. By establishing a sub fund of the General Fund, the city manager has assigned balances in these sub funds for the purposes of purchasing new and replacement equipment, paying unemployment claims, conducting or hosting special events and making Park improvements. No additional sub funds were established in the current fiscal year.

Net Position - Net position represents the differences between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following schedule presents details of net position balance components at September 30, 2015:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position:			
Net investment in capital assets	\$ 33,652,498	\$ 25,714,257	\$ 59,366,755
Restricted:			
Debt service	765,299		765,299
Economic development	2,519,353		2,519,353
Program education	281,104		281,104
Encourage tourism	49,798		49,798
Law enforcement	70,847		70,847
Revenue bond retirement		1,675,881	1,675,881
Construction		2,684,987	2,684,987
Unrestricted	<u>15,824,959</u>	<u>2,789,247</u>	<u>18,614,206</u>
Total net position	<u>\$ 53,163,858</u>	<u>\$ 32,864,372</u>	<u>\$ 86,028,230</u>

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB No. 68". GASB Statement No. 68 establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB Statement 71, amendment of GASB Statement No. 68, addresses the issue regarding application of the transition provisions. It requires a government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a government employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, it requires that the government recognize its contribution as a deferred outflow of resources. The following represents the retroactive restatement of net position as a result of implementation of GASB Statements No. 68 and 71 and prior period adjustment as noted above:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net position, September 30, previously reported	\$ 50,752,793	\$ 33,229,992	\$ 83,982,785
Addition of outflows of resources – subsequent pension contributions	781,650	209,838	991,488
Addition of net pension obligation	<u>(1,848,349)</u>	<u>(401,602)</u>	<u>(2,249,951)</u>
Total	<u>\$ 49,686,094</u>	<u>\$ 33,038,228</u>	<u>\$ 82,724,322</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT - Continued

Information was not available to restate the September 30, 2013 net position or the changes in net position for the year ended September 30, 2014, therefore, the MD&A presentation does not report comparative statements for the year ended September 30, 2014. Further, this change in accounting principle had no effect on governmental fund fund balance or changes in fund balance.

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, 2015, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 11,209	\$	\$ 11,209
Financial Institution Deposits:			
Demand deposits	9,741,891	1,733,048	11,474,939
Local Government Investment Pools:			
Texpool	5,533,211	984,338	6,517,549
Lone Star Investment Pool	6,525,300	1,160,828	7,686,128
TexSTAR	<u>10,560,040</u>	<u>1,878,593</u>	<u>12,438,633</u>
	<u>\$ 32,371,651</u>	<u>\$ 5,756,807</u>	<u>\$ 38,128,458</u>
Investments:			
Financial Institution Deposits:			
Certificates of deposit	\$ 399,000	\$	\$ 399,000
	<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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Deposits - Continued

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, 2015, in addition to petty cash of \$ 11,209, the carrying amount of the City's cash, savings, and time deposits was \$ 11,873,939. The financial institutions balances were \$ 12,076,137 at September 30, 2015. Bank balances of \$ 719,707 were covered by federal depository insurance, and \$ 11,356,430 was covered by collateral pledged in the City's name. The pledged collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

Investments

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

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

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

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;

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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

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

The City invests in TexPool, Lone Star Investment Pool, and TexSTAR to provide its liquidity needs. TexPool, Lone Star Investment Pool, and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Lone Star Investment Pool, and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool, Lone Star Investment Pool, and TexSTAR are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2015 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 39 days, 27 days, and 53 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 39 days, 27 days, and 53 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

The following table includes the portfolio balances of all investment types of the City at September 30, 2015.

	<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	39	\$ 6,517,549
Lone Star Investment Pool	N/A	Varies daily	27	7,686,128
TexSTAR	N/A	Varies daily	53	<u>12,438,633</u>
Total local government investment pools			41	<u>26,642,310</u>
Certificate of deposit	06-19-16	0.450%	263	100,000
Certificate of deposit	02-13-16	0.300%	136	99,000
Certificate of deposit	02-28-16	0.548%	151	100,000
Certificate of deposit	02-04-16	0.600%	127	<u>100,000</u>
Total certificates of deposit			3	<u>399,000</u>
Total investments			40	<u>\$27,041,310</u>

Credit Risk - As of September 30, 2015, the LGIP's (which represent approximately 98.52% of the portfolio are rated AAAM by Standard and Poor's, while the certificates of deposits (1.48% 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, 2015, and holds no direct investments in derivatives at September 30, 2015.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 4 - DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND UNEARNED REVENUE

Government Funds

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). As of September 30, 2015, 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)	\$ 25,445	\$
Delinquent property taxes receivable (debt service fund)	17,484	
Donation received for dog park project		20,000
Recreation memberships and deposits		<u>80,829</u>
 Total	 <u>\$ 42,929</u>	 <u>\$ 100,829</u>

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of September 30, 2015 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue). As of September 30, 2015, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities</u>		
Debt refunding loss	\$ 68,223	\$
TMRS deferred inflows and outflows of resources		
less current amortization	296,157	370,295
TESRS deferred inflows of resources less current amortization		44,203
Pension contributions subsequent to the measurement date	<u>815,434</u>	
 Totals	 <u>\$ 1,179,814</u>	 <u>\$ 414,498</u>
 <u>Business-Type Activities</u>		
Debt refunding loss	\$ 108,821	\$
Gain on capital lease		10,125
TMRS deferred inflows and outflows of resources		
less current amortization	79,486	99,384
Pension contributions subsequent to the measurement date	<u>199,210</u>	
 Totals	 <u>\$ 387,517</u>	 <u>\$ 109,509</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended September 30, 2015 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 Funds</u>	<u>Golf Course Fund</u>	
Governmental Funds:					
General Fund	\$	\$ 1,000,000	\$ 482,633	\$ 100,000	\$ 1,582,633
Economic development	350,000	2,022,867		300,000	2,672,867
Non-major governmental	64,654				64,654
Proprietary Funds:					
Enterprise	<u>1,208,685</u>				<u>1,208,685</u>
	<u>\$ 1,623,339</u>	<u>\$ 3,022,867</u>	<u>\$ 482,633</u>	<u>\$ 400,000</u>	<u>\$ 5,528,839</u>

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

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Balance</u> <u>10/01/14</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/15</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,397,003	\$	\$	\$ 2,397,003
Construction in progress	<u>6,010,552</u>	<u>2,357,923</u>	<u>6,621,780</u>	<u>1,746,695</u>
Total capital assets, not being depreciated	<u>8,407,555</u>	<u>2,357,923</u>	<u>6,621,780</u>	<u>4,143,698</u>
Capital Assets, Being Depreciated:				
Buildings	26,202,247	3,872,258		30,074,505
Improvements	16,747,749	141,575	13,144	16,876,180
Equipment	13,533,686	866,929	2,241,412	12,159,203
Infrastructure	<u>83,571,904</u>	<u>2,510,862</u>		<u>86,082,766</u>
Total capital assets, being depreciated	<u>140,055,586</u>	<u>7,391,624</u>	<u>2,254,556</u>	<u>145,192,654</u>
Less Accumulated Depreciation For:				
Buildings	11,677,222	641,102		12,318,324
Improvements	8,999,272	449,728	9,090	9,439,910
Equipment	9,389,315	791,565	2,171,387	8,009,493
Infrastructure	<u>61,337,517</u>	<u>1,802,941</u>		<u>63,140,458</u>
Total accumulated depreciation	<u>91,403,326</u>	<u>3,685,336</u>	<u>2,180,477</u>	<u>92,908,185</u>
Total capital assets, being depreciated, net	<u>48,652,260</u>	<u>3,706,288</u>	<u>74,079</u>	<u>52,284,469</u>
Governmental activities capital assets, net	<u>\$ 57,059,815</u>	<u>\$ 6,064,211</u>	<u>\$ 6,695,859</u>	<u>\$ 56,428,167</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 6 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/14</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/15</u>
Business-type Activities (Utility Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>359,506</u>	\$ <u>644,034</u>	\$ <u>656,057</u>	\$ <u>347,483</u>
Total capital assets, not being depreciated	<u>359,506</u>	<u>644,034</u>	<u>656,057</u>	<u>347,483</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	31,795,315	656,058		32,451,373
Equipment	7,023,311	382,633	93,636	7,312,308
Infrastructure	<u>19,295,948</u>	<u> </u>	<u> </u>	<u>19,295,948</u>
Total capital assets, being depreciated	<u>63,514,521</u>	<u>1,038,691</u>	<u>93,636</u>	<u>64,459,576</u>
Less Accumulated Depreciation:				
Buildings	4,305,953	132,533		4,438,486
Improvements other than buildings	18,380,489	893,596		19,274,085
Equipment	5,020,676	418,829	82,872	5,356,633
Infrastructure	<u>6,801,140</u>	<u>649,325</u>	<u> </u>	<u>7,450,465</u>
Total accumulated depreciation	<u>34,508,258</u>	<u>2,094,283</u>	<u>82,872</u>	<u>36,519,669</u>
Total capital assets, being depreciated, net	<u>29,006,263</u>	<u>(1,055,592)</u>	<u>10,764</u>	<u>27,939,907</u>
Business-type activities capital assets, net	\$ <u>29,365,769</u>	\$ <u>(411,558)</u>	\$ <u>666,821</u>	\$ <u>28,287,390</u>
	<u>Balance</u> <u>10/01/14</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/15</u>
Business-type Activities (Golf Course Fund):				
Capital Assets, Not Being Depreciated:				
Land	\$ <u>3,821,585</u>	\$ <u> </u>	\$ <u> </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	3,089,069	27,012		3,116,081
Equipment	<u>811,524</u>	<u>11,886</u>	<u> </u>	<u>823,410</u>
Total capital assets, being depreciated	<u>5,123,139</u>	<u>38,898</u>	<u>-0-</u>	<u>5,162,037</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 6- CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/14</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/15</u>
Less Accumulated Depreciation:				
Buildings	\$ 646,888	\$ 60,595	\$	\$ 707,483
Improvements other than buildings	1,593,866	158,205		1,752,071
Equipment	<u>592,861</u>	<u>642</u>		<u>593,503</u>
Total accumulated depreciation	<u>2,833,615</u>	<u>219,442</u>	<u>-0-</u>	<u>3,053,057</u>
Total capital assets, being depreciated, net	<u>2,289,524</u>	<u>(180,544)</u>	<u>-0-</u>	<u>2,108,980</u>
Business-type activities capital assets, net	<u>\$ 6,111,109</u>	<u>\$(180,544)</u>	<u>\$ -0-</u>	<u>\$ 5,930,565</u>
	<u>Balance</u> <u>10/01/14</u>	<u>Adjustments/ Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/15</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$	\$	\$ 3,821,585
Construction in progress	<u>359,506</u>	<u>644,034</u>	<u>656,057</u>	<u>347,483</u>
Total capital assets, not being depreciated	<u>4,181,091</u>	<u>644,034</u>	<u>656,057</u>	<u>4,169,068</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	34,884,384	683,070		35,567,454
Equipment	7,834,835	394,519	93,636	8,135,718
Infrastructure	<u>19,295,948</u>			<u>19,295,948</u>
Total capital assets, being depreciated	<u>68,637,660</u>	<u>1,077,589</u>	<u>93,636</u>	<u>69,621,613</u>
Less Accumulated Depreciation:				
Buildings	4,952,841	193,128		5,145,969
Improvements other than buildings	19,974,355	1,051,801		21,026,156
Equipment	5,613,537	419,471	82,872	5,950,136
Infrastructure	<u>6,801,140</u>	<u>649,325</u>		<u>7,450,465</u>
Total accumulated depreciation	<u>37,341,873</u>	<u>2,313,725</u>	<u>82,872</u>	<u>39,572,726</u>
Total capital assets, being depreciated, net	<u>31,295,787</u>	<u>(1,236,136)</u>	<u>10,764</u>	<u>30,048,887</u>
Business-type activities capital assets, net	<u>\$ 35,476,878</u>	<u>\$(592,102)</u>	<u>\$ 666,821</u>	<u>\$ 34,217,955</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 6 - CAPITAL ASSETS - Continued

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

Governmental Activities:

General government	\$ 283,413
Public safety	684,575
Public works, including depreciation of infrastructure	1,914,720
Culture and recreation	<u>802,628</u>

Total depreciation expense-governmental activities \$ 3,685,336

Business-type Activities:

Water and sewer	\$ 1,779,844
Sanitation	314,439
Golf course	<u>219,442</u>

Total depreciation expense-business-type activities \$ 2,313,725

Governmental Fund Construction Commitments

The City has entered into contracts for construction as of September 30, 2015, as follows:

	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>to Date</u>	<u>Commitment</u>
Downtown Revitalization	\$ 524,959	\$	\$ 524,959
S. Parking Place D/W Revitalization	16,168		16,168
Recreation Center AHU replacement	171,380	169,171	2,209
Plantation Dr. /Loganberry & Oleander Crossing	185,361		185,361
ADA Ramp Improvements	<u>42,810</u>		<u>42,810</u>
Total	\$ <u>940,678</u>	\$ <u>169,171</u>	\$ <u>771,507</u>

Proprietary Fund Construction Commitments

The City has entered into contracts for construction as of September 30, 2015 as follows:

	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>to Date</u>	<u>Commitment</u>
North Sewer Services	\$ 363,600	\$	\$ 363,600
North Water Services	<u>2,116,069</u>	<u>112,000</u>	<u>2,004,069</u>
Total	\$ <u>2,479,669</u>	\$ <u>112,000</u>	\$ <u>2,367,669</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

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	\$ 24,102
Debt Service Fund	<u>15,479</u>
Total	<u>\$ 39,581</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, 2015, was \$ 48,170.

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 \$ 75,319 for the year ended September 30, 2015.

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, 2015, was \$ 835,547.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

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.

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 issuances 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

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.

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

On November 4, 2014, the City issued City of Lake Jackson, Texas Certificates of Obligation, Series 2014 in the amount of \$ 5,500,000 for financing the economic incentives for the Dow Chemical and HEB projects (offsite infrastructure).

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2015, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/15
		Issued	Maturity	Callable	
Limited Tax Bond Series 2004	3.30 - 4.20	2004	2024	2013	\$ 1,620,000
Limited Tax Bond Series 2007	3.875 – 4.00	2007	2027	2017	3,180,000
Limited Tax Bond Series 2009	3.75 – 5.25	2009	2029	2018	1,680,000
Limited Tax Refunding Series 2009	3.875 - 4.00	2009	2019	N/A	1,675,000
Certificates of Obligation Series 2009	3.50 - 5.00	2010	2030	2019	3,750,000
Limited Tax Series 2010	3.50 - 5.00	2010	2030	2020	2,250,000
Limited Tax Refunding Series 2011	2.00 - 4.00	2011	2023	2020	5,405,000
Limited Tax Refunding Series 2013	1.50 - 3.00	2013	2033	2023	3,600,000
Certificate of Obligation Series 2013	2.00 - 3.00	2013	2033	2023	1,800,000
Certificate of Obligation Series 2013A	2.00 - 3.00	2013	2023	2021	1,200,000
Certificate of Obligation Series 2014	2.00 - 3.00	2014	2024	2022	<u>5,225,000</u>
Total					<u>\$ 31,385,000</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

General obligation bond transactions for the year ended September 30, 2015, were as follows:

Bonds outstanding, October 1	\$ 29,035,000
Issued	5,500,000
Maturities	<u>(3,150,000)</u>
Bonds outstanding, September 30	<u>\$ 31,385,000</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 outstanding bonds or the amount to pay current principal, whichever is greater. For the year ended September 30, 2015, the amount of ad valorem taxes collected for interest and sinking was \$ 2,202,155. The debt service requirements for principal and interest were \$ 4,313,523. In addition, \$ 2,022,867 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, 2015:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2016	\$ 3,100,000	\$ 1,002,102	\$ 4,102,102
2017	3,100,000	906,508	4,006,508
2018	2,730,000	810,788	3,540,788
2019	2,495,000	722,906	3,217,906
2020	2,435,000	639,051	3,074,051
2021-2025	9,640,000	2,061,169	11,701,169
2026-2030	5,885,000	797,512	6,682,512
2031-2034	<u>2,000,000</u>	<u>116,125</u>	<u>2,116,125</u>
Total	<u>\$ 31,385,000</u>	<u>\$ 7,056,161</u>	<u>\$ 38,441,161</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, 2015

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, 2015, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/15
		Issued	Maturity	Callable	
Revenue Bonds	4.00 -				
Series 2007	5.00	2007	2027	2017	\$ 1,200,000
Revenue Bonds -	3.50 -				
Series 2009	4.50	2009	2030	2018	1,265,000
Revenue Bonds Refunding -	2.00 -				
Series 2009	3.00	2009	2016	N/A	95,000
Revenue Bonds Refunding -	2.00 -				
Series 2010	4.00	2010	2021	N/A	4,600,000
Revenue Bonds -	2.50 -				
Series 2013	3.00	2013	2033	2022	<u>1,800,000</u>
Total					<u>\$ 8,960,000</u>

Revenue bond transactions for the year ended September 30, 2015 were as follows:

Bonds outstanding, October 1	\$ 10,145,000
Maturities	<u>(1,185,000)</u>
Bonds outstanding, September 30	<u>\$ 8,960,000</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, 2015, the required balance in the sinking fund was \$ 662,067. 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, 2015, the required balance in the reserve fund was \$ 1,486,875. At September 30, 2015, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 854,009; and the designated amount for the reserve totaled \$ 1,486,875. The total account balance of \$ 2,340,884 is sufficient to cover the combined reserve and sinking requirement of \$ 2,148,942.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

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, 2015:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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
2021-2025	2,180,000	438,563	2,618,563
2026-2030	1,115,000	157,137	1,272,137
2031-2033	<u>300,000</u>	<u>18,000</u>	<u>318,000</u>
Total	<u>\$ 8,960,000</u>	<u>\$ 1,861,200</u>	<u>\$ 10,821,200</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 capital lease:

2016	\$ <u>10,125</u>
Total	\$ <u>10,125</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 8 - LONG-TERM DEBT - Continued

Changes in Outstanding Debt

Transactions for the year ended September 30, 2015, are summarized as follows:

	<u>Balance</u> <u>10-01-14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09-30-15</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
Certificates of obligation bonds	\$ 7,250,000	\$ 5,500,000	\$ 775,000	\$ 11,975,000	\$ 775,000
Limited tax bonds	21,785,000		2,375,000	19,410,000	2,325,000
Components of Bonded Debt:					
Premiums on bonds	921,338	83,600	103,745	901,193	103,919
Accrued interest payable	40,989	43,045	40,989	43,045	43,045
Net pension liability	2,555,757	4,322,064	4,927,716	1,950,105	195,011
Compensated absences	<u>561,085</u>	<u>450,756</u>	<u>429,290</u>	<u>582,551</u>	<u>457,517</u>
Total governmental activities	<u>33,114,169</u>	<u>10,399,465</u>	<u>8,651,740</u>	<u>34,861,894</u>	<u>3,899,492</u>
Business-Type Activities:					
Revenue bonds	10,145,000		1,185,000	8,960,000	1,165,000
Components of Bonded Debt:					
Premium on bonds	192,473		23,102	169,371	23,102
Accrued interest payable	163,064	148,151	163,064	148,151	148,151
Net pension liability	597,024	1,159,433	1,295,835	460,622	46,062
Compensated absences	<u>147,067</u>	<u>101,812</u>	<u>99,734</u>	<u>149,145</u>	<u>102,861</u>
Total business-type activities	11,244,628	1,409,396	2,766,735	9,887,289	1,485,176
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	493,750			493,750	493,750
Premium on bonds	23,102	23,102	23,102	23,102	23,102
Accrued interest payable	<u>163,064</u>	<u>148,151</u>	<u>163,064</u>	<u>148,151</u>	<u>148,151</u>
Net business-type activities	<u>10,564,712</u>	<u>1,238,143</u>	<u>2,580,569</u>	<u>9,222,286</u>	<u>820,173</u>
Total government (net)	<u>\$ 43,678,881</u>	<u>\$ 11,637,608</u>	<u>\$ 11,232,309</u>	<u>\$ 44,084,180</u>	<u>\$ 4,719,665</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 Liability

General fund and water and sewer enterprise fund have been used to liquidate the net pension obligation in prior years. See Note 10 and Note 11 for pension liability information.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

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 2037. The City has not determined the cost of these facilities as of September 30, 2015. Minimum future rentals to be received on noncancelable leases, as of September 30, 2015, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2016	\$ 179,902
2017	182,247
2018	166,877
2019	193,346
2020	199,146
2021-2025	932,052
2026-2030	927,437
2031-2035	706,403
2036-2040	318,201
2041-2042	<u>7,318</u>
	<u>\$ 3,812,929</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, 2015, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2016	\$ 128,156
2017	122,743
2018	82,517
2019	<u>41,258</u>
	<u>\$ 374,674</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City of Lake Jackson participates as one of 860 plans in the nontraditional, join contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publically available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Member may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. Members in most cities can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Some cities have elected retirement eligibility with 25 years of service regardless of age. Most plans also provide death benefits and all provide disability benefits. Effective January 1, 2002, members are vested after 5 years, unless a city opted to maintain 10-year vesting. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	110
Inactive employees entitled to but not yet receiving benefits	118
Active employees	<u>208</u>
	436

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Lake Jackson were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lake Jackson were 12.62% and 13.73% in the calendar years 2015 and 2014, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$ 1,246,781, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions.

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates multiplied by a factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long term-expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	
Balance at 12/31/2013	\$ 51,744,203	\$ 48,922,727	\$ 2,821,476
Changes for the Year:			
Service cost	1,235,156		1,235,156
Interest	3,586,517		3,586,517
Difference between expected and actual experience	(864,997)		(864,997)
Contributions - employer		1,276,545	(1,276,545)
Contributions - employee		557,850	(557,850)
Net investment income		2,798,520	(2,798,520)
Benefit payment, including refunds of employee contributions	(2,251,635)	(2,251,635)	-0-
Administrative expense		(29,219)	29,219
Other changes		(2,402)	2,402
Net changes	<u>1,705,041</u>	<u>2,349,659</u>	<u>(644,618)</u>
Balance at 12/31/2014	<u>\$ 53,449,244</u>	<u>\$ 51,272,386</u>	<u>\$ 2,176,858</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what's the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease In Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase In Discount Rate (8.0%)
City's Net Pension Liability	\$ 9,838,209	\$ 2,176,858	\$(4,083,450)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issues TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the city recognized pension expense of \$ 798,408.

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 375,643	\$
Difference between projected and actual investment earnings		469,679
Contributions subsequent to the measurement date	<u>941,269</u>	<u> </u>
Total	<u>\$ 1,316,912</u>	<u>\$ 469,679</u>

\$ 941,269 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2016	\$(72,445)
2017	\$(72,445)
2018	\$ 50,854
2019	-0-
2020	-0-

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

A. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers, a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

On August 31, 2014, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,073
Terminated members entitled to benefits but not yet receiving them	2,161
Active participants (vested and non-vested)	4,036

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.

B. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$ 36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

C. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$ 4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The City appropriated \$ 53,754 for the fiscal year ending August 31, 2014.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in subsection D below.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$ 625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014 the actuarial liabilities exceeded the actuarial assets by \$ 26,093,761.

D. Net Pension Liability

The System's Net Pension Liability (NPL) was measured as of August 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

	<u>City's Portion</u>	<u>System</u>
Total pension liability	\$ 1,413,831	\$ 109,854,799
Plan fiduciary net position	<u>1,179,962</u>	<u>91,683,156</u>
Net pension liability	\$ <u>233,869</u>	\$ <u>18,171,643</u>
Plan fiduciary net position as a percentage of the total pension liability	83.5%	83.5%

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.50%
Salary increases N/A
Investment rate of return 7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Large cap domestic	32%	5.2%
Small cap domestic	10%	5.8%
Development international	21%	5.5%
Emerging markets	6%	5.4%
Master limited partnership	5%	7.1%
Fixed Income:		
Domestic	21%	1.4%
International	5%	1.6%
Cash	0%	0.0%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. That UAAL was based on an actuarial value of assets that was \$ 7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease In Discount Rate <u>(6.75%)</u>	Discount Rate <u>(7.75%)</u>	1% Increase In Discount Rate <u>(8.75%)</u>
City's Net Pension Liability	\$ 481,933	\$ 233,869	\$ 89,138

E. Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At September 30, 2015, the City reported \$ 73,375 deferred outflows of resources and \$ 44,203 deferred inflows of resources related to pension. \$ 44,203 deferred inflows of resources was net difference between projected and actual investment earning.

\$ 73,375 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. \$ 44,203 reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>September 30,</u>	
2016	\$(14,735)
2017	\$(14,734)
2018	\$(14,734)
2019	-0-
2020	-0-

NOTE 12 - OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN

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.

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); retired employees are insured for \$ 7,500; this coverage is an "other post employment benefit" or OPEB.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 12 - OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN - Continued

	<u>2015</u>	<u>2014</u>
The City offers Supplemental Death to:		
Active employees (Yes or No)	Yes	Yes
Retirees (Yes or No)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy 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.

The City's contributions to the TMRS SDBF for the years ended September 30, 2015, 2014, and 2013 were \$ 20,225, \$ 19,904, and \$ 18,306, respectively, which equaled 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 13 - DEFERRED COMPENSATION PLAN

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 14 - 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, 2015.

NOTE 15 - 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 16 - 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 (Dow), BASF Corporation, and the Brock interests.

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

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 16 - INDUSTRIAL DISTRICT CONTRACT - Continued

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, 2015 amounted to \$ 4,249,304.

NOTE 17 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2015, 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 Enterprise Fund. Grant revenues are classified as intergovernmental revenues or capital contribution.

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Federal:			
U.S. Department of Housing and Urban Development:			
Community Development Block Grant (ADA Accessibility)	\$	\$ 103,172	\$ 103,172
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	3,147		3,147
U.S. Department of Transportation:			
Highway Safety Program	1,860		1,860
State:			
Law Enforcement Officer Standards and Education (LEOSE)	<u>3,436</u>		<u>3,436</u>
Total	<u>\$ 8,443</u>	<u>\$ 103,172</u>	<u>\$ 111,615</u>

As of September 30, 2015, all cash and in-kind matching requirements had been met for those grants requiring local matching.

During the year ending September 30, 2000, the City received a \$ 16,000,000 loan from the Texas Water Development Board, which represents pass-through Federal assistance from the Environmental Protection Agency. This loan is accounted for in the Enterprise Fund with the liability included in revenue bonds payable (See Note 8). Requirements of the Single Audit Act and OMB Circular A-133 do not apply.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 18 - 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, 2015, the City paid the Shelter \$ 135,148 under this agreement.

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. Both the City and Dow have agreed to various covenants, warranties, obligations and duties as a part of this agreement. For the year ending September 30, 2015, the City has not made any reimbursements or rebates to Dow under this agreement.

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 along with the City will providing the Developer five yearly payments of seventy thousand dollars (\$ 70,000). In no event will the reimbursement exceed \$ 675,500 plus interest at the rate of five percent (5%) per annum. For the year ending September 30, 2015, the City paid \$ 70,000 under this agreement.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 18 - INTERLOCAL AGREEMENT - Continued

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). Both the City and HEB have agreed to various covenants, warranties, obligations and duties as a part of this agreement. For the year ending September 30, 2015, the City paid no reimbursements or rebates to HEB under this agreement.

NOTE 19 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 29, 2016, the date which the financial statements were available to be issued.

On December 1, 2015, the City issued City of Lake Jackson, Texas Limited Tax Refunding Bonds, Series 2015, in the amount of \$ 7,870,000. The purpose of the refunding bonds is for making public improvements.

NOTE 20 - EXCESS OF EXPENDITURES OVER APROPRIATIONS

During the year ended September 30, 2015, expenditures exceeded appropriations in the funds as follows:

Red Light Camera Fund	\$	23,492
Motel Occupancy Fund		176,546
Program Education Fund		2,388
Economic Development Debt Service Fund		35,887

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

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LAKE JACKSON

Lake Jackson, Texas

TMRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS FOR THE LAST TEN YEARS (1)

SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF DECEMBER 31, 2014

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 1,235,156
Interest (on the Total Pension Liability)	3,586,517
Changes of benefit terms	-0-
Difference between expected and actual experience	(864,997)
Change of assumptions	-0-
Benefit payments, including refunds of employee contributions	<u>(2,251,635)</u>
Net Change in Total Pension Liability	1,705,041
Total Pension Liability – Beginning	<u>51,744,203</u>
Total Pension Liability – Ending (a)	<u>\$ 53,449,244</u>
Plan Fiduciary Net Position	
Contributions – Employer	\$ 1,276,545
Contributions – Employee	557,850
Net Investment Income	2,798,520
Benefit payments, including refunds of employee contributions	(2,251,635)
Administrative expense	(29,219)
Other	<u>(2,402)</u>
Net Change in Plan Fiduciary Net Position	2,349,659
Plan Fiduciary Net Position – Beginning	<u>48,922,727</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 51,272,386</u>
Net Pension Liability (a-b)	<u>\$ 2,176,858</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.93%
Covered Employee Payroll	\$ 9,297,496
Net Pension Liability as a Percentage of Covered Employee Payroll	23.41%

Notes to Schedule:

N/A

(1) The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only one year of required supplemental information is available.

CITY OF LAKE JACKSON

Lake Jackson, Texas

**TMRS SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN YEARS (1)**

SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF DECEMBER 31, 2014

	<u>2015</u>
Actuarially determined contribution	\$ 1,276,545
Contributions in relation to the actuarially determined contribution	<u>1,276,545</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
Covered-employee payroll	<u>\$ 9,297,496</u>
Contributions as a percentage of covered-employee payroll	13.73%

Notes to Schedule of Contributions

Valuation date

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll, Closed
Remaining Amortization period	25 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary increases	3.50% to 12.00% including inflation
Investment rate of return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB

Other Information

Notes Adopted 20 year, any age retirement eligibility

(1) The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only one year of required supplemental information is available.

CITY OF LAKE JACKSON

Lake Jackson, Texas

**TESRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS (1)**

SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF AUGUST 31, 2014

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 23,521
Interest	103,620
Changes in benefit terms	-0-
Difference between expected and actual experience	-0-
Assumption changes	-0-
Benefit payments	<u>(53,644)</u>
Net Change in Total Pension Liability	73,497
Total Pension Liability – Beginning (2)	<u>1,340,334</u>
Total Pension Liability – Ending (a)	<u>\$ 1,413,831</u>
Total Fiduciary Net Position	
Contributions by the City	\$ 53,754
Contributions by the State	19,696
Net Investment Income	153,260
Benefit payments	(53,644)
Administrative expense	(2,133)
Other	<u>-0-</u>
Net Change in Plan Fiduciary Net Position	170,933
Plan Fiduciary Net Position – Beginning	<u>1,009,029</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 1,179,962</u>
Net Pension Liability (a-b)	<u>\$ 233,869</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.46%
Number of Active Members (3)	43
City's Net Pension Liability per Active Member	\$ 5,439

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- (2) Determined from the end of year total pension liability using the roll back procedure allowed for the initial year of implementing GASB 67.
- (3) There is no compensation for active members.

CITY OF LAKE JACKSON

Lake Jackson, Texas

TESRS SCHEDULE OF INVESTMENT RETURNS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF AUGUST 31, 2014

<u>Fiscal Year Ending</u>	<u>Annual Money-Weighted Net Real Rate of Return (2)</u>
August 31, 2013	13.84%
August 31, 2014	14.92%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- (2) The money weighted rate of return expresses investment performance, net of investment expenses, reflecting the changing amounts actually invested during the year.

***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

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

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, 2015

	Special Revenue Funds			
	Red Light Camera	Motel Occupancy Tax	Police Seizure	Program Education
<u>Assets and Deferred Outflows of Resources</u>				
Assets:				
Cash and temporary investments	\$	\$ 49,798	\$ 70,847	\$ 259,162
Receivables (net of allowance for uncollectibles):				
Taxes				21,942
Accounts				
Total assets	-0-	49,798	70,847	281,104
Deferred Outflows of Resources:				
Deferred outflows of resources				
Total deferred outflows of resources	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	\$ -0-	\$ 49,798	\$ 70,847	\$ 281,104
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Unearned revenue				
Total liabilities	-0-	-0-	-0-	-0-
Deferred Inflows of Resources:				
Deferred inflows of resources				
Total deferred inflows of resources	-0-	-0-	-0-	-0-
Fund Balances:				
Restricted:				
Debt service				
Capital projects				
Program education				281,104
Encourage tourism		49,798		
Law enforcement			70,847	
Assigned				
Total fund balances	-0-	49,798	70,847	281,104
Total liabilities, deferred inflows of resources and fund balances	\$ -0-	\$ 49,798	\$ 70,847	\$ 281,104

Debt Service Funds		Capital Projects Funds			
Economic Development	Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2013 Infrastructure	2010 Drainage Infrastructure
\$ 9,303	\$ -	\$ 2,088,757	\$ 80,447	\$ 935,429	\$ 1,015,988
		91,680			
<u>9,303</u>	<u>-0-</u>	<u>2,180,437</u>	<u>80,447</u>	<u>935,429</u>	<u>1,015,988</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 9,303</u>	<u>\$ -0-</u>	<u>\$ 2,180,437</u>	<u>\$ 80,447</u>	<u>\$ 935,429</u>	<u>\$ 1,015,988</u>
\$	\$	\$ 58,436	\$	\$ 62,647	\$ 20,883
		20,000			
<u>-0-</u>	<u>-0-</u>	<u>78,436</u>	<u>-0-</u>	<u>62,647</u>	<u>20,883</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
9,303			80,447	872,782	995,105
		2,102,001			
<u>9,303</u>	<u>-0-</u>	<u>2,102,001</u>	<u>80,447</u>	<u>872,782</u>	<u>995,105</u>
<u>\$ 9,303</u>	<u>\$ -0-</u>	<u>\$ 2,180,437</u>	<u>\$ 80,447</u>	<u>\$ 935,429</u>	<u>\$ 1,015,988</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS - Continued

September 30, 2015

	Capital Projects Funds		
	Downtown Revitalization	2013 Downtown Improvement	Total Non-major Governmental Funds
<u>Assets and Deferred Outflows of Resources</u>			
Assets:			
Cash and temporary investments	\$ 54,402	\$ 2,003,489	\$ 6,567,622
Receivables (net of allowance for uncollectibles):			
Taxes			21,942
Accounts			91,680
	54,402	2,003,489	6,681,244
Total assets			
Deferred Outflows of Resources:			
Deferred outflows of resources			-0-
	-0-	-0-	-0-
Total deferred outflows of resources			
Total assets and deferred outflows of resources	\$ 54,402	\$ 2,003,489	\$ 6,681,244
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>			
Liabilities:			
Accounts payable	\$	\$	\$ 141,966
Unearned revenue			20,000
	-0-	-0-	161,966
Total liabilities			
Deferred Inflows of Resources:			
Deferred inflows of resources			-0-
	-0-	-0-	-0-
Total deferred inflows of resources			
Fund Balances:			
Restricted:			
Debt service			9,303
Capital projects	54,402	2,003,489	4,006,225
Program education			281,104
Encourage tourism			49,798
Law enforcement			70,847
Assigned			2,102,001
	54,402	2,003,489	6,519,278
Total fund balances			
Total liabilities, deferred inflows of resources and fund balances	\$ 54,402	\$ 2,003,489	\$ 6,681,244

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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, 2015

	Special Revenue Funds			
	Red Light Camera	Motel Occupancy Tax	Police Seizure	Program Education
Revenues:				
Franchise tax	\$	\$	\$	\$ 87,247
Motel occupancy tax		498,844		
Intergovernmental				
Investment income		201	195	
Miscellaneous			25,547	
Total revenues	-0-	499,045	25,742	87,247
Expenditures:				
Current:				
General government and administration				2,388
Public safety			63,313	
Public works				
Cultural and Recreation:				
Contribution to Fine Arts Council		69,088		
Contribution to Museum of Natural Science		103,632		
Contribution to Chamber of Commerce		138,177		
Contribution to Historical Museum		112,341		
Other		6,878		
Capital outlay	23,492			
Debt Service:				
Principal retirement				
Interest and fiscal charges				
Total expenditures	23,492	430,116	63,313	2,388
Excess (deficiency) of revenues over (under) expenditures	(23,492)	68,929	(37,571)	84,859
Other Financing Sources (Uses):				
Bond issuance premium				
Transfers in				
Transfers out		(64,654)		
Total other financing sources (uses)	-0-	(64,654)	-0-	-0-
Net changes in fund balances	(23,492)	4,275	(37,571)	84,859
Fund balances – beginning	23,492	45,523	108,418	196,245
Fund balances – ending	\$ -0-	\$ 49,798	\$ 70,847	\$ 281,104

Debt Service Funds		Capital Projects Funds			
Economic Development	Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2013 Infrastructure	2010 Drainage Infrastructure
\$	\$	\$	\$	\$	\$
		103,172			
		2,652		981	583
		161,626			
<u>-0-</u>	<u>-0-</u>	<u>267,450</u>	<u>-0-</u>	<u>981</u>	<u>583</u>
		249,186			
		60,059			
		1,750			
		51,465			
		706,535	(80,447)	1,152,126	20,882
1,132,361	375,000				
<u>461,141</u>	<u>129,425</u>				
<u>1,593,502</u>	<u>504,425</u>	<u>1,068,995</u>	<u>(80,447)</u>	<u>1,152,126</u>	<u>20,882</u>
<u>(1,593,502)</u>	<u>(504,425)</u>	<u>(801,545)</u>	<u>80,447</u>	<u>(1,152,145)</u>	<u>(20,299)</u>
82,571					
1,518,442	504,425	1,000,000			
<u>1,601,013</u>	<u>504,425</u>	<u>1,000,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
7,511	-0-	198,455	80,447	(1,151,145)	(20,299)
<u>1,792</u>		<u>1,903,546</u>		<u>2,023,927</u>	<u>1,015,404</u>
<u>\$ 9,303</u>	<u>\$ -0-</u>	<u>\$ 2,102,001</u>	<u>\$ 80,447</u>	<u>\$ 872,782</u>	<u>\$ 995,105</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, 2015

	Capital Projects Funds		
	Downtown Revitalization	2013 Downtown Improvement	Total Non-major Governmental Funds
Revenues:			
Franchise Tax	\$	\$	\$ 87,247
Motel occupancy tax			498,844
Intergovernmental			103,172
Investment income	40	1,263	5,915
Miscellaneous			187,173
	40	1,263	882,351
Total revenues			
Expenditures:			
Current:			
General government and administration			251,574
Public safety			123,372
Public works			1,750
Cultural and Recreation:			
Contribution to Fine Arts Council			69,088
Contribution to Museum of Natural Science			103,632
Contribution to Chamber of Commerce			138,177
Contribution to Historical Museum			112,341
Other			58,343
Capital outlay	16,900		1,839,488
Debit Service:			
Principal			1,507,361
Interest and fiscal charges			590,566
	16,900	-0-	4,795,692
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	(16,860)	1,263	(3,913,341)
Other Financing Sources (Uses):			
Bond issuance premium			82,571
Transfers in			3,022,867
Transfers out			(64,654)
	-0-	-0-	3,040,784
Total other financing sources (uses)			
Net changes in fund balances	(16,860)	1,263	(872,557)
Fund balances – beginning	71,262	2,002,226	7,391,835
Fund balances – ending	\$ 54,402	\$ 2,003,489	\$ 6,519,278

**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, 2015
With Comparative Actual Total for 2014

	2015			Variance with Final Budget- Positive (Negative)	2014
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Fines and fees	\$	\$	\$	\$	\$
Total revenues	-0-	-0-	-0-	-0-	-0-
Expenditures:					
Capital outlay			23,492	(23,492)	3,246
Total expenditures	-0-	-0-	23,492	(23,492)	3,246
Net changes in fund balance	-0-	-0-	(23,492)	(23,492)	(3,246)
Fund balance – beginning	23,492	23,492	23,492	-0-	26,738
Fund balance – ending	<u>\$ 23,492</u>	<u>\$ 23,492</u>	<u>\$ -0-</u>	<u>\$(23,492)</u>	<u>\$ 23,492</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, 2015
With Comparative Actual Totals for 2014

	2015			Variance with Final Budget- Positive (Negative)	2014
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Motel occupancy tax	\$ 290,000	\$ 290,000	\$ 498,844	\$ 208,844	\$ 311,774
Investment income		-0-	201	201	180
Total revenues	<u>290,000</u>	<u>290,000</u>	<u>499,045</u>	<u>209,045</u>	<u>311,954</u>
Expenditures:					
Current:					
Culture and recreation	<u>253,570</u>	<u>253,570</u>	<u>430,116</u>	<u>(176,546)</u>	<u>265,135</u>
Total expenditures	<u>253,570</u>	<u>253,570</u>	<u>430,116</u>	<u>(176,546)</u>	<u>265,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,430</u>	<u>36,430</u>	<u>68,929</u>	<u>32,499</u>	<u>46,819</u>
Other Financing Sources (Uses):					
Transfers out	<u>(36,430)</u>	<u>(36,430)</u>	<u>(64,654)</u>	<u>(28,224)</u>	<u>(43,671)</u>
Total other financing sources (uses)	<u>(36,430)</u>	<u>(36,430)</u>	<u>(64,654)</u>	<u>(28,224)</u>	<u>(43,671)</u>
Net changes in fund balance	-0-	-0-	4,275	4,275	3,148
Fund balance – beginning	<u>45,523</u>	<u>45,523</u>	<u>45,523</u>	<u>-0-</u>	<u>42,375</u>
Fund balance – ending	<u>\$ 45,523</u>	<u>\$ 45,523</u>	<u>\$ 49,798</u>	<u>\$ 4,275</u>	<u>\$ 45,523</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, 2015
With Comparative Actual Totals for 2014

	2015			Variance with Final Budget- Positive (Negative)	2014
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$	\$	\$ 195	\$ 195	\$ 293
Miscellaneous	<u>20,300</u>	<u>20,300</u>	<u>25,547</u>	<u>5,247</u>	<u>21,498</u>
Total revenues	<u>20,300</u>	<u>20,300</u>	<u>25,742</u>	<u>5,442</u>	<u>21,791</u>
Expenditures:					
Current:					
Public Safety:					
Seizures administration	80,000	80,000	63,313	16,687	18,940
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,746</u>
Total expenditures	<u>80,000</u>	<u>80,000</u>	<u>63,313</u>	<u>16,687</u>	<u>35,686</u>
Net changes in fund balance	<u>(59,700)</u>	<u>(59,700)</u>	<u>(37,571)</u>	<u>22,129</u>	<u>(13,895)</u>
Fund balance – beginning	<u>108,418</u>	<u>108,418</u>	<u>108,418</u>	<u>-</u>	<u>122,313</u>
Fund balance – ending	<u>\$ 48,718</u>	<u>\$ 48,718</u>	<u>\$ 70,847</u>	<u>\$ 22,129</u>	<u>\$ 108,418</u>

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, 2015
With Comparative Actual Totals for 2014

	2015			Variance with Final Budget- Positive (Negative)	2014
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Franchise tax	\$ 60,000	\$ 60,000	\$ 87,247	\$ 27,247	\$ 76,844
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>87,247</u>	<u>27,247</u>	<u>76,844</u>
Expenditures:					
Current:					
General administration			2,388	(2,388)	5,500
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>2,388</u>	<u>(2,388)</u>	<u>5,500</u>
Net changes in fund balance	<u>60,000</u>	<u>60,000</u>	<u>84,859</u>	<u>24,859</u>	<u>71,344</u>
Fund balance – beginning	<u>196,245</u>	<u>196,245</u>	<u>196,245</u>	<u>-0-</u>	<u>124,901</u>
Fund balance – ending	<u>\$ 256,245</u>	<u>\$ 256,245</u>	<u>\$ 281,104</u>	<u>\$ 24,859</u>	<u>\$ 196,245</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, 2015
With Comparative Actual Total for 2014

	2015			Variance with Final Budget- Positive (Negative)	2014
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal retirement	1,132,361	1,132,361	1,132,361		863,325
Interest and fiscal charges	<u>425,254</u>	<u>425,254</u>	<u>461,141</u>	(35,887)	<u>330,697</u>
Total expenditures	<u>1,557,615</u>	<u>1,557,615</u>	<u>1,593,502</u>	(35,887)	<u>1,194,022</u>
Excess (deficiency) of revenues over (under) expenditures	(<u>1,557,615</u>)	(<u>1,557,615</u>)	(<u>1,593,502</u>)	(<u>35,887</u>)	(<u>1,194,022</u>)
Other Financing Sources (Uses):					
Bond issuance					1,500,000
Bond issuance premium			82,571	82,571	40,920
Transfers in	1,557,615	1,557,615	1,518,442	(39,173)	1,159,135
Transfers out	<u> </u>	<u> </u>	<u> </u>	<u>-0-</u>	(<u>1,504,241</u>)
Total other financing sources (uses)	<u>1,557,615</u>	<u>1,557,615</u>	<u>1,601,013</u>	<u>43,398</u>	<u>1,195,814</u>
Net changes in fund balance	-0-	-0-	7,511	7,511	1,792
Fund balance – beginning	<u>1,792</u>	<u>1,792</u>	<u>1,792</u>	<u>-0-</u>	<u> </u>
Fund balance – ending	<u>\$ 1,792</u>	<u>\$ 1,792</u>	<u>\$ 9,303</u>	<u>\$ 7,511</u>	<u>\$ 1,792</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, 2015
With Comparative Actual Totals for 2014

	2015			Variance with Final Budget- Positive (Negative)	2014
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal retirement	375,000	375,000	375,000		365,000
Interest and fiscal charges	<u>130,425</u>	<u>130,425</u>	<u>129,425</u>	<u>1,000</u>	<u>140,774</u>
Total expenditures	<u>505,425</u>	<u>505,425</u>	<u>504,425</u>	<u>1,000</u>	<u>505,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(505,425)</u>	<u>(505,425)</u>	<u>(504,425)</u>	<u>1,000</u>	<u>(505,774)</u>
Other Financing Sources (Uses):					
Transfers in	<u>505,425</u>	<u>505,425</u>	<u>504,425</u>	<u>(1,000)</u>	<u>505,774</u>
Total other financing sources (uses)	<u>505,425</u>	<u>505,425</u>	<u>504,425</u>	<u>(1,000)</u>	<u>505,774</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and temporary investments	\$ 14,471,336	\$ 13,353,991
Receivable (net of allowance for uncollectibles):		
Taxes	1,288,588	1,172,376
Accounts	46,877	63,279
Grants	20,284	18,381
Investments	399,000	399,000
Inventories	100,472	83,390
Prepaid expenditures		<u>6,930</u>
	<u>16,326,557</u>	<u>15,097,347</u>
Total assets		
Deferred Outflows of Resources:		
Deferred outflows of resources		
	<u>-0-</u>	<u>-0-</u>
Total deferred outflows of resources		
	<u>\$ 16,326,557</u>	<u>\$ 15,097,347</u>
Total assets and deferred outflows of resources		

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 530,495	\$ 551,523
Cash bonds and taxes	400,125	400,514
Accrued wages	262,024	231,957
Unearned revenue	<u>80,829</u>	<u>70,046</u>
Total liabilities	<u>1,273,473</u>	<u>1,254,040</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>25,445</u>	<u>18,911</u>
Total deferred inflows of resources	<u>25,445</u>	<u>18,911</u>
Fund Balance:		
Non-spendable:		
Inventory	100,472	83,390
Prepaid expenditures		6,930
Committed:		
General contingencies	903,264	801,448
Assigned:		
Unemployment insurance	144,302	165,785
Equipment replacement	6,193,352	5,813,661
Special events	32,652	12,937
Park improvement	172,762	295,836
Unassigned	<u>7,480,835</u>	<u>6,644,409</u>
Total fund balance	<u>15,027,639</u>	<u>13,824,396</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 16,326,557</u>	<u>\$ 15,097,347</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, 2015

With Comparative Actual Totals for 2014

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,621,536	\$ 3,621,536
Sales	5,283,875	5,283,875
Franchise	1,544,875	1,544,875
Other	92,000	92,000
Industrial district	4,248,890	4,248,890
Intergovernment		
Revenue producing facilities	1,082,600	1,082,600
Fines and fees	566,500	566,500
Licenses and permits	403,859	403,859
Investment income	32,000	32,000
Miscellaneous	126,550	126,550
Total revenues	17,002,685	17,002,685
Expenditures:		
Current:		
General government and administration	3,385,799	3,385,799
Public safety	6,125,037	6,125,037
Public works	3,089,105	3,089,105
Culture and recreation	4,418,827	4,418,827
Capital outlay	1,133,872	1,133,872
Total expenditures	18,152,640	18,152,640
Excess (deficiency) of revenues over (under) expenditures	(1,149,955)	(1,149,955)
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,595,115	1,595,115
Transfers out	(382,633)	(1,582,633)
Total other financing sources (uses)	1,212,482	12,482
Net change in fund balance	62,527	(1,137,473)
Fund balance - beginning	13,824,396	13,824,396
Fund balance - ending	\$ 13,886,923	\$ 12,686,923

2015			2014	
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,615,757	\$	\$ 3,615,757	\$(5,779)	\$ 3,466,594
5,991,129		5,991,129	707,254	5,226,636
1,646,902		1,646,902	102,027	1,580,815
206,901		206,901	114,901	164,284
4,249,304		4,249,304	414	4,186,100
8,443		8,443	8,443	6,613
1,186,243		1,186,243	103,643	1,135,711
573,801		573,801	7,301	625,201
666,610		666,610	262,751	501,138
38,474		38,474	6,474	33,858
<u>146,148</u>		<u>146,148</u>	<u>19,598</u>	<u>120,682</u>
<u>18,329,712</u>	<u>-0-</u>	<u>18,329,712</u>	<u>1,327,027</u>	<u>17,047,632</u>
3,536,378		3,536,378	(150,579)	3,354,028
5,843,285		5,843,285	281,752	5,703,530
2,576,814		2,576,814	512,291	2,695,742
4,274,608		4,274,608	144,219	3,897,297
<u>1,017,483</u>		<u>1,017,483</u>	<u>116,389</u>	<u>1,186,446</u>
<u>17,248,568</u>	<u>-0-</u>	<u>17,248,568</u>	<u>904,072</u>	<u>16,837,043</u>
<u>1,081,144</u>	<u>-0-</u>	<u>1,081,144</u>	<u>2,231,099</u>	<u>210,589</u>
81,393		81,393	81,393	80,088
1,623,339		1,623,339	28,224	1,650,212
(1,582,633)		(1,582,633)	-0-	(1,225,632)
<u>122,099</u>	<u>-0-</u>	<u>122,099</u>	<u>109,617</u>	<u>504,668</u>
1,203,243	-0-	1,203,243	2,340,716	715,257
<u>13,824,396</u>		<u>13,824,396</u>	<u>-0-</u>	<u>13,109,139</u>
<u>\$ 15,027,639</u>	<u>\$ -0-</u>	<u>\$ 15,027,639</u>	<u>\$ 2,340,716</u>	<u>\$ 13,824,396</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and temporary investments	\$ 2,024,750	\$ 1,938,268
Receivable (net of allowance for uncollectibles):		
Taxes	<u>528,076</u>	<u>477,823</u>
Total assets	<u>2,552,826</u>	<u>2,416,091</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>\$ 2,552,826</u>	<u>\$ 2,416,091</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ <u>33,473</u>	\$ <u>3,325</u>
Total liabilities	<u>33,473</u>	<u>3,325</u>
Deferred Inflows of Resources:		
Deferred inflows of resources	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Fund Balances:		
Restricted For:		
Economic development	<u>2,519,353</u>	<u>2,412,766</u>
Total fund balances	<u>2,519,353</u>	<u>2,412,766</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,552,826</u>	<u>\$ 2,416,091</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, 2015
With Comparative Actual Totals for 2014

	2015			Variance with Final Budget- Positive (Negative)	2014
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 2,783,000	\$ 2,783,000	\$ 3,138,233	\$ 355,233	\$ 2,752,237
Investment income	<u>8,000</u>	<u>8,000</u>	<u>6,832</u>	<u>(1,168)</u>	<u>13,761</u>
Total revenues	<u>2,791,000</u>	<u>2,791,000</u>	<u>3,145,065</u>	<u>354,065</u>	<u>2,765,998</u>
Expenditures:					
Current:					
General government and administration					300,000
Culture and recreation	50,000	50,000	55,918	(5,918)	74,377
Capital outlay	<u>1,167,125</u>	<u>973,000</u>	<u>309,693</u>	<u>663,307</u>	<u>106,644</u>
Total expenditures	<u>1,217,125</u>	<u>1,023,000</u>	<u>365,611</u>	<u>657,389</u>	<u>481,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,573,875</u>	<u>1,768,000</u>	<u>2,779,454</u>	<u>1,011,454</u>	<u>2,284,977</u>
Other Financing Sources (Uses):					
Transfers out	<u>(1,513,914)</u>	<u>(2,070,859)</u>	<u>(2,672,867)</u>	<u>(602,008)</u>	<u>(2,164,909)</u>
Total other financing sources (uses)	<u>(1,513,914)</u>	<u>(2,070,859)</u>	<u>(2,672,867)</u>	<u>(602,008)</u>	<u>(2,164,909)</u>
Net changes in fund balance	59,961	(302,859)	106,587	409,446	120,068
Fund balances – beginning	<u>2,412,766</u>	<u>2,412,766</u>	<u>2,412,766</u>	<u>-0-</u>	<u>2,292,698</u>
Fund balances – ending	<u>\$ 2,472,727</u>	<u>\$ 2,109,907</u>	<u>\$ 2,519,353</u>	<u>\$ 409,446</u>	<u>\$ 2,412,766</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and temporary investments	\$ 705,634	\$ 715,888
Receivable (net of allowance for uncollectibles):		
Taxes	<u>17,539</u>	<u>14,095</u>
Total assets	<u>723,173</u>	<u>729,983</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>\$ 723,173</u>	<u>\$ 729,983</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accrued interest	\$ <u>316</u>	\$ <u> </u>
Total liabilities	<u>316</u>	<u>-0-</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>17,484</u>	<u>14,041</u>
Total deferred inflows of resources	<u>17,484</u>	<u>14,041</u>
Fund Balance:		
Restricted For:		
Debt service	<u>705,373</u>	<u>715,942</u>
Total fund balance	<u>705,373</u>	<u>715,942</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 723,173</u>	<u>\$ 729,983</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, 2015
With Comparative Actual Totals for 2014

	2015			Variance with Final Budget- Positive (Negative)	2014
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Property taxes	\$ 2,206,846	\$ 2,206,846	\$ 2,202,155	\$ (4,691)	\$ 2,220,101
Investment income	<u>8,000</u>	<u>8,000</u>	<u>2,872</u>	<u>(5,128)</u>	<u>9,508</u>
Total revenues	<u>2,214,846</u>	<u>2,214,846</u>	<u>2,205,027</u>	<u>(9,819)</u>	<u>2,229,609</u>
Expenditures:					
Debt Service:					
Principal retirement	1,642,639	1,642,639	1,642,639		1,576,675
Interest and fiscal charges	<u>572,207</u>	<u>572,207</u>	<u>572,957</u>	<u>(750)</u>	<u>644,528</u>
Total expenditures	<u>2,214,846</u>	<u>2,214,846</u>	<u>2,215,596</u>	<u>(750)</u>	<u>2,221,203</u>
Net changes in fund balances	<u>-0-</u>	<u>-0-</u>	<u>(10,569)</u>	<u>(10,569)</u>	<u>8,406</u>
Fund balance – beginning	<u>715,942</u>	<u>715,942</u>	<u>715,942</u>	<u>-0-</u>	<u>707,536</u>
Fund balance – ending	<u>\$ 715,942</u>	<u>\$ 715,942</u>	<u>\$ 705,373</u>	<u>\$ (10,569)</u>	<u>\$ 715,942</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.

With the implementation of GASB Statement Nos. 68 and 71, comparable information for enterprise fund for the year ended September 30, 2014 is not available, therefore, comparable information for enterprise fund is not presented. Beginning with September 30, 2016 financial statements, comparative information for enterprise fund will resume.

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, 2015

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 4,032,285	\$ 4,032,285
Sewer service	3,687,060	3,687,060
Garbage fees	3,243,940	3,243,940
Tapping and connection fees	205,350	205,350
Other	156,040	156,040
Total revenues	11,324,675	11,324,675
Operating Expenses:		
Utility administration	453,355	453,355
Water production and treatment	3,189,115	3,189,115
Sewer collection	2,283,005	2,283,005
Sanitation	2,624,960	2,624,960
Depreciation		
Total operating expenses	8,550,435	8,550,435
Operating income	2,774,240	2,774,240
Non-Operating Revenues (Expenses):		
Interest revenue	11,280	11,280
Loss on disposal of capital assets		
Interest expense and fiscal charge	(354,275)	(354,275)
Total non-operating revenues (expenses)	(342,995)	(342,995)
Income before contributions and transfers	2,431,245	2,431,245
Capital contributions		
Transfers in		
Transfers out	(1,208,685)	(1,208,685)
Change in net position	1,222,560	1,222,560
Net position - beginning (restated)	27,057,361	27,057,361
Net position - ending	\$ 28,279,921	\$ 28,279,921

2015

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 3,912,414	\$	\$ 3,912,414	\$ (119,871)
3,616,255		3,616,255	(70,805)
3,287,706		3,287,706	43,766
329,992		329,992	124,642
<u>201,519</u>		<u>201,519</u>	<u>45,479</u>
<u>11,347,886</u>	<u>-0-</u>	<u>11,347,886</u>	<u>23,211</u>
430,822		430,822	22,533
3,133,454		3,133,454	55,661
2,110,332		2,110,332	172,673
2,551,608		2,551,608	73,352
<u>2,094,283</u>	<u>(2,094,283)</u>		
<u>10,320,499</u>	<u>(2,094,283)</u>	<u>8,226,216</u>	<u>324,219</u>
<u>1,027,387</u>	<u>2,094,283</u>	<u>3,121,670</u>	<u>347,430</u>
15,410		15,410	4,130
(10,764)			(10,764)
<u>(343,242)</u>	<u>23,704</u>	<u>(319,538)</u>	<u>34,737</u>
<u>(338,596)</u>	<u>23,704</u>	<u>(314,892)</u>	<u>28,103</u>
688,791	2,117,987	2,806,778	375,533
482,633		482,633	482,633
<u>(1,208,685)</u>		<u>(1,208,685)</u>	
(37,261)	2,117,987	2,080,726	858,166
<u>27,057,361</u>		<u>27,057,361</u>	<u>-0-</u>
<u>\$ 27,020,100</u>	<u>\$ 2,117,987</u>	<u>\$ 29,138,087</u>	<u>\$ 858,166</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Golf Course Operating Fund

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current Assets:		
Cash and temporary investments	\$ 95,668	\$ 43,082
Receivables (net of allowance for uncollectibles):		
Accounts	15,136	55,875
Inventory	27,198	37,870
Prepaid expenses	<u>9,471</u>	<u></u>
Total current assets	<u>147,473</u>	<u>136,827</u>
Capital Assets:		
Property, plant and equipment	8,983,622	8,944,724
Less accumulated depreciation	<u>(3,053,057)</u>	<u>(2,833,615)</u>
Total capital assets (net of accumulated depreciation)	<u>5,930,565</u>	<u>6,111,109</u>
Total noncurrent assets	<u>5,930,565</u>	<u>6,111,109</u>
Total assets	<u>6,078,038</u>	<u>6,247,936</u>
Deferred Outflows of Resources:		
Deferred outflows of resources	<u></u>	<u></u>
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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 59,928	\$ 60,321
Accrued wages	21,792	18,671
Unearned revenues	<u>141,921</u>	<u>147,576</u>
Total current liabilities	223,641	226,568
Noncurrent Liabilities:		
Total noncurrent liabilities	<u> </u>	<u> </u>
Total liabilities	<u>223,641</u>	<u>226,568</u>
Deferred Inflows of Resources:		
Deferred inflows of resources	<u>10,125</u>	<u>40,501</u>
Total deferred inflows of resources	<u>10,125</u>	<u>40,501</u>
Net Position:		
Net investment in capital assets	5,930,565	6,111,109
Unrestricted	<u>(86,293)</u>	<u>(130,242)</u>
Total net position	<u>\$ 5,844,272</u>	<u>\$ 5,980,867</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Course and ground	\$ 797,075	\$ 799,336
Cart	173,812	200,474
Pro shop	113,858	142,415
Range	58,628	69,404
Food and beverage	243,032	234,691
Other	<u>126</u>	<u></u>
Total operating revenues	<u>1,386,531</u>	<u>1,446,320</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	77,356	98,608
Food and beverage	101,455	102,466
Payroll and related benefits	788,470	754,436
Other expenses	688,486	692,355
Management fee	87,144	85,260
Depreciation	<u>219,442</u>	<u>218,498</u>
Total operating expenses	<u>1,962,353</u>	<u>1,951,623</u>
Operating income (loss)	<u>(575,822)</u>	<u>(505,303)</u>
Non-Operating Revenues (Expenses):		
Interest revenue	<u>330</u>	<u>1,165</u>
Total non-operating revenues (expenses)	<u>330</u>	<u>1,165</u>
Income (loss) before contributions and transfers	<u>(575,492)</u>	<u>(504,138)</u>
Capital contributions	38,897	
Transfers in	<u>400,000</u>	<u>150,000</u>
Change in net position	<u>(136,595)</u>	<u>(354,138)</u>
Net position at beginning of year	<u>5,980,867</u>	<u>6,335,005</u>
Net position at end of year	<u>\$ 5,844,272</u>	<u>\$ 5,980,867</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,391,239	\$ 1,403,258
Payments to suppliers	(861,297)	(833,532)
Payments to employees	(877,686)	(850,010)
Net cash used by operating activities	<u>(347,744)</u>	<u>(280,284)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	<u>400,000</u>	<u>150,000</u>
Net cash provided by non-capital financing activities	<u>400,000</u>	<u>150,000</u>
Cash Flows from Capital and Related Financing Activities:		
Net cash used by capital and related financing activities	<u>-0-</u>	<u>-0-</u>
Cash Flows from Investing Activities:		
Interest on investments	<u>330</u>	<u>1,165</u>
Net cash provided by investing activities	<u>330</u>	<u>1,165</u>
Net increase (decrease) in cash and cash equivalents	52,586	(129,119)
Cash and cash equivalents at the beginning of year	<u>43,082</u>	<u>172,201</u>
Cash and cash equivalents at the end of year	<u>\$ 95,668</u>	<u>\$ 43,082</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$(<u>575,822</u>)	\$(<u>505,303</u>)
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	219,442	218,498
(Increase) decrease in accounts receivable	40,739	(13,593)
(Increase) decrease in inventory	10,672	11,294
(Increase) decrease in prepaid expenses	(9,471)	7,405
Increase (decrease) in accounts payable	(393)	28,678
Increase (decrease) in accrued wages payable	3,120	2,206
Increase (decrease) in unearned revenues	(<u>36,031</u>)	(<u>29,469</u>)
Total adjustments	<u>228,078</u>	<u>225,019</u>
Net cash used by operating activities	\$(<u>347,744</u>)	\$(<u>280,284</u>)
Noncash Investing, Capital, and Financing Activities:		
Capital assets transferred from governmental funds	\$ <u>38,897</u>	\$ _____
Net effect of noncash transactions	\$ <u>38,897</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, 2015
With Comparative Actual Totals for 2014

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 968,733	\$ 968,733
Cart	241,054	241,054
Pro shop	159,715	159,715
Range	73,141	73,141
Food and beverage	250,466	250,466
Other	6,853	6,853
Total operating revenues	<u>1,699,962</u>	<u>1,699,962</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	104,156	104,156
Food and beverage	102,009	102,009
Payroll and related benefits	807,982	807,982
Other expenses	745,224	745,224
Management fee	87,000	87,000
Depreciation		
Total operating expenses	<u>1,846,371</u>	<u>1,846,371</u>
Operating income (loss)	<u>(146,409)</u>	<u>(146,409)</u>
Non-Operating Revenues (Expenses):		
Interest revenue		
Total non-operating revenues (expenses)	<u>-0-</u>	<u>-0-</u>
Income (loss) before contributions and transfers	<u>(146,409)</u>	<u>(146,409)</u>
Capital contributions	150,000	150,000
Transfers in		
Change in net position	3,591	3,591
Fund balances - beginning	<u>5,980,867</u>	<u>5,980,867</u>
Fund balances - ending	<u>\$ 5,984,458</u>	<u>\$ 5,984,458</u>

2015			2014	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 797,075	\$	\$ 797,075	\$(171,658)	\$ 799,336
173,812		173,812	(67,242)	200,474
113,858		113,858	(45,857)	142,415
58,628		58,628	(14,513)	69,404
243,032		243,032	(7,434)	234,691
126		126	(6,727)	
<u>1,386,531</u>	<u>-0-</u>	<u>1,386,531</u>	<u>(313,431)</u>	<u>1,446,320</u>
77,356		77,356	26,800	98,608
101,455		101,455	554	102,466
788,470		788,470	19,512	754,436
688,486		688,486	56,738	692,355
87,144		87,144	(144)	85,260
<u>219,442</u>	<u>(219,442)</u>		<u>-0-</u>	<u>218,498</u>
<u>1,962,353</u>	<u>(219,442)</u>	<u>1,742,911</u>	<u>103,460</u>	<u>1,951,623</u>
<u>(575,822)</u>	<u>219,442</u>	<u>(356,380)</u>	<u>(209,971)</u>	<u>(505,303)</u>
<u>330</u>		<u>330</u>	<u>330</u>	<u>1,165</u>
<u>330</u>	<u>-0-</u>	<u>330</u>	<u>330</u>	<u>1,165</u>
<u>(575,492)</u>	<u>219,442</u>	<u>(356,050)</u>	<u>(209,641)</u>	<u>(504,138)</u>
38,897		38,897	38,897	
<u>400,000</u>		<u>400,000</u>	<u>250,000</u>	<u>150,000</u>
<u>(136,595)</u>	<u>219,442</u>	<u>82,847</u>	<u>79,256</u>	<u>(354,138)</u>
<u>5,980,867</u>		<u>5,980,867</u>	<u>-0-</u>	<u>6,335,005</u>
<u>\$ 5,844,272</u>	<u>\$ 219,442</u>	<u>\$ 6,063,714</u>	<u>\$ 79,256</u>	<u>\$ 5,980,867</u>

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CAPITAL ASSET SCHEDULES

These schedules present the capital asset balances related to governmental activities. 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 ACTIVITIES COMPARATIVE SCHEDULES BY SOURCE

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Governmental Activities Capital Assets:		
Land	\$ 2,397,003	\$ 2,397,003
Buildings	30,074,505	26,202,247
Improvements other than buildings	16,876,180	16,747,749
Machinery and equipment	12,159,203	13,533,686
Infrastructure	86,082,766	83,571,904
Construction in progress	<u>1,746,695</u>	<u>6,010,552</u>
Total governmental activities capital assets	<u>\$ 149,336,352</u>	<u>\$ 148,463,141</u>
Investments in Governmental Activities Capital Assets by Source:		
General fund	\$ 12,519,308	\$ 13,236,268
Special revenue fund	4,761,126	4,427,940
Capital projects fund	108,872,578	107,615,593
Contributed	<u>23,183,340</u>	<u>23,183,340</u>
Total governmental activities capital assets	<u>\$ 149,336,352</u>	<u>\$ 148,463,141</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION
September 30, 2015**

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government	\$ 1,094,732	\$ 5,712,076	\$ 1,124,863
Public safety		7,450,537	598,193
Public works		1,877,845	3,720,190
Culture and recreation	<u>1,302,271</u>	<u>15,034,047</u>	<u>11,432,934</u>
 Total governmental activities capital assets	 <u>\$ 2,397,003</u>	 <u>\$ 30,074,505</u>	 <u>\$ 16,876,180</u>

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

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 834,197	\$ 3,783,611	\$ 74,867	\$ 12,624,346
6,600,989	323,634		14,973,353
2,724,544	81,751,651	1,406,583	91,480,813
<u>1,999,473</u>	<u>223,870</u>	<u>265,245</u>	<u>30,257,840</u>
<u>\$ 12,159,203</u>	<u>\$ 86,082,766</u>	<u>\$ 1,746,695</u>	<u>\$ 149,336,352</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**CAPITAL ASSETS USED
IN THE OPERATIONS OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION
For the Year Ended September 30, 2015**

<u>Function</u>	<u>Governmental Activities Capital Assets 10/01/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Activities Capital Assets 09/30/15</u>
General government	\$ 13,308,949	\$ 11,925	\$ 696,528	\$ 12,624,346
Public safety	15,558,297	561,130	1,146,074	14,973,353
Public works	89,778,367	2,038,334	335,888	91,480,813
Culture and recreation	<u>29,817,528</u>	<u>516,378</u>	<u>76,066</u>	<u>30,257,840</u>
Total governmental activities capital assets	<u>\$ 148,463,141</u>	<u>\$ 3,127,767</u>	<u>\$ 2,254,556</u>	<u>\$ 149,336,352</u>

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

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 - GENERAL FUND - SUB-FUNDS**

September 30, 2015

	<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	\$ 7,428	\$ 14,463,908	\$	\$
Receivables (net of allowance for uncollectibles):				
Property tax	25,390			
Accounts	46,877			
Sales tax	1,056,152			
Franchise tax	207,046			
Grants	20,284			
Due from clearing fund	7,240,747		128,381	903,264
Investments		399,000		
Inventories:				
Resale items	33,084			
Supplies	67,388			
	<u>8,704,396</u>	<u>14,862,908</u>	<u>128,381</u>	<u>903,264</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>\$ 8,704,396</u>	<u>\$ 14,862,908</u>	<u>\$ 128,381</u>	<u>\$ 903,264</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 14,471,336
					25,390
					46,877
					1,056,152
					207,046
					20,284
6,235,103	149,999	32,652	172,762	(14,862,908)	-0-
					399,000
					33,084
					67,388
<u>6,235,103</u>	<u>149,999</u>	<u>32,652</u>	<u>172,762</u>	<u>(14,862,908)</u>	<u>16,326,557</u>
					-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 6,235,103</u>	<u>\$ 149,999</u>	<u>\$ 32,652</u>	<u>\$ 172,762</u>	<u>\$(14,862,908)</u>	<u>\$ 16,326,557</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 - GENERAL FUND - SUB-FUNDS - Continued**

September 30, 2015

	<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	\$ 359,666	\$	\$ 123,381	\$
Cash bonds and taxes	400,125			
Accrued wages	262,024			
Unearned revenue	80,829			
Due to other funds	<u> </u>	<u>14,862,908</u>	<u> </u>	<u> </u>
Total liabilities	<u>1,102,644</u>	<u>14,862,908</u>	<u>123,381</u>	<u>-0-</u>
Deferred Inflows of Resources:				
Deferred inflows of resources – property taxes	<u>25,445</u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>25,445</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Non-spendable:				
Inventory	100,472			
Committed:				
Contingencies				903,264
Assigned:				
Unemployment insurance				
Equipment replacement				
Special events				
Park improvement				
Unassigned	<u>7,475,835</u>	<u> </u>	<u>5,000</u>	<u> </u>
Total fund balances	<u>7,576,307</u>	<u>-0-</u>	<u>5,000</u>	<u>903,264</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,704,396</u>	<u>\$ 14,862,908</u>	<u>\$ 128,381</u>	<u>\$ 903,264</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$ 41,751	\$ 5,697	\$	\$	\$	\$ 530,495
					400,125
					262,024
					80,829
				(14,862,908)	-0-
<u>41,751</u>	<u>5,697</u>	<u>-0-</u>	<u>-0-</u>	<u>(14,862,908)</u>	<u>1,273,473</u>
					25,445
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>25,445</u>
					100,472
					903,264
6,193,352	144,302				144,302
		32,652			6,193,352
			172,762		32,652
					172,762
					<u>7,480,835</u>
<u>6,193,352</u>	<u>144,302</u>	<u>32,652</u>	<u>172,762</u>	<u>-0-</u>	<u>15,027,639</u>
<u>\$ 6,235,103</u>	<u>\$ 149,999</u>	<u>\$ 32,652</u>	<u>\$ 172,762</u>	<u>\$(14,862,908)</u>	<u>\$ 16,326,557</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, 2015

	General	Clearing	Payroll	General Contingencies
Revenues:				
Taxes:				
Property	\$ 3,615,757	\$	\$	\$
Sales	5,991,129			
Franchise	1,646,902			
Other	206,901			
Industrial district	4,249,304			
Intergovernmental	8,443			
Revenue producing facilities	1,186,243			
Fines and fees	573,801			
Licenses and permits	666,610			
Investment income	19,491			1,816
Miscellaneous	135,595			
Total revenues	18,300,176	-0-	-0-	1,816
Expenditures:				
Current:				
General government and administration				
General administration	1,626,160			
Finance	905,138			
Elections	7,825			
Legal	162,622			
Municipal court	357,122			
Engineering	408,036			
Public Safety:				
Police	4,655,220			
Fire	481,650			
EMS department	399,721			
Humane	291,895			
Public works:				
Garage	626,000			
Street	715,571			
Drainage	641,854			
Building inspection	542,267			
Culture and recreation:				
Parks	1,110,028			
Recreation	2,080,181			
Civic Center & Jasmine Hall	658,650			
Commissions and Boards	300,279			
Special event				
Capital outlay	53,619			
Total expenditures	16,023,838	-0-	-0-	-0-

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$
					3,615,757
					5,991,129
					1,646,902
					206,901
					4,249,304
					8,443
					1,186,243
					573,801
					666,610
16,193	346		628		38,474
		10,553			146,148
<u>16,193</u>	<u>346</u>	<u>10,553</u>	<u>628</u>	<u>-0-</u>	<u>18,329,712</u>
12,140	21,829				1,660,129
16,818					921,956
					7,825
2,244					164,866
3,802					360,924
12,642					420,678
9,544					4,664,764
5,255					486,905
					399,721
					291,895
3,198					629,198
45,680					761,251
					641,854
2,244					544,511
1,447			10,131		1,121,606
32,037					2,112,218
1,363					660,013
					300,279
		80,492			80,492
<u>850,293</u>	<u></u>	<u></u>	<u>113,571</u>	<u></u>	<u>1,017,483</u>
<u>998,707</u>	<u>21,829</u>	<u>80,492</u>	<u>123,702</u>	<u>-0-</u>	<u>17,248,568</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, 2015

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>2,276,338</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,816</u>
Other Financing Sources (Uses):				
Sale of capital assets				
Transfers in	890,390			100,000
Transfers out	<u>(2,320,150)</u>			
Total other financing sources (uses)	<u>(1,429,760)</u>	<u>-0-</u>	<u>-0-</u>	<u>100,000</u>
Net changes in fund balances	846,578	-0-	-0-	101,816
Fund balances - beginning	<u>6,729,729</u>		<u>5,000</u>	<u>801,448</u>
Fund balances - ending	<u>\$ 7,576,307</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 903,264</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
<u>\$ (982,514)</u>	<u>\$ (21,483)</u>	<u>\$ (69,939)</u>	<u>\$ (123,074)</u>	<u>\$ -0-</u>	<u>\$ 1,081,144</u>
81,393					81,393
1,663,445		89,654		(1,120,150)	1,623,339
<u>(382,633)</u>				<u>1,120,150</u>	<u>(1,582,633)</u>
<u>1,362,205</u>	<u>-0-</u>	<u>89,654</u>	<u>-0-</u>	<u>-0-</u>	<u>122,099</u>
379,691	(21,483)	19,715	(123,074)	-0-	1,203,243
<u>5,813,661</u>	<u>165,785</u>	<u>12,937</u>	<u>295,836</u>		<u>13,824,396</u>
<u>\$ 6,193,352</u>	<u>\$ 144,302</u>	<u>\$ 32,652</u>	<u>\$ 172,762</u>	<u>\$ -0-</u>	<u>\$ 15,027,639</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2015

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Assets:			
Current Assets:			
Cash and temporary investments	\$ 1,973,035	\$ 349,878	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	<u>790,995</u>	<u></u>	<u></u>
	<u>2,764,030</u>	<u>349,878</u>	<u>-0-</u>
Current Restricted Assets:			
Cash and temporary investments	736,254		
Due from other governments	<u></u>	<u></u>	<u></u>
Total current restricted assets	<u>736,254</u>	<u>-0-</u>	<u>-0-</u>
Total current assets	<u>3,500,284</u>	<u>349,878</u>	<u>-0-</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u></u>	<u></u>	<u>2,340,884</u>
Total noncurrent restricted assets	<u>-0-</u>	<u>-0-</u>	<u>2,340,884</u>
Capital Assets:			
Property, plant and equipment	64,459,576		
Construction in progress			
Less accumulated depreciation	<u>(36,519,669)</u>	<u></u>	<u></u>
Total capital assets (net of accumulated depreciation)	<u>27,939,907</u>	<u>-0-</u>	<u>-0-</u>
Total noncurrent assets	<u>27,939,907</u>	<u>-0-</u>	<u>2,340,884</u>
Total assets	<u>31,440,191</u>	<u>349,878</u>	<u>2,340,884</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - debt refunding cost			108,821
Deferred outflows of resources - pension	<u>278,696</u>	<u></u>	<u></u>
Total deferred outflows of resources	<u>278,696</u>	<u>-0-</u>	<u>108,821</u>

(continued)

Utility Construction	2007 Utility Bond	2013 Revenue Bond	Total
\$ 679,429	\$	\$	\$ 3,002,342
			790,995
<u>679,429</u>	<u>-0-</u>	<u>-0-</u>	<u>3,793,337</u>
	(5,318)	2,684,987	3,415,923
	<u>5,318</u>		<u>5,318</u>
<u>-0-</u>	<u>-0-</u>	<u>2,684,987</u>	<u>3,421,241</u>
<u>679,429</u>	<u>-0-</u>	<u>2,684,987</u>	<u>7,214,578</u>
			2,340,884
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,340,884</u>
			64,459,576
133,195		214,288	347,483
			(36,519,669)
<u>133,195</u>	<u>-0-</u>	<u>214,288</u>	<u>28,287,390</u>
<u>133,195</u>	<u>-0-</u>	<u>214,288</u>	<u>30,628,274</u>
<u>812,624</u>	<u>-0-</u>	<u>2,899,275</u>	<u>37,842,852</u>
			108,821
			<u>278,696</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>387,517</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2015

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 364,960	\$	\$
Accrued wages	65,149		
Accrued compensated absences	102,861		
Net pension liability	46,062		
Revenue bonds payable	<u>671,250</u>		
	<u>1,250,282</u>	<u>-0-</u>	<u>-0-</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest			148,151
Customer deposits	736,254		
Revenue bonds payable			<u>516,852</u>
Total current liabilities payable from restricted assets	<u>736,254</u>	<u>-0-</u>	<u>665,003</u>
Total current liabilities	<u>1,986,536</u>	<u>-0-</u>	<u>665,003</u>
Noncurrent Liabilities:			
Revenue bonds payable	7,795,000		146,269
Accrued compensated absences	46,284		
Net pension obligation	<u>414,560</u>		
Total noncurrent liabilities	<u>8,255,844</u>	<u>-0-</u>	<u>146,269</u>
Total liabilities	<u>10,242,380</u>	<u>-0-</u>	<u>811,272</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	<u>99,384</u>		
Total deferred inflows of resources	<u>99,384</u>	<u>-0-</u>	<u>-0-</u>
Net Position:			
Net investment in capital assets	19,473,657		(37,448)
Restricted For:			
Revenue bond retirement			1,675,881
Construction			
Unrestricted	<u>1,903,466</u>	<u>349,878</u>	
Total net position	<u>\$ 21,377,123</u>	<u>\$ 349,878</u>	<u>\$ 1,638,433</u>

Utility Construction	2007 Utility Bond	2013 Revenue Bond	Total
\$ 57,233	\$	\$	\$ 422,193
			65,149
			102,861
			46,062
			671,250
<u>57,233</u>	<u>-0-</u>	<u>-0-</u>	<u>1,307,515</u>
			148,151
			736,254
			516,852
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,401,257</u>
<u>57,233</u>	<u>-0-</u>	<u>-0-</u>	<u>2,708,772</u>
			7,941,269
			46,284
			414,560
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,402,113</u>
<u>57,233</u>	<u>-0-</u>	<u>-0-</u>	<u>11,110,885</u>
			99,384
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>99,384</u>
133,195		214,288	19,783,692
			1,675,881
		2,684,987	2,684,987
<u>622,196</u>			<u>2,875,540</u>
<u>\$ 755,391</u>	<u>\$ -0-</u>	<u>\$ 2,899,275</u>	<u>\$ 27,020,100</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, 2015

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 3,912,414	\$	\$
Sewer service	3,616,255		
Garbage fees	3,287,706		
Tapping and connection fees	329,992		
Other	<u>201,519</u>		
Total operating revenues	<u>11,347,886</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	430,822		
Water production and treatment	3,133,454		
Sewer collection	2,110,332		
Sanitation	2,551,608		
Depreciation	<u>2,094,283</u>		
Total operating expenses	<u>10,320,499</u>	<u>-0-</u>	<u>-0-</u>
Operating income (loss)	<u>1,027,387</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	6,408	790	5,146
Loss on disposal of capital assets	(10,764)		
Interest expense and fiscal charges			<u>(343,242)</u>
Total non-operating revenues (expenses)	<u>(4,356)</u>	<u>790</u>	<u>(338,096)</u>
Income (loss) before contributions and transfers	1,023,031	790	(338,096)
Transfers in	382,633		
Transfers out	(1,208,685)		
Intrafund transfers	<u>271,722</u>		<u>384,335</u>
Change in net position	468,701	790	46,239
Net position at beginning of year (restated)	<u>20,908,422</u>	<u>349,088</u>	<u>1,592,194</u>
Net position at end of year	<u>\$ 21,377,123</u>	<u>\$ 349,878</u>	<u>\$ 1,638,433</u>

Utility Construction	2007 Utility Bond	2013 Revenue Bond	Total
\$	\$	\$	\$ 3,912,414
			3,616,255
			3,287,706
			329,992
			<u>201,519</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,347,886</u>
			430,822
			3,133,454
			2,110,332
			2,551,608
			<u>2,094,283</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,320,499</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,027,387</u>
1,256		1,810	15,410
			(10,764)
			<u>(343,242)</u>
<u>1,256</u>	<u>-0-</u>	<u>1,810</u>	<u>(338,596)</u>
1,256	-0-	1,810	688,791
100,000			482,633
(479,481)		(176,576)	(1,208,685)
			<u>-0-</u>
(378,225)		(174,766)	(37,261)
<u>1,133,616</u>	<u>-0-</u>	<u>3,074,041</u>	<u>27,057,361</u>
<u>\$ 755,391</u>	<u>\$ -0-</u>	<u>\$ 2,899,275</u>	<u>\$ 27,020,100</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

CONSOLIDATED SCHEDULE OF CASH FLOWS
ENTERPRISE FUND - SUB-FUNDS

For the Year Ended September 30, 2015

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 11,256,777	\$	\$
Payments to customers and suppliers	(5,891,476)		
Payments to employees	(2,446,023)		
Net cash provided by operating activities	2,919,278	-0-	-0-
Cash Flows from Non-Capital Financing Activities:			
Transfer in	382,633		
Transfers out	(1,208,685)		
Intrafund transfers	271,722		384,335
Net cash provided (used) by non-capital financing activities	(554,330)	-0-	384,335
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(1,038,691)		
Principal paid on capital debt	(1,185,000)		(23,102)
Interest and fiscal charges paid on capital debt			(334,672)
Net cash provided (used) by capital and related financing activities	(2,223,691)	-0-	(357,774)
Cash Flows from Investing Activities:			
Interest on investments	6,408	790	5,146
Net cash provided by investing activities	6,408	790	5,146
Net increase (decrease) in cash and cash equivalents	147,665	790	31,707
Cash and cash equivalents at the beginning of year	2,561,624	349,088	2,309,177
Cash and cash equivalents at the end of year	\$ 2,709,289	\$ 349,878	\$ 2,340,884
Reconciliation of Operating Income to Net Cash Provided			
(used) by Operating Activities:			
Operating income (loss)	\$ 1,027,387	\$	\$
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation	2,094,283		
(Increase) decrease in accounts receivable	(127,557)		
Increase (decrease) in accounts payable	(13,455)		
Increase (decrease) in accrued wages payable	5,970		
Increase (decrease) in net pension obligation	(105,876)		
Increase (decrease) in accrued compensated absences	2,078		
Increase (decrease) in customer deposits	36,448		
Total adjustments	1,891,891	-0-	-0-
Net cash provided by operating activities	\$ 2,919,278	\$ -0-	\$ -0-
Non-cash Investing, Capital, and Financing Activities:			
Capital contributions from other government	\$	\$	\$
Net effect of non-cash transactions	\$ -0-	\$ -0-	\$ -0-

Utility Construction	2007 Utility Bond	2013 Revenue Bond	Total
\$ 57,233	\$	\$ 5,000	\$ 11,261,777
			(5,834,243)
			(2,446,023)
<u>57,233</u>	<u>-0-</u>	<u>5,000</u>	<u>2,981,511</u>
100,000			482,633
(479,481)		(176,576)	(1,208,685)
(379,481)	<u>-0-</u>	(176,576)	(726,052)
109,936		(97,913)	(1,026,668)
			(1,208,102)
			(334,672)
<u>109,936</u>	<u>-0-</u>	<u>(97,913)</u>	<u>(2,569,442)</u>
<u>1,256</u>		<u>1,810</u>	<u>15,410</u>
<u>1,256</u>	<u>-0-</u>	<u>1,810</u>	<u>15,410</u>
(211,056)	<u>-0-</u>	(267,679)	(298,573)
<u>890,485</u>	(5,318)	<u>2,952,666</u>	<u>9,057,722</u>
<u>\$ 679,429</u>	<u>\$(5,318)</u>	<u>\$ 2,684,987</u>	<u>\$ 8,759,149</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,027,387</u>
57,233		5,000	2,094,283
			(122,557)
			43,778
			5,970
			(105,876)
			2,078
			36,448
<u>57,233</u>	<u>-0-</u>	<u>5,000</u>	<u>1,954,124</u>
<u>\$ 57,233</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 2,981,511</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>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS
DEBT SERVICE SCHEDULE**

September 30, 2015

Year Ending 09/30	Series 2004		Series 2007	
	Principal	Interest	Principal	Interest
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	\$ 1,620,000	\$ 292,860	\$ 3,180,000	\$ 763,200

(continued)

Series 2009		Series 2009 Refunding		Series 2009 Certificate	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 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>\$ 1,680,000</u>	<u>\$ 486,675</u>	<u>\$ 1,675,000</u>	<u>\$ 74,775</u>	<u>\$ 3,750,000</u>	<u>\$ 1,155,000</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2015

Year Ending 09/30	Series 2010		Series 2011	
	Principal	Interest	Principal	Interest
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	<u>\$ 2,250,000</u>	<u>\$ 675,300</u>	<u>\$ 5,405,000</u>	<u>\$ 789,600</u>

(continued)

Series 2013 LTB		Series 2013 Certificate		Series 2013A Certificate	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 200,000	\$ 77,500	\$ 100,000	\$ 43,750	\$ 150,000	\$ 28,125
200,000	74,500	100,000	41,750	150,000	25,125
200,000	71,500	100,000	39,750	150,000	21,938
200,000	68,500	100,000	37,750	150,000	18,375
200,000	65,500	100,000	35,750	150,000	14,625
200,000	62,000	100,000	33,750	150,000	10,875
200,000	58,000	100,000	31,750	150,000	6,750
200,000	54,000	100,000	29,625	150,000	2,250
200,000	50,000	100,000	27,375		
200,000	46,000	100,000	24,875		
200,000	41,500	100,000	22,125		
200,000	36,500	100,000	19,375		
200,000	31,500	100,000	16,500		
200,000	26,500	100,000	13,500		
200,000	21,000	100,000	10,500		
200,000	15,000	100,000	7,500		
200,000	9,000	100,000	4,500		
<u>200,000</u>	<u>3,000</u>	<u>100,000</u>	<u>1,500</u>		
<u>\$ 3,600,000</u>	<u>\$ 811,500</u>	<u>\$ 1,800,000</u>	<u>\$ 441,625</u>	<u>\$ 1,200,000</u>	<u>\$ 128,063</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2015

Year Ending 09/30	Series 2014 Certificate		Totals		
	Principal	Interest	Principal	Interest	Total
2016	\$ 275,000	\$ 134,062	\$ 3,100,000	\$ 1,002,102	\$ 4,102,102
2017	275,000	128,563	3,100,000	906,508	4,006,508
2018	275,000	123,063	2,730,000	810,788	3,540,788
2019	275,000	117,218	2,495,000	722,906	3,217,906
2020	275,000	111,031	2,435,000	639,051	3,074,051
2021	275,000	104,844	2,430,000	555,704	2,985,704
2022	275,000	98,656	2,245,000	474,951	2,719,951
2023	275,000	92,469	2,065,000	400,714	2,465,714
2024	275,000	85,937	1,540,000	339,267	1,879,267
2025	275,000	79,063	1,360,000	290,533	1,650,533
2026	275,000	72,188	1,360,000	244,523	1,604,523
2027	275,000	65,141	1,360,000	197,653	1,557,653
2028	275,000	57,922	1,095,000	155,662	1,250,662
2029	275,000	50,187	1,095,000	118,111	1,213,111
2030	275,000	41,594	975,000	81,563	1,056,563
2031	275,000	32,656	575,000	55,156	630,156
2032	275,000	23,719	575,000	37,219	612,219
2033	275,000	14,438	575,000	18,938	593,938
2034	<u>275,000</u>	<u>4,812</u>	<u>275,000</u>	<u>4,812</u>	<u>279,812</u>
TOTAL	<u>\$ 5,225,000</u>	<u>\$ 1,437,562</u>	<u>\$ 31,385,000</u>	<u>\$ 7,056,161</u>	<u>\$ 38,441,161</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2015

<u>Year Ending</u> <u>09/30</u>	<u>Series 2007</u>		<u>Series 2009 Refunding</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 1,200,000</u>	<u>\$ 312,000</u>	<u>\$ 95,000</u>	<u>\$ 2,850</u>

Series 2009		Series 2010 Refunding		Series 2013	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 85,000	\$ 51,825	\$ 785,000	\$ 168,450	\$ 100,000	\$ 50,750
85,000	48,850	770,000	144,900	100,000	48,250
85,000	45,875	765,000	121,800	100,000	45,750
85,000	42,900	765,000	91,200	100,000	43,250
85,000	39,500	760,000	60,600	100,000	40,750
85,000	36,100	755,000	30,200	100,000	38,000
85,000	32,700			100,000	35,250
85,000	29,300			100,000	32,500
85,000	25,688			100,000	29,750
85,000	22,075			100,000	27,000
85,000	18,462			100,000	24,000
85,000	14,850			100,000	21,000
85,000	11,025			100,000	18,000
80,000	7,200			100,000	15,000
80,000	3,600			100,000	12,000
				100,000	9,000
				100,000	6,000
				100,000	3,000
<u>\$ 1,265,000</u>	<u>\$ 429,950</u>	<u>\$ 4,600,000</u>	<u>\$ 617,150</u>	<u>\$ 1,800,000</u>	<u>\$ 499,250</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2015

Year Ending 09/30	Totals		
	Principal	Interest	Total
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	50,462	335,462
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>\$ 8,960,000</u>	<u>\$ 1,861,200</u>	<u>\$ 10,821,200</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

INSURANCE COVERAGE

September 30, 2015

<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	10/01/16
Automobile liability	5,000,000	10/01/16
Other Liability:		
Law enforcement liability	5,000,000	10/01/16
Errors and omissions	2,000,000	10/01/16
Property coverage	52,709,462	10/01/16
Mobil equipment	2,733,098	10/01/16
Boiler and machinery	8,000,000	10/01/16
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	53,867,290	01/26/17
Pollution liability insurance	2,000,000	10/01/16

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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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities:					
Net investment in capital assets	\$ 25,482,995	\$ 20,767,169	\$ 22,531,131	\$ 24,720,024	\$ 29,710,085
Restricted	2,501,788	7,165,037	6,127,672	5,539,740	3,464,062
Unrestricted	<u>10,411,172</u>	<u>12,535,286</u>	<u>12,901,474</u>	<u>13,589,900</u>	<u>11,359,453</u>
Total governmental activities net Position	<u>\$ 38,395,955</u>	<u>\$ 40,467,492</u>	<u>\$ 41,560,277</u>	<u>\$ 43,849,664</u>	<u>\$ 44,533,600</u>
Business-type Activities Net Position:					
Net investment in capital assets	\$ 27,043,902	\$ 26,931,575	\$ 27,384,565	\$ 27,423,694	\$ 28,033,629
Restricted	2,588,178	4,403,071	4,433,305	3,762,045	2,477,733
Unrestricted	<u>5,882,669</u>	<u>3,862,779</u>	<u>3,228,210</u>	<u>3,586,865</u>	<u>3,024,992</u>
Total business-type activities net position	<u>\$ 35,514,749</u>	<u>\$ 35,197,425</u>	<u>\$ 35,046,080</u>	<u>\$ 34,772,604</u>	<u>\$ 33,536,354</u>
Primary Government:					
Net investment in capital assets	\$ 52,526,897	\$ 47,698,744	\$ 49,915,696	\$ 52,143,718	\$ 57,743,714
Restricted	5,089,966	11,568,108	10,560,977	9,301,785	5,941,795
Unrestricted	<u>16,293,841</u>	<u>16,398,065</u>	<u>16,129,684</u>	<u>17,176,765</u>	<u>14,384,445</u>
Total primary government net position	<u>\$ 73,910,704</u>	<u>\$ 75,664,917</u>	<u>\$ 76,606,357</u>	<u>\$ 78,622,268</u>	<u>\$ 78,069,954</u>

Source: Comprehensive Annual Financial Report

<u>2011</u>	(Restated) <u>2012</u>	<u>2013</u>	(Restated) <u>2014</u>	<u>2015</u>
\$ 30,758,109	\$ 31,925,095	\$ 32,758,260	\$ 32,216,296	\$ 33,652,498
3,492,533	2,954,878	3,336,660	3,555,361	3,686,401
<u>11,811,249</u>	<u>12,831,196</u>	<u>13,720,520</u>	<u>13,914,437</u>	<u>15,824,959</u>
<u>\$ 46,061,891</u>	<u>\$ 47,711,169</u>	<u>\$ 49,815,440</u>	<u>\$ 49,686,094</u>	<u>\$ 53,163,858</u>
\$ 28,073,361	\$ 27,647,349	\$ 25,127,439	\$ 25,271,709	\$ 25,714,257
2,108,449	2,203,481	4,128,057	5,098,779	4,360,868
<u>3,474,825</u>	<u>3,249,031</u>	<u>3,459,981</u>	<u>2,667,740</u>	<u>2,789,247</u>
<u>\$ 33,656,635</u>	<u>\$ 33,099,861</u>	<u>\$ 32,715,477</u>	<u>\$ 33,038,228</u>	<u>\$ 32,864,372</u>
\$ 58,831,470	\$ 59,572,444	\$ 57,885,699	\$ 57,488,005	\$ 59,366,755
5,600,982	5,158,359	7,464,717	8,654,140	8,047,269
<u>15,286,074</u>	<u>16,080,227</u>	<u>17,180,501</u>	<u>16,582,177</u>	<u>18,614,206</u>
<u>\$ 79,718,526</u>	<u>\$ 80,811,030</u>	<u>\$ 82,530,917</u>	<u>\$ 82,724,322</u>	<u>\$ 86,028,230</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2006	2007	2008	2009	2010
Expenses					
Governmental Activities:					
General government and administration	\$ 2,602,960	\$ 2,933,681	\$ 2,894,285	\$ 3,075,201	\$ 3,222,710
Public safety	5,138,326	5,238,784	5,464,662	5,739,091	6,046,380
Public works	5,632,640	5,346,890	5,925,876	5,758,443	5,694,647
Culture and recreation	4,634,673	4,621,273	4,977,391	4,885,568	5,037,305
Interest on long-term debt	<u>1,250,474</u>	<u>1,225,583</u>	<u>1,260,296</u>	<u>1,180,102</u>	<u>1,233,922</u>
Total governmental activities expenses	<u>19,259,073</u>	<u>19,366,211</u>	<u>20,522,510</u>	<u>20,638,405</u>	<u>21,234,964</u>
Business-type Activities:					
Water and sewer	6,191,778	6,407,376	6,614,955	6,913,963	7,013,299
Sanitation	2,435,453	2,629,561	2,573,279	2,718,214	2,747,149
Golf Course	<u>1,783,080</u>	<u>1,868,965</u>	<u>2,017,199</u>	<u>2,167,996</u>	<u>2,197,021</u>
Total business-type activities expenses	<u>10,410,311</u>	<u>10,905,902</u>	<u>11,205,433</u>	<u>11,800,173</u>	<u>11,957,469</u>
Total primary government expenses	<u>\$ 29,669,384</u>	<u>\$ 30,272,113</u>	<u>\$ 31,727,943</u>	<u>\$ 32,438,578</u>	<u>\$ 33,492,433</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General government and administration	\$ 520,176	\$ 442,892	\$ 451,580	\$ 447,112	\$ 410,235
Public safety					
Public works		244,049	239,063	186,017	237,964
Culture and recreation	877,552	974,310	986,604	931,477	1,035,350
Operating grants and contributions	97,341	25,000	744,892	1,566,242	1,025,417
Capital grants and contributions	<u>626,803</u>	<u>856,100</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities program revenues	<u>2,121,872</u>	<u>2,542,351</u>	<u>2,422,139</u>	<u>3,130,848</u>	<u>2,708,966</u>
Business-type Activities:					
Charges for Services:					
Water and sewer	5,852,076	5,614,724	6,678,843	7,003,764	6,807,782
Sanitation	2,668,684	2,823,869	2,970,992	3,038,754	3,015,623
Golf	1,570,279	1,637,741	1,847,418	1,869,731	1,550,705
Operating grants and contributions	62,298			53,182	99,687
Capital grants and contributions	<u> </u>				
Total business-type activities program revenues	<u>10,153,337</u>	<u>10,076,334</u>	<u>11,497,253</u>	<u>11,965,431</u>	<u>11,473,797</u>
Total primary government program revenues	<u>\$ 12,275,209</u>	<u>\$ 12,618,685</u>	<u>\$ 13,919,392</u>	<u>\$ 15,096,279</u>	<u>\$ 14,182,763</u>

<u>2011</u>	(Restated) <u>2012</u>	<u>2013</u>	(Restated) <u>2014</u>	<u>2015</u>
\$ 3,079,021	\$ 3,338,677	\$ 3,644,827	\$ 4,174,927	\$ 3,976,659
6,140,172	6,146,043	6,260,664	6,732,615	6,364,951
4,288,666	4,378,048	4,827,784	4,705,962	4,466,925
4,961,616	4,896,044	4,501,507	5,449,301	5,561,349
<u>1,293,892</u>	<u>1,629,413</u>	<u>1,258,756</u>	<u>985,786</u>	<u>1,071,742</u>
<u>19,763,367</u>	<u>20,388,225</u>	<u>20,493,538</u>	<u>22,048,588</u>	<u>21,441,626</u>
7,410,839	7,811,698	7,774,236	7,966,860	8,122,897
2,432,879	2,219,316	2,278,112	2,442,771	2,551,608
<u>2,060,021</u>	<u>1,922,542</u>	<u>1,972,608</u>	<u>1,951,623</u>	<u>1,952,353</u>
<u>11,903,739</u>	<u>11,953,556</u>	<u>12,024,956</u>	<u>12,361,254</u>	<u>12,636,858</u>
<u>\$ 31,667,106</u>	<u>\$ 32,341,781</u>	<u>\$ 32,518,494</u>	<u>\$ 34,409,842</u>	<u>\$ 34,078,484</u>
\$ 459,598	\$ 550,251	\$ 657,598	\$ 678,652	\$ 584,423
213,772	227,672	245,897	501,138	666,610
1,005,931	1,042,830	1,043,331	1,135,711	1,186,243
405,794	131,528	304,854	6,613	111,615
<u> </u>	<u>100,168</u>	<u> </u>	<u> </u>	<u> </u>
<u>2,085,095</u>	<u>2,052,449</u>	<u>2,251,680</u>	<u>2,322,114</u>	<u>2,548,891</u>
7,784,450	7,362,306	7,393,568	7,303,337	8,060,180
3,036,999	3,052,811	3,161,165	3,163,629	3,287,706
1,571,415	1,519,738	1,608,396	1,446,320	1,386,531
	143,858			
<u>14,445</u>	<u>28,969</u>	<u>36,214</u>	<u>133,195</u>	<u>38,897</u>
<u>12,407,309</u>	<u>12,107,682</u>	<u>12,199,343</u>	<u>12,046,481</u>	<u>12,773,314</u>
<u>\$ 14,492,404</u>	<u>\$ 14,160,131</u>	<u>\$ 14,451,023</u>	<u>\$ 14,368,595</u>	<u>\$ 15,322,205</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2006	2007	2008	2009	2010
Net (Expense)/Revenue:					
Governmental activities	\$(17,137,201)	\$(16,823,860)	\$(18,100,371)	\$ 17,507,557	\$(18,525,998)
Business-type activities	<u>(256,974)</u>	<u>(829,568)</u>	<u> 291,820</u>	<u> 165,258</u>	<u>(483,672)</u>
Total primary governmental net expense	<u>(17,394,175)</u>	<u>(17,653,428)</u>	<u>(17,808,551)</u>	<u>(17,342,299)</u>	<u>(19,009,670)</u>
 General Revenues & Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Ad valorem	4,850,943	5,020,245	5,366,631	5,685,508	5,690,679
Sales	6,392,501	6,972,467	6,890,894	7,043,241	6,709,639
Occupancy	239,924	272,624	272,703	218,277	206,933
Franchise	1,683,612	1,596,697	1,525,195	1,586,698	1,610,075
Other	54,768	59,590	145,269	130,559	134,657
Industrial district	2,881,045	3,220,061	3,422,770	3,962,165	3,843,335
Investment earnings	687,327	819,379	656,899	193,207	99,729
Miscellaneous	124,902	103,123	182,791	138,624	282,518
Gain (loss) on sale/retirement of capital assets		56,533	22,498	325,310	70,055
Transfers	<u> 517,117</u>	<u>(53,112)</u>	<u> 707,506</u>	<u> 513,355</u>	<u> 745,253</u>
Total governmental activities	<u>17,432,139</u>	<u>18,067,607</u>	<u>19,193,156</u>	<u>19,796,944</u>	<u>19,392,873</u>
 Business-type Activities:					
Investment earnings	395,581	443,132	264,341	74,621	38,844
Gain on sale/retirement of capital assets	<u>(4,074)</u>	<u> 16,000</u>			
Miscellaneous					
Transfers	<u>(495,032)</u>	<u> 53,112</u>	<u>(707,506)</u>	<u>(513,353)</u>	<u>(745,253)</u>
Total business-type activities	<u>(103,525)</u>	<u> 512,244</u>	<u>(443,165)</u>	<u>(438,734)</u>	<u>(706,409)</u>
Total primary government	<u>17,328,614</u>	<u>18,579,851</u>	<u>18,749,991</u>	<u>19,358,210</u>	<u>18,686,464</u>
 Change in Net Position					
Governmental activities	294,938	1,243,747	1,092,785	2,289,387	866,875
Business-type activities	<u>(360,499)</u>	<u>(317,324)</u>	<u>(151,345)</u>	<u>(273,476)</u>	<u>(1,190,081)</u>
Total primary government	<u>\$(65,561)</u>	<u>\$ 926,423</u>	<u>\$ 941,440</u>	<u>\$ 2,015,911</u>	<u>\$(323,206)</u>

Source: Comprehensive Annual Financial Report

<u>2011</u>	<u>(Restated) 2012</u>	<u>2013</u>	<u>(Restated) 2014</u>	<u>2015</u>
\$(17,678,272)	\$(18,335,776)	\$(18,241,858)	\$(19,726,474)	\$(18,892,735)
<u>503,570</u>	<u>154,126</u>	<u>174,387</u>	<u>(314,773)</u>	<u>136,456</u>
<u>(17,174,702)</u>	<u>(18,181,650)</u>	<u>(18,067,471)</u>	<u>(20,041,247)</u>	<u>(18,756,279)</u>
5,640,962	5,537,580	5,606,122	5,687,918	5,827,889
6,918,501	7,230,131	7,712,671	7,978,873	9,129,362
226,240	219,915	274,101	311,774	498,844
1,619,883	1,593,448	1,616,709	1,657,659	1,734,149
130,638	130,992	141,546	4,186,100	4,249,304
3,984,300	4,100,000	4,100,000	164,284	206,901
100,646	106,725	107,960	61,941	57,363
165,279	22,367	191,495	142,508	333,321
		290,564	29,403	7,314
<u>420,114</u>	<u>753,332</u>	<u>595,525</u>	<u>(623,332)</u>	<u>326,052</u>
<u>19,206,563</u>	<u>19,985,054</u>	<u>20,346,129</u>	<u>19,597,128</u>	<u>22,370,499</u>
36,825	42,432	36,754	14,192	15,740
<u>(420,114)</u>	<u>(753,332)</u>	<u>(595,525)</u>	<u>623,332</u>	<u>(326,052)</u>
<u>(383,289)</u>	<u>(710,900)</u>	<u>558,771</u>	<u>637,524</u>	<u>(310,312)</u>
<u>18,823,274</u>	<u>19,274,154</u>	<u>19,787,358</u>	<u>20,234,552</u>	<u>22,060,187</u>
1,528,291	1,649,278	2,104,271	(129,446)	3,477,764
<u>120,281</u>	<u>(556,774)</u>	<u>(384,384)</u>	<u>322,751</u>	<u>(173,856)</u>
<u>\$ 1,648,572</u>	<u>\$ 1,092,504</u>	<u>\$ 1,719,887</u>	<u>\$ 193,305</u>	<u>\$ 3,303,908</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2006	2007	2008	2009	2010
General Fund:					
Reserved for other/non-spendable*	\$ 199,512	\$ 125,301	\$ 442,782	\$ 331,434	\$ 262,501
Committed:					
General contingencies					
Assigned:					
Unemployment insurance					
Equipment replacement					
Special events					
Parks					
Unreserved/unassigned*	<u>7,504,971</u>	<u>9,010,029</u>	<u>7,914,743</u>	<u>9,290,235</u>	<u>70,273,711</u>
Total general fund	<u>\$ 7,704,483</u>	<u>\$ 9,135,330</u>	<u>\$ 8,357,525</u>	<u>\$ 9,621,669</u>	<u>\$ 10,536,212</u>
All Other Governmental Funds:					
Reserved For:					
Debt service	\$ 550,663	\$ 534,831	\$ 527,608	\$ 719,637	\$ 705,816
Capital projects	1,706,433	6,344,497	5,648,872	4,838,804	9,470,729
Unreserved, Reported In:					
Special Revenue	1,593,812	1,843,390	2,432,834	2,578,102	2,784,937
Capital projects	<u>1,515,074</u>	<u>1,132,586</u>	<u>2,299,863</u>	<u>1,612,184</u>	<u>1,378,000</u>
Total all other governmental funds	<u>\$ 5,365,982</u>	<u>\$ 9,855,304</u>	<u>\$ 10,909,177</u>	<u>\$ 6,748,727</u>	<u>\$ 14,339,482</u>
Restricted:					
Debt Service					
Capital Projects					
Economic Development					
Encourage tourism					
Law enforcement					
Traffic safety					
Contributor purpose					
Program education					
Assigned:					
General construction					
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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 179,575	\$ 135,790	\$ 88,399	\$ 90,320	\$ 100,472
1,032,819	1,037,756	800,085	801,448	903,264
203,627	194,179	176,847	165,785	144,302
4,033,149	4,909,100	5,544,711	5,813,661	6,193,352
6,660	31,881	12,308	12,937	32,652
336,842	284,576	245,889	295,836	172,762
<u>5,503,023</u>	<u>5,636,513</u>	<u>6,240,900</u>	<u>6,644,409</u>	<u>7,480,835</u>
<u>\$ 11,295,695</u>	<u>\$ 12,229,795</u>	<u>\$ 13,109,139</u>	<u>\$ 13,824,396</u>	<u>\$ 15,027,639</u>

\$ 671,628	\$ 608,056	\$ 707,536	\$ 717,734	\$ 714,676
5,562,372	3,321,850	7,526,486	5,112,819	9,510,524
2,526,505	2,207,924	2,292,698	2,412,766	2,519,353
60,661	39,718	42,375	45,523	49,798
121,667	142,911	122,313	108,418	70,847
131,313	48,533	26,738	23,492	
4,157				
	75,138	124,901	196,245	281,104
<u>1,353,206</u>	<u>1,475,196</u>	<u>1,370,332</u>	<u>1,903,546</u>	<u>2,102,001</u>
<u>\$ 10,431,509</u>	<u>\$ 7,919,326</u>	<u>\$ 12,313,379</u>	<u>\$ 10,520,543</u>	<u>\$ 30,275,942</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)

	2006	2007	2008	2009	2010
Revenues:					
Taxes and industrial district	\$ 16,102,183	\$ 17,130,142	\$ 17,628,611	\$ 18,612,438	\$ 18,187,067
Intergovernmental	724,144	646,100	744,892	1,566,242	1,025,417
Charges for services	877,552	974,310	986,604	931,477	1,035,350
Fines and fees	306,426	442,892	429,564	425,746	383,023
Licenses and permits	213,750	244,049	239,063	186,017	237,964
Special assessment		3,246	100	655	2,349
Investment earnings	687,327	819,379	656,900	191,524	99,729
Contributions	1,025	2,020	515		
Miscellaneous	124,902	97,857	182,275	140,307	282,518
Total revenues	19,037,309	20,359,995	20,868,524	22,054,406	21,253,417
Expenditures:					
General government administration	2,404,638	2,737,126	2,707,090	2,874,769	2,984,712
Public safety	4,585,013	4,663,457	4,949,286	5,189,939	5,410,431
Public works	2,640,909	2,298,989	3,882,411	3,679,429	3,637,437
Culture and recreation	3,900,092	3,863,375	4,227,705	4,102,208	4,199,311
Capital outlay	5,478,274	2,568,700	2,393,437	6,007,292	4,615,889
Debt Service:					
Principal retirement	2,285,000	2,345,000	2,580,000	2,260,000	2,530,000
Interest and fiscal charges	1,232,899	1,267,213	1,238,338	1,273,840	1,318,896
Total expenditures	22,526,825	19,743,860	21,978,267	25,387,477	24,696,676
Excess (deficiency) of revenues over (under) expenditures	(3,489,516)	616,135	(1,109,743)	(3,333,071)	(3,443,259)
Other Financing Sources (Uses):					
Issuance of debt		5,300,000		9,245,000	8,000,000
Discount on bonds issued		613			
Bond issuance premium				144,553	133,249
Sale of capital asset	9,250	56,533	54,638	386,858	70,055
Payment to bond refunding escrow agent				(6,894,852)	
Transfers in	3,815,160	3,107,252	5,217,473	3,608,298	4,172,617
Transfers out	(3,320,128)	(3,160,364)	(4,509,967)	(3,053,092)	(3,427,364)
Total other financing sources (uses)	504,282	5,304,034	762,144	3,436,765	8,948,557
Net change in fund balances	\$(2,985,234)	\$ 5,920,169	\$(347,599)	\$ 103,694	\$ 5,505,298
Debt Service as a percentage of noncapital Expenditures	20.6%	21.0%	19.5%	18.2%	19.2%

<u>2011</u>	<u>2011</u>	<u>2012</u>	<u>2014</u>	<u>2015</u>
\$ 18,526,662	\$ 18,824,139	\$ 19,468,703	\$ 19,985,385	\$ 21,636,472
405,794	131,528	304,854	6,613	111,615
1,005,931	1,042,830	1,043,331	1,135,711	1,186,243
418,536	504,603	569,700	625,201	573,801
213,772	227,672	245,897	501,138	666,610
4,712				
100,646	106,725	107,960	61,941	57,363
	100,168			
<u>160,567</u>	<u>290,564</u>	<u>191,495</u>	<u>142,508</u>	<u>333,321</u>
<u>20,836,620</u>	<u>21,228,229</u>	<u>21,931,940</u>	<u>22,458,497</u>	<u>24,565,425</u>
2,862,240	3,068,045	3,478,670	3,762,435	3,787,952
5,559,479	5,600,724	5,686,957	5,751,812	5,966,657
2,671,957	2,717,025	2,618,713	2,697,647	2,578,564
4,067,243	4,105,287	4,101,500	4,236,809	4,812,107
5,355,135	4,181,783	3,736,077	4,111,550	3,166,664
2,715,000	2,830,000	2,785,000	2,805,000	3,150,000
<u>1,272,263</u>	<u>1,187,465</u>	<u>1,068,892</u>	<u>1,115,999</u>	<u>1,163,523</u>
<u>24,503,317</u>	<u>23,690,329</u>	<u>23,475,809</u>	<u>24,481,252</u>	<u>24,625,467</u>
<u>(3,666,697)</u>	<u>(2,462,100)</u>	<u>(1,543,869)</u>	<u>(2,022,755)</u>	<u>(60,042)</u>
	7,360,000	6,000,000	1,500,000	5,500,000
	810,870	106,996	40,920	83,600
28,330	73,120	14,745	127,588	81,393
	(8,113,305)			
4,058,123	4,071,614	3,929,614	4,315,121	4,646,206
<u>(3,638,009)</u>	<u>(3,318,282)</u>	<u>(3,334,089)</u>	<u>(4,938,453)</u>	<u>(4,320,154)</u>
<u>448,444</u>	<u>884,017</u>	<u>6,717,266</u>	<u>1,045,176</u>	<u>5,991,045</u>
<u>\$(3,218,253)</u>	<u>\$(1,578,083)</u>	<u>\$ 5,173,397</u>	<u>\$(977,579)</u>	<u>\$ 5,931,003</u>
20.8%	20.6%	19.5%	19.2%	20.1%

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			
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
2014	1,689,132,358	120,394,220	360,227,700	1,449,298,878	0.39000
2015	1,762,892,528	121,122,020	387,056,318	1,496,958,230	0.38750

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
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
2014	0.2376	0.1524	0.3900	0.4920	1.2553	0.0450	0.2673	0.1002
2015	0.2408	0.1467	0.3875	0.4985	1.2553	0.0450	0.2809	0.0980

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

2015			2006		
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	\$ 21,641,440	1.31%	Wal-Mart Stores Inc.	\$ 16,156,040	1.27%
Core LJ One Ltd	18,248,010	1.10%	Brazos Outlets Center LLC	14,169,230	1.11%
Wal-Mart Stores Texas LLC	18,044,250	1.09%	Fazio Peter & Shari (Lowe's)	11,829,620	0.93%
Redwood Westdale Edgewater	14,100,000	0.85%	Home Depot	10,777,980	0.85%
Spyglass-Lake Jackson	10,600,000	0.64%	Centerpoint Energy, Inc.	10,275,010	0.81%
Gulf Coast Kingston Properties	9,715,270	0.59%	Dow Chemical Company	9,106,650	0.71%
Centerpoint Energy, Inc.	9,499,440	0.58%	Dayton Hudson Corp (Target)	8,383,390	0.66%
HEB Grocery Company	9,229,910	0.56%	Dillards, Inc.	7,588,130	0.60%
Texas Dow Employees CU	8,930,627	0.54%	Don Davis Buick/Pontiac/GMC	5,371,170	0.42%
LEX Lake Jackson LP	<u>8,112,960</u>	<u>0.49%</u>	Leo Martin Chevrolet Inc.	<u>5,057,150</u>	<u>0.40%</u>
Total	\$ <u>128,121,907</u>	<u>7.76%</u>	Total	\$ <u>98,714,370</u>	<u>7.76%</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
2006	\$ 4,855,562	\$ 4,818,745	99.2%	\$ 34,364	\$ 4,852,109	99.9%
2007	4,980,528	4,940,579	99.2%	36,541	4,977,044	99.9%
2008	5,348,657	5,294,887	99.0%	43,349	5,337,562	99.8%
2009	5,636,199	5,582,960	99.1%	36,656	5,619,136	99.7%
2010	5,706,573	5,606,421	98.2%	46,037	5,652,494	99.1%
2011	5,599,633	5,545,788	99.0%	39,960	5,585,206	99.7%
2012	5,506,055	5,468,387	99.3%	30,911	5,498,248	99.9%
2013	5,581,007	5,546,523	99.4%	24,353	5,567,603	99.8%
2014	5,652,730	5,617,595	99.4%	17,502	5,635,097	99.4%
2015	5,800,884	5,762,010	99.3%		5,762,010	99.3%

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
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%	35.2%	279.04
2014	5,226,636	2,752,237	7,978,872	3.5%	35.5%	287.87
2015	5,991,129	3,138,233	9,129,362	14.4%	37.13%	328.75

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			
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	24,090,000	6,250,000	11,345,000	-0-	41,685,000	4.39%	1,508
2014	22,706,338	7,250,000	10,337,473	-0-	40,293,811	4.18%	1,454
2015	20,311,193	11,975,000	9,129,371	-0-	41,415,564	4.29%	1,453

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
2006	\$ 27,055,000	\$ 550,608	\$ 12,555,000	\$ 13,949,392	1.09%	\$ 980
2007	30,010,000	534,776	11,410,000	18,065,224	1.34%	1,087
2008	27,430,000	527,553	10,255,000	16,647,447	1.20%	993
2009	27,570,000	719,582	9,379,632	17,470,786	1.21%	998
2010	33,040,000	679,125	13,456,365	18,904,510	1.30%	1,196
2011	30,325,000	648,230	12,278,528	17,398,242	1.21%	1,098
2012	27,395,000	608,056	10,788,000	15,998,944	1.13%	1,067
2013	30,340,000	707,537	11,597,482	18,034,981	1.32%	1,098
2014	29,956,338	715,235	11,869,157	17,371,946	1.20%	1,081
2015	32,286,193	705,319	12,671,795	18,909,079	1.26%	1,163

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 & 2013A 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, 2015

Governmental Unit	Debt Outstanding	As of	Estimated Percentage Applicable**	Estimated Share of Overlapping Debt
Debt repaid with property taxes:				
Velasco Drainage District	\$ 5,775,000	09/30/15	20.17%	\$ 1,165,818
Brazosport I.S.D.	182,999,050	09/30/15	19.96%	36,526,610
Brazosport Jr. College	61,535,000	09/30/15	19.96%	12,282,386
Port Freeport	4,315,000	09/30/15	12.14%	523,841
Brazoria County	84,880,000	09/30/15	6.25%	5,305,000
Angleton Drainage District	--	09/30/15	3.61%	--
Angleton/Danbury Hospital District	10,150,000	09/30/15	0.02%	2,030
Columbia-Brazoria I.S.D.	36,799,985	09/30/15	1.32%	485,760
Angleton I.S.D.	129,114,519	09/30/15	0.02%	<u>25,823</u>
Subtotal, overlapping debt				56,316,268
City of Lack Jackson (direct debt)	31,385,000	* 09/30/15	100.00%	<u>32,286,193</u>
Total direct and overlapping debt				<u>\$ 88,602,461</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
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
2014	7,316,364	5,341,519	1,974,845	650,551	3.04	1,539,275	1.28
2015	8,075,590	5,674,608	2,400,962	601,175	3.99	1,486,875	1.61

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
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
2014	27,717	943,292,661	34,033	--	6,172	5.0%	13,970
2015	27,770	964,840,880	34,744	--	6,150	4.2%	13,947

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

2015			2006		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
The Dow Chemical Company	4,200	2.62%	The Dow Chemical Company	4,850	6.38%
Fluor Corporation	3,161	1.97%	Texas Dept of Criminal Justice	2,232	2.93%
Zachry Group	2,821	1.76%	Wal-Mart Associates, Inc.	1,755	2.31%
Texas Dept of Criminal Justice	2,409	1.50%	U.S. Contractors Inc.	1,144	1.51%
The Infinity Group	1,673	1.04%	Industrial Specialists Inc.	1,069	1.41%
Brock Group	1,569	0.98%	ConocoPhillips	900	1.18%
Phillips 66	970	0.61%	Gulf States, Inc.	803	1.05%
BASF Corporation	915	0.57%	Solutia. Inc.	750	0.99%
Excel	750	0.47%	BP	711	0.94%
TDECU	<u>750</u>	<u>0.47%</u>	BASF Corporation	<u>707</u>	<u>0.93%</u>
Total	<u>19,218</u>	<u>12.00%</u>	Total	<u>14,921</u>	<u>19.63%</u>
Total	19,218	<u>12.00%</u>	Total	<u>14,921</u>	<u>19.63%</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government and Administration	31	31	35	35	35	35	35	35	35	35
Public Safety:										
Police	58	58	59	59	61	60	60	60	60	60
Fire	1	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	15
Building/Code	6	6	8	8	8	8	8	8	8	8
Garage	9	9	9	9	9	9	9	9	9	9
Water and Sewer	37	37	37	37	37	37	37	37	37	37
Sanitation	<u>25</u>									
	<u>219</u>	<u>219</u>	<u>226</u>	<u>226</u>	<u>228</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>227</u>

Source: City Budget

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

<u>Function/Program</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>	<u>2014</u>	<u>Est. 2015</u>
Public Safety:										
Police:										
% Criminal Offenses Cleared	55%	54%	55%	57%	43%	41%	39%	40% ²	45%	58%
Traffic contacts	18,039	18,296	14,406	13,515	15,169	22,500	18,523	16,074	16,000	13,327
Fire:										
Fire calls	519	537	532	520	520	502	441	525	688	550
EMS calls	1,891	2,183	2,197	2,448	2,730	2,811	2,907	2,958	3,719	3,400
Inspections	243	408	319	368	257	341	289	247	436	563
Public Works:										
Streets:										
Potholes repaired	314	363	235	223	469	665	301	436	547	500
Gutter sweeping (cu yd)	1,430	1,300	1,707	1,570	1,864	2,178	1,820	1,759	1,520	1,800
Culture and Recreation:										
Recreation Center members	5,864	5,800	6,204	5,738	4,926	3,861	4,434	4,600	4,327	5,000
Recreation Center Attendance	142,234	190,000	240,600	251,750	229,059	207,189	175,528	187,990	205,762	220,000
Water and Sewer:										
Number of sewer leaks Repaired	3	5	3	8	3	6	1	4	9	3
Linear feet of sewer mains cleaned	47,735	108,464	45,215	29,430	20,232	25,000	67,726	7,188	9,205	4,820
Sanitation:										
Refuse Collected:¹										
Residential garbage (cu yd)	27,031	27,200	28,000	24,070	22,214	24,000	20,331	20,120	22,000	24,000
Commercial garbage (cu yd)	40,459	40,800	42,000	36,106	22,898	36,000	33,389	35,027	35,500	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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</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	1,306	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	1,000	1,000
Wastewater²										
Maximum daily treatment capacity (thousands of gallons)	5,890	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 01/31/16

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 1/31/16)

Summary of Bonds Outstanding

General Obligation Bonds and Certificates of Obligation

2004 Limited Tax Bonds	\$ 180,000
2007 Limited Tax Bonds	265,000
2009 Limited Tax Bonds	600,000
2009 Limited Tax Refunding Bonds (\$ 696,796)*	1,675,000
2009 Certificates of Obligation (downtown)*	1,250,000
2010 Limited Tax Bonds	2,250,000
2011 Limited Tax Refunding Bonds (\$ 3,190,000)*	5,405,000
2013 Limited Tax Bonds	3,600,000
2013 Certificates of Obligation (downtown)*	1,800,000
2013A Certificates of Obligation	1,200,000
2014 Certificates of Obligation*	5,225,000
2015 Limited Tax Refunding Bonds (\$ 2,366,744)	<u>7,870,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>31,320,000</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	\$ 1,200,000
2009 Waterworks and Sewer System Bonds	1,265,000
2009 Waterworks and Sewer System Refunding Bonds	95,000
2010 Waterworks and Sewer System Refunding Bonds	4,600,000
2013 Waterworks and Sewer System Bonds	<u>1,800,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>8,960,000</u>

General Obligation Bonds Authorized but not Issued as of 01/31/16

None.

Waterworks and Sewer System Bonds Authorized but not Issued as of 01/31/16

None.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-2 Financial Information (As of 1/31/2016)

2015 Assessed Valuation (100% of Actual) ¹	\$ <u>1,496,958,230</u>
<u>General Obligation Bonds Outstanding²</u>	
Presently outstanding (01/31/16)	\$ 31,320,000
Other Bonds issued to date	<u>-0-</u>
Gross debt	31,320,000
Less: Amounts payable from ½ Cent Optional Tax	15,728,539
Less: Debt Service Cash Balance	<u>2,456,233</u>
Net Debt	\$ <u>13,135,228</u>
Ratio of Net Debt to 2015 Assessed Valuation	0.98%
2015 Estimated Population	27,770
2015 Assessed Valuation per Capita	\$ 53,905.59
Net Debt per Capita	\$ 473.00
Area of the City	18 square miles

¹ Tax Year; Net of exemptions in the amount of \$ 387,056,318.

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.	\$ 129,114,519	09/30/15	0.02%	\$ 25,823
Angleton-Danbury Hospital District	10,150,000	09/30/15	0.02%	2,030
Angleton Drainage District	-0-	09/30/15	3.44%	-0-
Brazoria County	84,880,000	09/30/15	6.25%	5,305,000
Brazosport I.S.D.	182,999,050	09/30/15	19.96%	36,526,610
Brazos River Harbor Navigation District	4,315,000	09/30/15	12.14%	523,841
Brazosport Jr. College	61,535,000	09/30/15	19.96%	12,282,386
Columbia-Brazoria I.S.D.	36,799,985	09/30/15	1.32%	485,760
Velasco Drainage District	5,775,000	09/30/15	20.17%	<u>1,164,818</u>
Total Overlapping Debt				56,316,269
City of Lake Jackson (direct debt)				<u>31,385,000</u>
Total Direct and Overlapping Debt				<u>\$ 87,701,269</u>
Ratio of Total Direct and Overlapping Debt to 2015 Assessed Valuation				5.86%
Per Capita Total Direct and Overlapping Debt				\$ 3,158
Assessed Valuation per Capita				\$ 53,906

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>
2016	\$ 3,210,000	\$ 862,305	\$ 4,072,305
2017	3,105,000	815,325	3,940,325
2018	2,755,000	722,675	3,477,675
2019	2,515,000	638,119	3,153,119
2020	2,450,000	557,919	3,007,919
2021	2,440,000	480,256	2,920,256
2022	2,250,000	407,369	2,657,369
2023	2,060,000	341,506	2,401,506
2024	1,525,000	288,825	1,813,825
2025	1,340,000	248,225	1,588,225
2026	1,330,000	210,556	1,540,556
2027	1,320,000	173,259	1,493,259
2028	1,045,000	139,584	1,184,584
2029	1,040,000	109,025	1,149,025
2030	915,000	78,800	993,800
2031	575,000	55,156	630,156
2032	575,000	37,219	612,219
2033	575,000	18,938	593,938
2034	<u>275,000</u>	<u>4,813</u>	<u>279,813</u>
	<u>\$ 31,320,000</u>	<u>\$ 6,189,874</u>	<u>\$ 37,509,874</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>
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	50,462	335,462
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>\$ 8,960,000</u>	<u>\$ 1,861,200</u>	<u>\$ 10,821,200</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 9/30/15, nor any of the debt to be repaid from the half-cent sales tax as indicated on CD-1.

	<u>Average Requirements (2016-2033)</u>	<u>Maximum Requirement 2016</u>
General Obligation Debt Service Requirements	\$ 1,026,800	\$ 2,736,110
Debt Service Fund tax rate required on 2015 Assessed Taxable Valuation of \$ 1,496,958,230 @ 98% collection	\$ 0.070	\$ 0.187

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 (2016-2033)</u>	<u>Maximum Requirement 2016</u>
General Obligation Debt Service Requirements	\$ 1,974,204	\$ 4,072,305
Debt Service Fund tax rate required on 2015 Assessed Taxable Valuation of \$ 1,496,925,230 @ 98% collection	\$ 0.135	\$ 0.278

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	
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%	99.9%	09/30/07
2007	2008	1,391,605,040	0.3850	99.0%	99.8%	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%	99.7%	09/30/13
2013	2014	1,451,619,228	0.3900	98.8%	99.6%	09/30/14
2014	2015	1,498,799,409	0.3875	99.3%	99.6%	09/30/15
2015	2016	1,643,731,378	0.3600		82.9%	thru 01/31/16

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	2016	2015	2014	2013	2012
General Fund	\$ 0.2323	\$ 0.2408	\$ 0.2323	\$ 0.2323	\$ 0.2323
Debt Service Fund	<u>0.1277</u>	<u>0.1467</u>	<u>0.1577</u>	<u>0.1577</u>	<u>0.1577</u>
Total Tax Rate	<u>\$ 0.3600</u>	<u>\$ 0.3875</u>	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

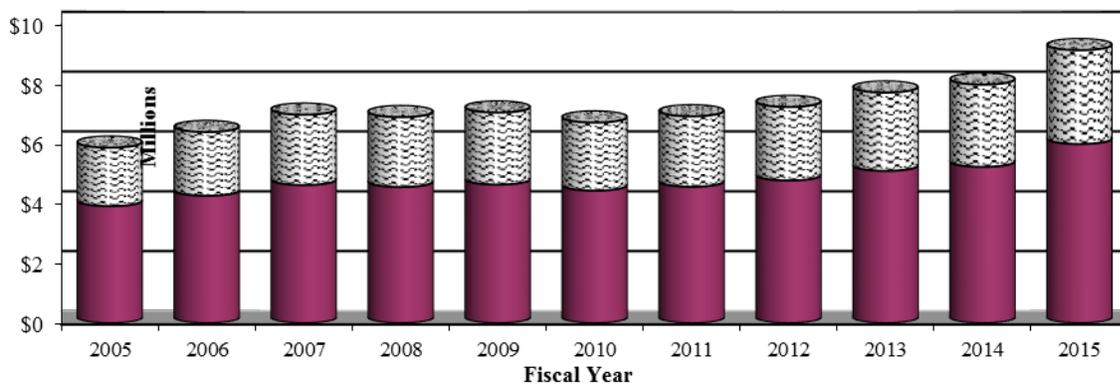
Table CD-8
Sales Tax Collection History

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

Fiscal Year	One Cent Sales Tax	Optional Half Cent Sales Tax ¹
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
2014	5,226,636	2,752,237
2015	5,991,129	3,138,233



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>	<u>ACTUAL 2013-14</u>	<u>BUDGET 2014-15</u>	<u>ACTUAL 2014-15</u>	<u>AMENDED 2015-16</u>
Fund Balance	\$ <u>2,292,698</u>	\$ <u>2,412,765</u>	\$ <u>2,412,766</u>	\$ <u>2,412,765</u>
Revenues:				
Half Cent Sales Tax	2,752,237	2,783,000	3,138,233	3,135,000
Interest income	<u>13,761</u>	<u>8,000</u>	<u>6,832</u>	<u>10,000</u>
	<u>2,765,998</u>	<u>2,791,000</u>	<u>3,145,065</u>	<u>3,145,000</u>
 Total Resources	 <u>\$ 5,058,696</u>	 <u>\$ 5,203,765</u>	 <u>\$ 5,557,831</u>	 <u>\$ 5,255,765</u>
<u>Expenditures</u>	<u>ACTUAL 2013-14</u>	<u>BUDGET 2014-15</u>	<u>ACTUAL 2014-15</u>	<u>AMENDED 2015-16</u>
Transfer to Economic Development Debt Service	\$ 814,760	\$ 794,865	\$ 796,375	\$ 1,502,812
New Bond Issue - S. Parking Place	161,833	145,750	145,750	incl. in above
New Bond Issue - Water to Airport	182,542	181,125	181,125	incl. in above
New Bond Issue - HEB/Dow	-0-	435,875	395,192	incl. in above
New Bond Issue - Sewer to Airport	-0-	-0-	-0-	200,000
S. Parking Place - Design	22,657	65,268	29,137	36,131
This Way/Center Way to 332	-0-	385,000	-0-	385,000
New Mall Entrance	300,000	-0-	-0-	-0-
Expand Rec check-in station	47,401	-0-	-0-	-0-
Golf course security system	8,000	-0-	-0-	-0-
Bunker renovations	15,351	-0-	-0-	-0-
Downtown Maintenance	44,508	50,000	52,893	50,000
Park projects previously approved	33,725	-0-	-0-	-0-
Recreation Center - Air Handler	9,380	124,620	154,600	-0-
Recreation Center - A/C Rooftops	-0-	125,000	128,981	175,000
Recreation Center natatorium lighting	-0-	-0-	-0-	40,000
Transfer to Golf Course Debt Service	505,774	505,425	504,425	498,100
Golf Course Operating	150,000	150,000	300,000	250,000
Transfer to General Fund	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
 Total Expenditures	 <u>\$ 2,645,931</u>	 <u>\$ 3,312,928</u>	 <u>\$ 3,038,478</u>	 <u>\$ 3,487,043</u>
 Ending Fund Balance	 <u>\$ 2,412,765</u>	 <u>\$ 1,890,837</u>	 <u>\$ 2,519,353</u>	 <u>\$ 2,070,722</u>

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 9/30/15	\$	705,634
Debt Service Tax Levy of \$.1277 per \$ 100 of Assessed Valuation on 2015 Assessed Valuation of \$ 1,653,577,752 at 98% collection		2,069,386
Interest Earnings on Debt Service Fund		<u>8,000</u>
Total Available for 2016 Debt Service		2,783,020
Less: 2016 Debt Service Requirements		<u>2,094,260</u>
Projected Debt Service Fund Balance at 9/30/16	\$	<u>688,760</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 01/31/16, there are six outstanding issues, the 2009 Refunding CO's for the Recreation Center and Civic Center; the 2009 CO's for the Downtown Revitalization Project, the 2011 Limited Tax Refunding Bonds originally for the Golf Course, the 2013 CO's for Phase 3 of the Downtown Project (South Parking Place), the 2013A CO's that will be used to fund the extension of water for further development and the 2014 CO for infrastructure improvement incentives for Dow and HEB.

	<u>Golf Course</u>	<u>Economic Development</u>
Debt Service Fund Balance as of 9/30/15	\$ -0-	\$ -0-
Transfer from Golf Course Operations		
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>498,100</u>	<u>1,702,812</u>
Total Available for 2016 Debt Service	498,100	1,702,812
Less: 2016 Debt Service Requirements	<u>498,100</u>	<u>1,702,812</u>
Projected Debt Service Fund Balance at 9/30/16	\$ <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 9/30/15	\$ 2,340,883
Transfer from Utility Operating Fund (as budgeted)	1,569,335
Transfer from Debt Service Reserve (as budgeted)	-0-
2016 Projected Interest Earnings	<u>6,000</u>
Total Available for 2016 Debt Service	3,916,218
Less: 2016 Debt Service Requirements (including agent fees)	<u>1,541,917</u>
Projected Debt Service Fund Balance at 9/30/16	<u><u>\$ 2,374,301</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	
	2015	2014
Revenues:		
Taxes	\$ 21,636,475	\$ 19,985,385
Intergovernmental	111,615	6,613
Charges for services	1,186,243	1,135,711
Fines and fees	573,801	625,201
Licenses and permits	666,610	501,138
Investment earnings	57,363	61,941
Miscellaneous	333,321	142,508
Total revenues	<u>24,565,425</u>	<u>22,458,497</u>
Expenditures:		
General government and administration	3,787,952	3,762,435
Public safety	5,966,657	5,751,812
Public works	2,578,564	2,697,647
Culture and recreation	4,812,107	4,236,809
Capital Outlay	3,166,664	4,111,550
Debt Service:		
Principal	3,150,000	2,850,000
Interest and fiscal charges	<u>1,163,523</u>	<u>1,115,999</u>
Total expenditures	<u>24,625,467</u>	<u>24,481,252</u>
Excess of revenues over (under) expenditures	<u>(60,042)</u>	<u>(2,022,755)</u>
Other Financing Sources (Uses):		
Issuance of bonds	5,500,000	1,500,000
Bonds issued premium	83,600	40,920
Sale of capital assets	81,393	127,588
Transfers in	4,646,206	4,315,121
Transfers out	<u>(4,320,154)</u>	<u>(4,938,453)</u>
Total other financing sources (uses)	<u>5,991,045</u>	<u>1,045,176</u>
Net change in fund balances	<u>\$ 5,931,003</u>	<u>\$ (977,579)</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

The following schedule presents a summary of the Proprietary Funds for the fiscal year ended September 30, 2015 and 2014.

	2015	2014
Revenues:		
Water and sewer services	\$ 7,528,669	\$ 6,796,946
Sanitation service	3,287,706	3,163,629
Tapping and connection fees	329,992	301,961
Golf course fees and charges	1,386,531	1,446,320
Other	201,519	204,430
	12,734,417	11,913,286
Operating Expenses:		
Utility administration	430,822	291,528
Water and sewer	5,243,786	5,049,991
Golf course	1,742,911	1,733,125
Sanitation	2,551,608	2,442,771
Depreciation	2,313,725	2,277,763
	12,282,852	11,795,178
Net revenues	451,565	118,108
Nonoperating Revenues (Expenses):		
Interest earnings	15,740	14,192
Gain (loss) on disposition of capital assets	(10,764)	
Interest expense and fiscal charges	(343,242)	(374,312)
Contributions	38,897	133,195
Transfers:		
for franchise fee	(102,000)	(102,000)
for equipment replacement	(438,390)	(438,390)
for utility projects	100,000	
for golf course operation	400,000	150,000
for debt proceeds		1,504,241
Assets purchased by general fund	382,633	225,632
	(625,421)	396,407
Net income	\$(625,421)	\$ 396,407
Coverage of average annual debt service requirements	3.03%	3.03%
Customer count (residential & commercial)	8,818	8,809

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, 2015.

Water:	First 2000 gallons	\$ 12.90 Minimum
	Over 2000 gallons	\$ 4.00 per 1,000 gallons
	Over 20,000 gallons	\$ 4.25 per 1,000 gallons
Sewer:	First 2000 gallons	\$ 13.05 Minimum
	Over 2000 gallons	\$ 4.25 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 \$ 2.63.

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 39 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 2015 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Brazosport Hospital	Hospital	21,644	2.40%
Buc-ee's #29	Gas Station/Car Wash	19,071	2.11%
Brazosport College	College	18,596	2.06%
The Palms	Apartments	11,254	1.25%
Raamco Raintree LP	Apartments	10,332	1.14%
Oakwood Apartments	Apartments	9,051	1.00%
Linmark Oaks, LLC	Apartments	8,497	0.94%
Gateway Housing	Apartments	8,338	0.92%
Residence of Lake Jackson	Apartments	7,866	0.87%
Shadow Park Apartments	Apartments	<u>7,530</u>	<u>0.83%</u>
		<u>122,179</u>	<u>13.53%</u>

Total water consumption for the period October 1, 2014 to September 30, 2015 in thousands of gallons was 902,700.

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 2015 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Brazos Mall Owners, LLC	Mall - Retail	\$ 21,641,440	1.31%
Core LJ One Ltd	Office - Building	18,248,010	1.10%
Wal-Mart Stores Texas LLC.	Grocery/Retail	18,044,250	1.09%
Redwood Westdale Edgewater	Apartments	14,100,000	0.85%
Spyglass - Lake Jackson	Apartments	10,600,000	0.64%
Gulf Coast Kingston Properties LLC	Apartments	9,715,270	0.59%
Centerpoint Energy, Inc.	Utility	9,499,440	0.58%
HEB Grocery Company	Grocery	9,299,910	0.56%
Texas Dow Employees Credit Union	Financial Institution	8,930,627	0.54%
Lex Lake Jackson LP	Office – Research	8,112,960	0.49%
Partners of Lake Jackson LTD	Apartments	8,000,000	0.48%
Lake Jackson Brazos Square LP	Leasing – Retail	7,398,410	0.45%
Buc-ees LTD	Convenience stores	7,277,860	0.44%
Leo Martin Chevrolet Inc.	Dealership	6,880,480	0.42%
Raamco Raintree LP	Apartments	6,092,550	0.37%
HD Development Properties LP	Home Depot	6,053,420	0.37%
Vighneshwer LLC	Motel	5,880,190	0.36%
Brazos Crossing Management, LLC	Leasing - Retail	5,520,260	0.33%
Dayton Hudson Corp (Target)	Retail	5,487,210	0.33%
		<u>\$ 186,712,287</u>	<u>11.30%</u>

Assessed Valuation by Classification

<u>Classification</u>	<u>2015 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,319,870,667	68.85%
Real, Vacant Platted Lots/Tracts	10,308,410	0.54%
Commercial & Industrial	319,918,221	16.69%
Real, Acreage (Land only)	12,383,346	0.65%
Utilities & Pipelines	19,680,300	1.03%
Special Inventory & Other	<u>234,925,735</u>	<u>12.25%</u>
Total Market/Appraised Value	\$ 1,917,086,679	<u>100.00%</u>
Less Exemptions	<u>392,114,079</u>	
	1,524,972,600	
Under protest at certification	<u>126,964,980</u>	
Net Taxable Value	<u>\$ 1,651,937,580</u>	

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-17
General Fund - Budget Summary

On September 2, 2015 the 2015-16 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	2013-14 <u>Actual</u>	2014-15 <u>Actual</u>	2015-16 <u>Adopted Budget</u>
Revenues:			
Property tax	\$ 3,466,594	\$ 3,615,757	\$ 3,802,612
Sales tax	5,226,636	5,991,129	5,950,000
Franchise fees	1,682,815	1,748,902	1,717,775
Industrial district	4,186,000	4,249,304	4,278,632
Licenses and permits	501,138	735,954	486,045
Fines and fees	693,975	573,301	576,424
Civic Center fees	252,395	279,984	254,000
Recreation Center fees	883,316	906,259	881,200
Intergovernmental *	103,764	144,489	92,000
Interest and other	129,613	155,195	160,000
Utility Administrative fee	438,390	438,390	438,390
Transfer from Economic Development	350,000	350,000	350,000
Transfer from General Contingency	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Total revenues	 <u>\$ 17,914,636</u>	 <u>\$ 19,188,664</u>	 <u>\$ 18,987,078</u>
Expenditures:			
General government services	\$ 1,421,938	\$ 1,507,397	\$ 1,651,994
Financial services	1,417,830	1,314,065	1,443,917
Legal services	154,831	163,067	190,185
Public safety services *	6,241,440	6,428,036	7,255,598
Engineering services	411,319	417,381	459,877
Public works services	2,976,379	2,809,306	3,447,795
Storm damage clean up	-0-	192,909	-0-
Parks & recreation services	3,603,484	3,911,549	4,207,508
Miscellaneous services	281,984	300,279	330,204
Budget saving transfers	<u>1,000,000</u>	<u>1,300,000</u>	<u>-0-</u>
 Total expenditures	 <u>\$ 17,509,205</u>	 <u>\$ 18,343,989</u>	 <u>\$ 18,987,078</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-18
Utility Fund - Budget Summary

On September 2, 2015 the 2015-16 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2013-14</u> Actual	<u>2014-15</u> Actual	<u>2015-16</u> Adopted Budget
Revenues:			
Plumbing fees	\$ 18,864	\$ 36,349	\$ 20,000
Tap fees	83,230	89,370	20,000
Administrative fees	199,867	204,273	196,763
Water sales	3,661,625	4,121,748	4,402,582
Sewer sales	3,332,649	3,616,256	3,934,517
Senior discount	(197,328)	(209,334)	(231,580)
Sanitation sales	3,190,846	3,325,003	3,478,989
Other revenues	176,173	163,153	155,500
Interest & sales tax discount	5,599	7,475	3,700
Transfer from General Contingency	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenues	<u>\$ 10,471,525</u>	<u>\$ 11,354,293</u>	<u>\$ 11,980,471</u>
Expenditures:			
Utility administration	\$ 324,600	\$ 473,850	\$ 520,984
Water	2,938,421	3,228,737	3,669,657
Wastewater	2,188,897	2,293,832	2,629,258
Sanitation	2,909,048	3,001,890	3,050,847
Non-departmental	<u>2,109,725</u>	<u>2,109,725</u>	<u>2,109,725</u>
Total expenditures	<u>\$ 10,470,691</u>	<u>\$ 11,108,034</u>	<u>\$ 11,980,471</u>