



City  
Of **Lake Jackson**  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
September 30, 2016

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# CITY OF LAKE JACKSON

Lake Jackson, Texas

*Comprehensive Annual Financial Report  
For the Year Ended September 30, 2016*

## Table of Contents

	<u>Page</u>
<b>INTRODUCTION SECTION</b>	
Letter of Transmittal .....	ix-xiv
Functional Organization Chart.....	xv-xvi
Principal City Officials.....	xvii
Certificate of Achievement for Excellence in Financial Reporting .....	xviii
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis .....	5-16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	18-19
Statement of Activities .....	20-21
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	22
Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Governmental Activities Statement of Activities .....	26-27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund .....	28-29
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Economic Development Special Revenue Fund .....	30
Statement of Net Position - Proprietary Funds .....	32-33
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds .....	34
Statement of Cash Flows - Proprietary Funds .....	36-37
Notes to the Financial Statements.....	40-87
Required Supplementary Information:	
TMRS Schedule of Changes in Net Pension Liability and Related Ratios .....	91
TMRS Schedule of Contributions .....	92
TESRS Schedule of Changes in Net Position Liability and Related Ratios.....	93
TESRS Schedule of Investment Returns .....	94

# CITY OF LAKE JACKSON

Lake Jackson, Texas

*Comprehensive Annual Financial Report  
For the Year Ended September 30, 2016*

## Table of Contents

	<u>Page</u>
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet .....	98-100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	102-104
Budget to Actual:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Motel Occupancy Tax Fund .....	106
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Police Seizure Fund .....	107
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Program Education .....	108
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Economic Development Debt Service Fund .....	109
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Golf Course Debt Service Fund .....	110
Supplementary Individual Fund Financial Statements and Schedules - General Fund:	
Comparative Balance Sheets .....	112-113
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	114-115
Supplementary Individual Fund Financial Statements and Schedules - Economic Development Fund:	
Comparative Balance Sheets .....	118
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	119
Supplementary Individual Fund Financial Statements and Schedules - General Debt Service Fund:	
Comparative Balance Sheets .....	122
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	123
Supplementary Individual Fund Financial Statements and Schedules - Proprietary Fund:	
Comparative Statements of Net Position - Enterprise Fund .....	126-127
Comparative Statements of Revenues, Expenses and Changes in Net Position - Enterprise Fund .....	128
Comparative Statements of Cash Flows - Enterprise Fund .....	130-131
Schedule of Revenues, Expenses, and Changes in Net Position - Actual Compared to Budgetary Basis - Enterprise Fund .....	132-133

# CITY OF LAKE JACKSON

Lake Jackson, Texas

*Comprehensive Annual Financial Report  
For the Year Ended September 30, 2016*

## Table of Contents

	<u>Page</u>
Combining and Individual Fund Statements and Schedules: - Continued	
Comparative Statements of Net Position - Golf Course Operating Fund.....	134-135
Comparative Statements of Revenues, Expenses and Changes in Net Position - Golf Course Operating Fund.....	136
Comparative Statements of Cash Flows - Golf Course Operating Fund.....	138-139
Schedule of Revenues, Expenses, and Changes in Net Position - Actual Compared to Budgetary Basis - Golf Course Operating Fund.....	140-141
Capital Assets Used in the Operation of Governmental Activities:	
Comparative Schedules by Source.....	145
Schedule by Function.....	146-147
Schedule of Changes by Function.....	148
Other Schedules:	
General Fund - Sub-Funds:	
Consolidated Schedule of Assets and Deferred Outflows of Resources, and Liabilities and Deferred Inflows of Resources, and Fund Balances.....	150-153
Consolidated Schedule of Revenues, Expenditures and Changes in Fund Balances.....	154-157
Enterprise Fund - Sub-Funds:	
Consolidated Schedule of Net Position.....	158-161
Consolidated Schedule of Revenues, Expenditures and Changes in Net Position.....	162-163
Consolidated Schedule of Cash Flows.....	164-165
Debt Service Schedule	
General Obligation Bonds.....	166-170
Waterworks and Sewer System Revenue Bonds.....	172-173
Insurance Coverage.....	174

## **STATISTICAL SECTION**

Table 1 Net Position by Component.....	176-177
Table 2 Changes in Net Position.....	178-181
Table 3 Fund Balances, Governmental Funds.....	182-183
Table 4 Changes in Fund Balances, Governmental Funds.....	184-185
Table 5 Assessed Value and Estimated Actual Value of Taxable Property.....	186
Table 6 Direct and Overlapping Property Tax Rates.....	187
Table 7 Principal Property Tax Payers.....	188
Table 8 Property Tax Levies and Collections.....	189
Table 9 Sales Tax Analysis.....	190
Table 10 Ratio of Outstanding Debt by Type.....	191
Table 11 Ratio of Net General Bonded Debt Outstanding.....	192
Table 12 Direct and Overlapping Governmental Activities Debt.....	193

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

*Comprehensive Annual Financial Report  
For the Year Ended September 30, 2016*

Table of Contents

	<u>Page</u>
<b>STATISTICAL SECTION - Continued</b>	
Table 13 Pledged Revenue Coverage .....	194
Table 14 Demographic and Economic Statistics .....	195
Table 15 Principal Employers .....	196
Table 16 Full-time Equivalent City Government Employees by Function/Program .....	197
Table 17 Operating Indicators by Function/Program .....	198
Table 18 Capital Asset Statistics by Function/Program .....	199
<b>CONTINUING FINANCIAL DISCLOSURES</b>	
Table CD1 Bond Summary and Authorization .....	203
Table CD2 Financial Information .....	204
Table CD3 Estimated Direct & Overlapping Debt Statement .....	205
Table CD4 Outstanding Debt Service Requirements - General Obligation Debt .....	206
Table CD5 Water and Sewer System Revenue Bonds Debt Service Schedule .....	207
Table CD6 Tax Adequacy .....	208
Table CD7 Tax Rate and Tax Collection Information .....	209
Table CD8 Sales Tax Collection History .....	210
Table CD9 Economic Development Fund .....	211
Table CD10 Debt Service Fund Management Index .....	212
Table CD11 Utility Debt Service Fund Management Index .....	213
Table CD12 Changes in Fund Balances Governmental Funds (Modified Accrual Basis) .....	214
Table CD13 Proprietary Fund - Statement of Revenues and Expenses .....	215
Table CD14 Water and Sewer Information .....	216
Table CD15 Top Ten Utility Customers .....	217
Table CD16 Principal Taxpayers and Assessed Valuation .....	218
Table CD17 General Fund - Budget Summary .....	219
Table CD18 Utility Fund - Budget Summary .....	220

## **INTRODUCTORY SECTION**

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## CITY OF LAKE JACKSON

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

March 29, 2017

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, 2016. 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 (4.5 million gallons total capacity). The City distributes an average of 2.96 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 42 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 industrial expansion triggered by low natural gas prices continues in Southern Brazoria County. Nearly \$ 30 billion in industrial projects are ongoing with several being completed in 2016. Some 10,000 construction workers are currently working on various projects, with larger projects not scheduled for completion until 2021. 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.

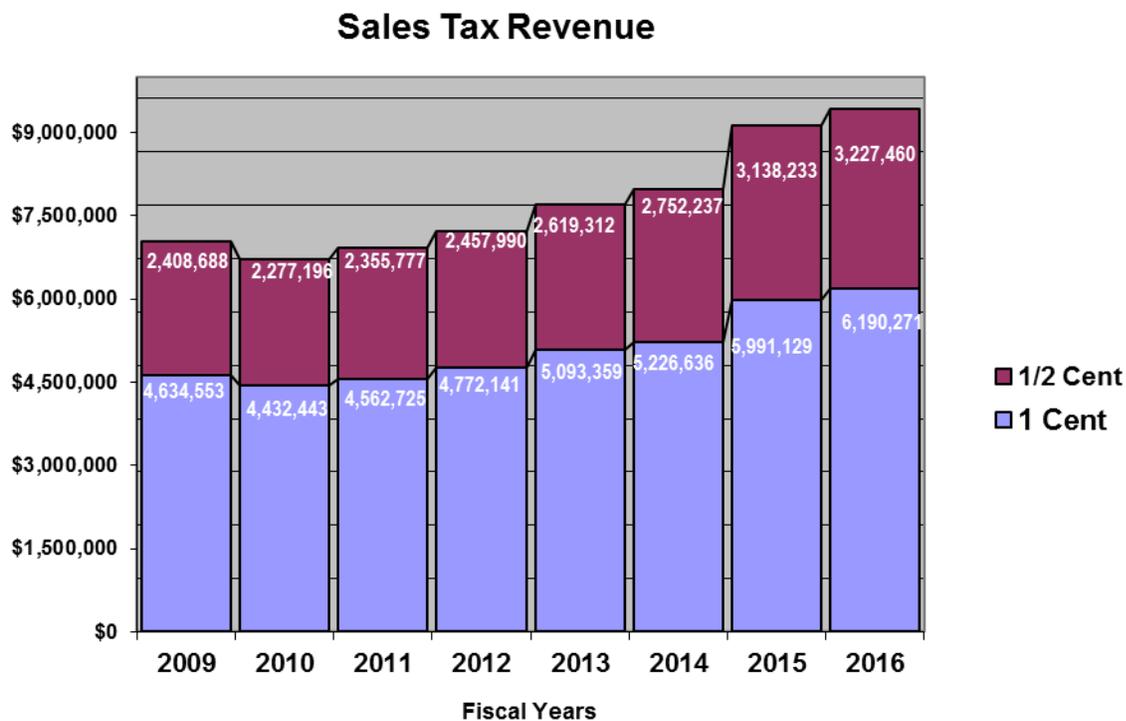
This expansion is forecast to continue as another \$ 7.5 billion to \$ 10 billion of additional industrial investment is under serious consideration. This would add another 400 to 500 direct jobs and another 1,000 to 1,500 indirect jobs. Any increase in oil prices above \$ 50 a barrel will likely create significant additional industrial expansion as it becomes economically feasible to build new facilities utilizing low cost natural gas as the feedstock as opposed to operating older fuel oil fed plants.

## CITY ECONOMY

The economic impact to the city from these projects has been substantial. Dow Chemical Company, in addition to its industrial plant development within our industrial district area, built its Texas Innovation Center campus within the Lake Jackson City limits. The campus includes administrative offices which opened in June of 2015, and world class research and development facilities which are complete and being slowly transitioned into service. Over 2,000 employees will be employed at this facility when all buildings are fully operational.

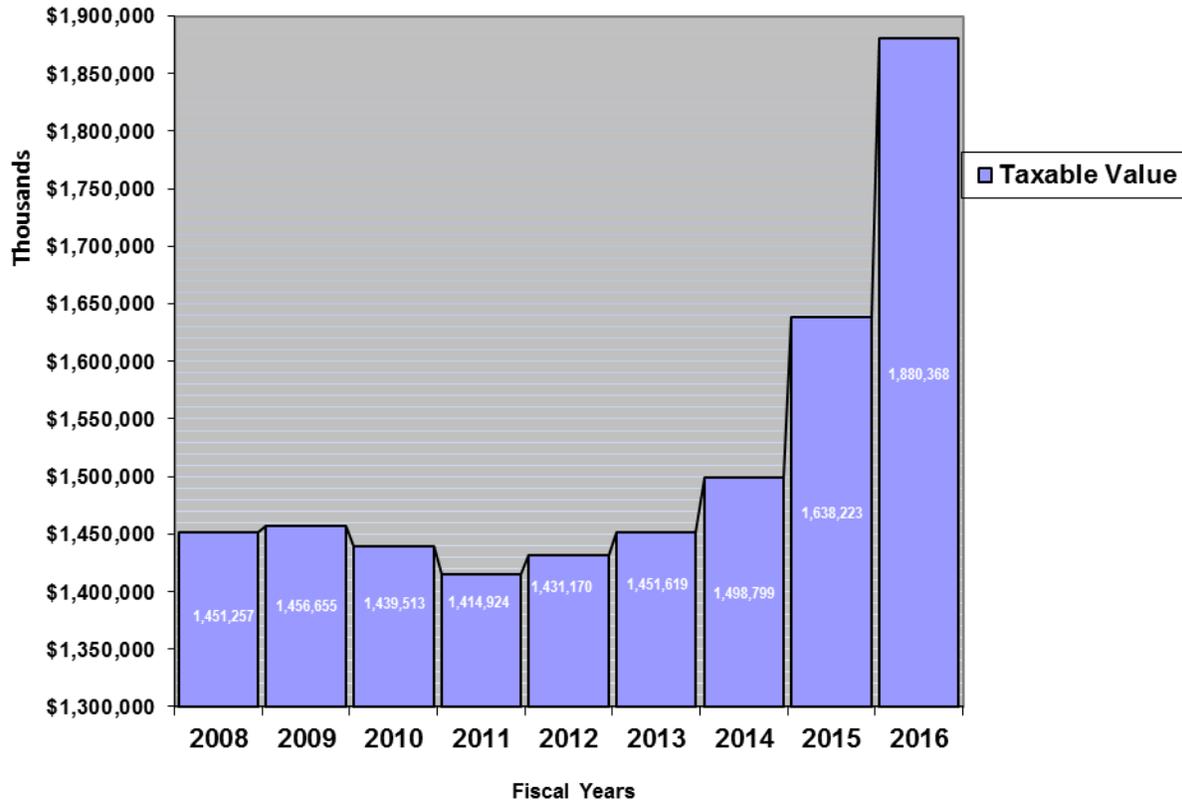
This growth has had an immediate impact on Sales Tax revenues for the City. Sales Tax in FY 2015 increased over 14% compared to FY 2014 and FY 2016 increased another 3%.

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. Sales tax comprises 33% of the General Operating Fund budget.



Now, taxable assessed values are increasing with the ancillary growth taking place. For FY 2016, values increased 9% and another 14% for FY 2017. With construction of homes taking place in the Creekside subdivision, two new apartment complexes at their completed values, and two new hotels under construction values should continue to increase for several more years.

## Taxable Assessed Property Valuations



## MAJOR ISSUES AND INITIATIVES

Groundwork has been laid for future development in the Northeast portion of the City. Water has been extended to the airport area. This system will support approximately 550 single family equivalents before constructing additional facilities. Construction of the sewer system for this area will be complete this summer and we will bring the Wayne Scott prison unit on as a customer.

A new section 380 agreement has been executed with the new owners of the Brazos Mall. We will give them sales tax rebates on additional sales generated at the mall. In turn they doing over \$ 20 million in renovations to the mall including expanding the old Sears area to house three stores.

A new \$ 16 million bond package was approved by the voters. This will be sold in three phases. The first issue was sold in December, with the next sale scheduled for this year and the final sale in FY 2019. Among other projects, this will include \$ 9.9 million for the next phase of the downtown revitalization.

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, 2015. 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, especially our Accounting Manager, Toni Truly. Additionally, we would like to thank our auditors, Kennemer, Masters and Lunsford, LLC; whose professional expertise and advice have resulted in continuing improvements in the quality of the City's financial reporting.

Respectfully submitted,



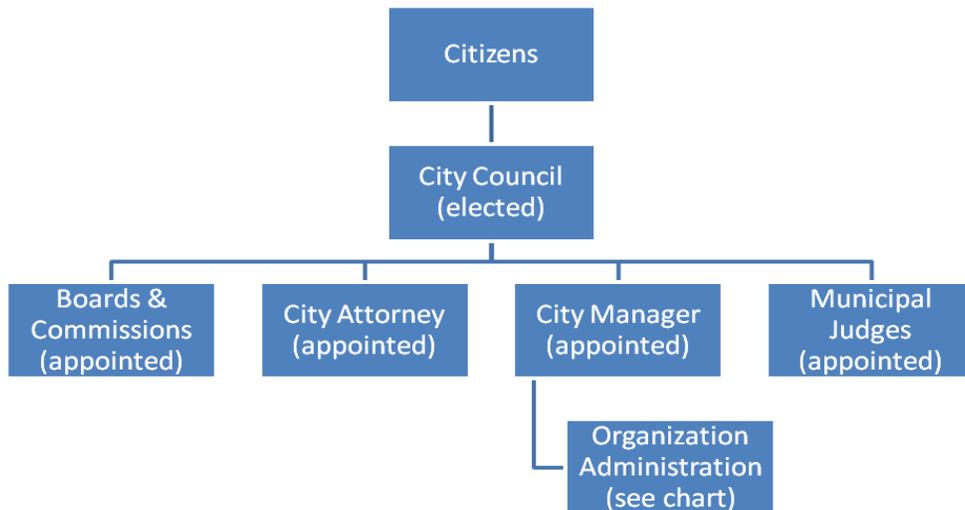
William P. Yenne  
City Manager



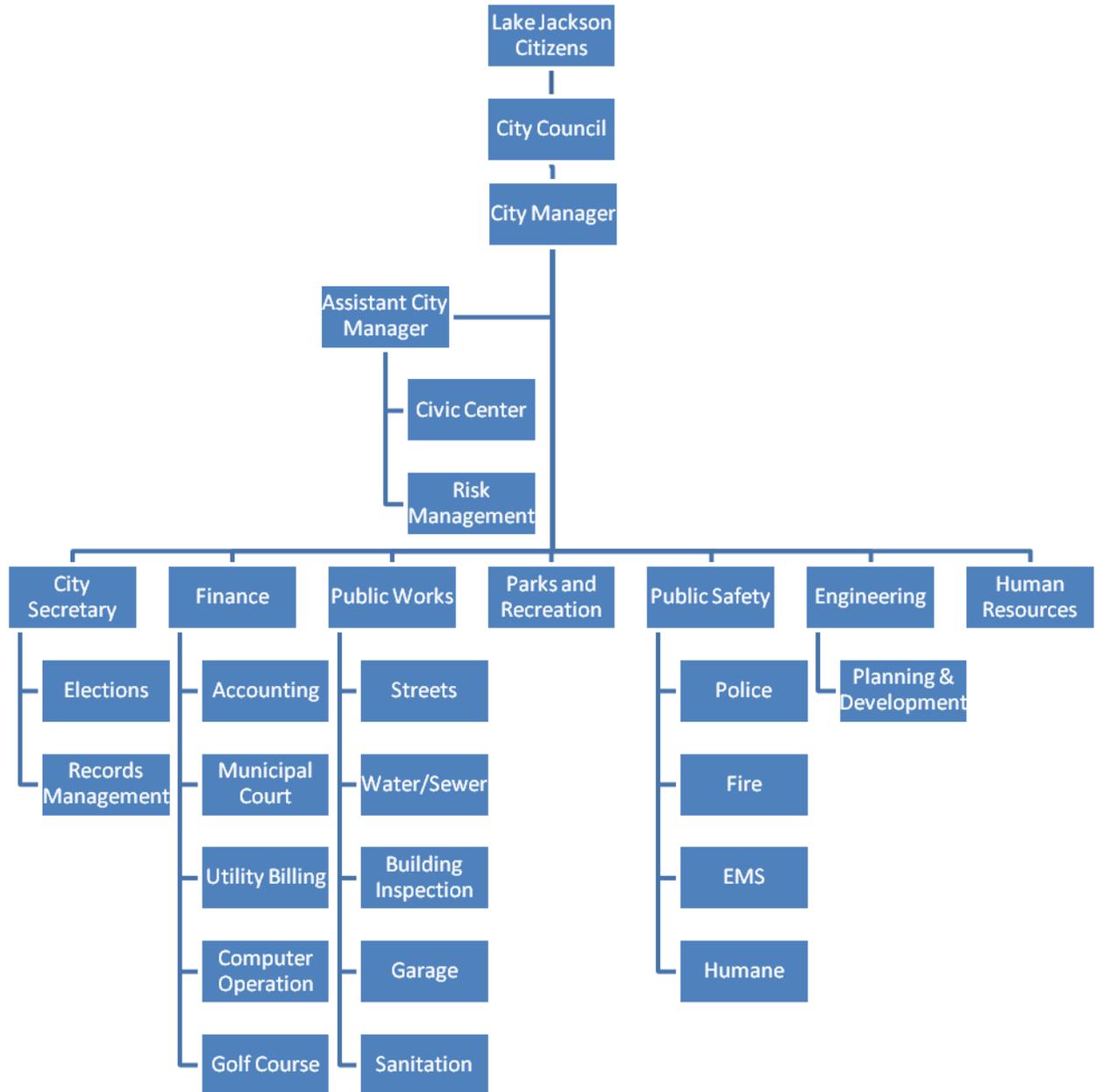
Pamela K. Eaves, CPA  
Finance Director

# City of Lake Jackson

## Council-Manager Government



# Organization Administration Chart



## Elected Officials

	<b>Official</b>	<b>Title</b>	<b>Years Of Service</b>	<b>Term Expire</b>	<b>Occupation</b>
*	Joe Rinehart	Mayor	5	2018	Retired
	Heather Melass	Councilmember	6	2017	Retired
**	Will Brooks	Councilmember	5	2018	Engineer
***	Gerald Roznovsky	Councilmember	4	2017	Business Owner
	Ralph “Buster” Buell	Councilmember	3	2018	Retired
	Jon Baker	Councilmember	6	2017	Law Enforcement

\* Served as Councilmember 2003-2009 before becoming Mayor.

\*\* Served as Councilmember 2008-2010.

\*\*\* Served as Councilmember 2005-2011.

## City Officials

	<b>Name</b>	<b>Title</b>	<b>Length of Service</b>
*	<i>William P. Yenne</i>	<i>City Manager</i>	<i>37 years</i>
	<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>22 years</i>
	<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>27 years</i>
	<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>38 years</i>
	<i>Sherri Russell</i>	<i>City Attorney</i>	<i>10 years</i>
	<i>First Southwest Company</i>	<i>Financial Advisors</i>	<i>12 years</i>

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



Government Finance Officers Association

**Certificate of  
Achievement  
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Presented to

**City of Lake Jackson  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

## **FINANCIAL SECTION**

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# Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

**Lake Jackson Office:**  
8 West Way Court  
Lake Jackson, Texas 77566  
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

### **Reports 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 City of Lake Jackson (the "City") as of and for the year ended September 30, 2016, 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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Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,  
Partnering for CPA Practice Success

To The Honorable Mayor and  
Members of Council  
City of Lake Jackson  
Page 2

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 information of the City of Lake Jackson, as of September 30, 2016, 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.

## **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 16 and 91 through 94 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.

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.

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

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, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Kennemer, Masters & Hunford, LLC*

Lake Jackson, Texas  
March 29, 2017

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**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages ix-xvi of this report.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 90,895,009 (net position). This number must be viewed in the context that the vast majority of the City's net position of \$ 66,637,590 (73.31%) 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 \$ 5,472,065 (6.02%). The remaining \$ 18,785,354 (20.67%) 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 \$ 22,632,411. Within this total, \$ 80,608 is non-spendable, \$ 6,230,357 is restricted by specific legal requirements, such as debt covenants, \$ 906,260 has been committed for general contingency purpose, and \$ 8,651,490 has been assigned to specific types of expenditures.
- At the end of the current fiscal year, the general fund balance was \$ 14,357,505. Of this amount, \$ 80,608 is non-spendable, \$ 906,260 has been committed for general contingency purpose, and \$ 6,606,941 has been assigned primarily for equipment replacement. The remaining \$ 6,763,696 is unassigned and can be used for any lawful purpose.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City'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.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

The government-wide financial statements can be found on pages 18-21 of this report.

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

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

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

The City maintains 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 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 22-30 of this report.

**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

**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 32-37 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 40-87 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 91-94 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 96-148 of this report. Other schedules can be found on pages 150-174 of this report. The statistical section can be found on pages 176-199 of this report following the other schedules. The continuing financial disclosures can be found on pages 203-220 of this report following the statistical section.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 90,895,009 as of September 30, 2016.

**NET POSITION**

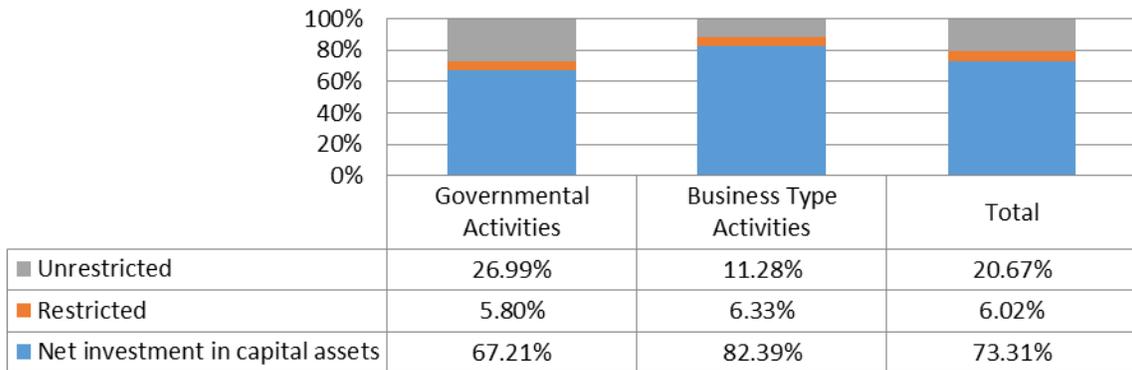
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	September 30,		September 30		September 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>						
Current and other assets	\$ 24,870,500	\$ 32,385,217	\$ 9,387,157	\$ 9,619,215	\$ 34,257,657	\$ 42,004,432
Capital assets	<u>62,750,190</u>	<u>56,344,447</u>	<u>37,512,203</u>	<u>34,301,675</u>	<u>100,262,393</u>	<u>90,646,122</u>
Total assets	<u>87,620,690</u>	<u>88,729,664</u>	<u>46,899,360</u>	<u>43,920,890</u>	<u>134,520,050</u>	<u>132,650,554</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources	<u>3,546,802</u>	<u>1,179,814</u>	<u>1,030,612</u>	<u>387,517</u>	<u>4,577,414</u>	<u>1,567,331</u>
Total deferred outflows of resources	<u>3,546,802</u>	<u>1,179,814</u>	<u>1,030,612</u>	<u>387,517</u>	<u>4,577,414</u>	<u>1,567,331</u>
<b>LIABILITIES</b>						
Other liabilities	1,702,635	1,469,228	2,451,240	2,112,240	4,153,875	3,581,468
Long-term liabilities	<u>34,493,907</u>	<u>34,861,894</u>	<u>8,743,571</u>	<u>9,222,286</u>	<u>43,237,478</u>	<u>44,084,180</u>
Total liabilities	<u>36,196,542</u>	<u>36,331,122</u>	<u>11,194,811</u>	<u>11,334,526</u>	<u>47,391,353</u>	<u>47,665,648</u>

(continued)

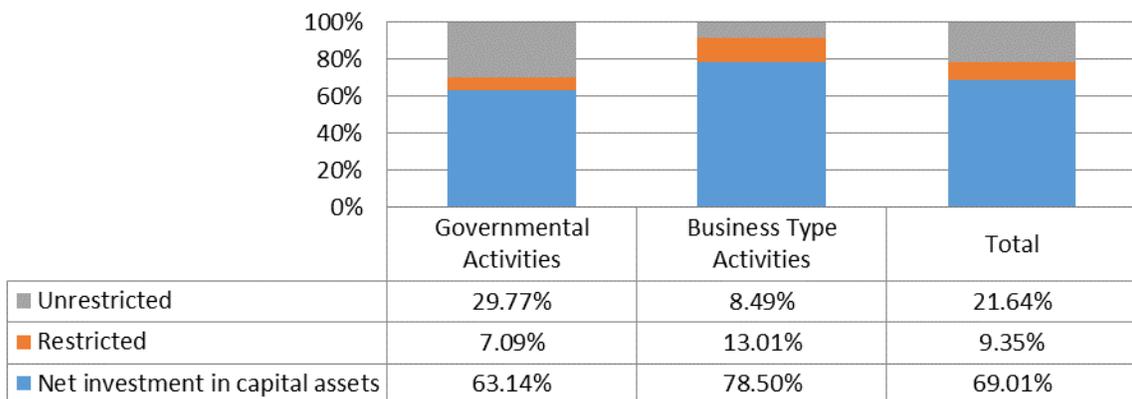
**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	September 30,		September 30		September 30,	
	2016	2015	2016	2015	2016	2015
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources	\$ 632,984	\$ 414,498	\$ 178,118	\$ 109,509	\$ 811,102	\$ 524,007
Total deferred inflows of resources	632,984	414,498	178,118	109,509	811,102	524,007
<b>NET POSITION</b>						
Net investment in capital assets	36,518,760	33,568,778	30,118,830	25,797,977	66,637,590	59,366,755
Restricted	3,156,731	3,770,121	2,315,334	4,277,148	5,472,065	8,047,269
Unrestricted	14,662,475	15,824,959	4,122,879	2,789,247	18,785,354	18,614,206
Total net position	\$ 54,337,966	\$ 53,163,858	\$ 36,557,043	\$ 32,864,372	\$ 90,895,009	\$ 86,028,230

**2016 Percentage of Net Position by Type**



**2015 Percentage of Net Position by Type**



**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

As of September 30, 2016, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories governmental and business-type activities.

The largest portion of the City's net position, \$ 66,637,590 (73.31%) 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 \$ 5,472,065 (6.02%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 18,785,354 (20.67%) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a decrease of \$ 2,575,204 in restricted net position and an increase of \$ 7,270,835 in 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 payments of debt.

**Analysis of the City's Operations**

**Governmental Activities:** Governmental activities increased the City's net position by \$ 1,174,108. The increase mainly reflects the increase in capital grants and contributions, and sales taxes.

Total revenues for governmental activities increased from the previous year by \$ 2,666,176 (10.84%).

*Program revenues* increased from the previous year by \$ 1,921,107. This is a result of an increase in capital grants and contributions.

*General revenues* increased from the previous year by \$ 745,069. This is primarily resulting from an increase in sales taxes and miscellaneous revenue.

**Business-type Activities:** Business activities increased the City's net position by \$ 3,692,671 (11.24%) which resulted from an increase in water and sewer service revenue, capital grants and contributions, and transfers in.

Total revenues increased from the prior year by \$ 1,843,455 and total expenses increased from the prior year by \$ 840,902 respectively. Total revenues increased from the prior year, due to an increase in water/sewer consumption and capital grants and contributions. Total expenses increased at a rate of about 7%. The major increases in 2016 expenses were water, sewer, and sanitation operating expenses.

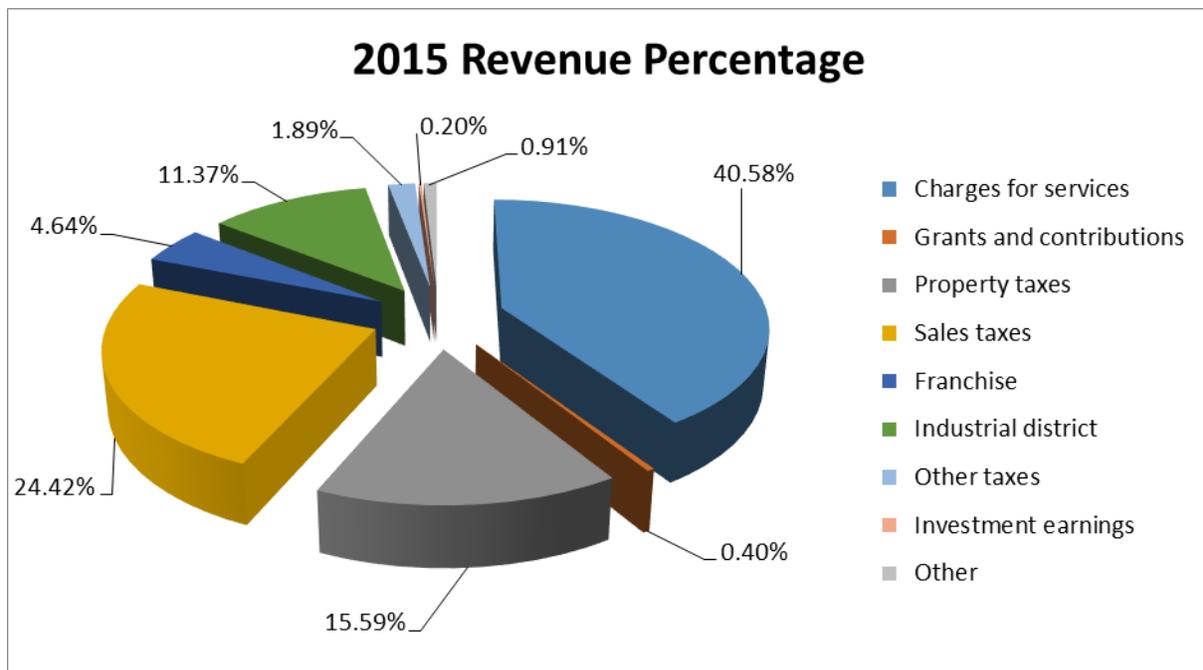
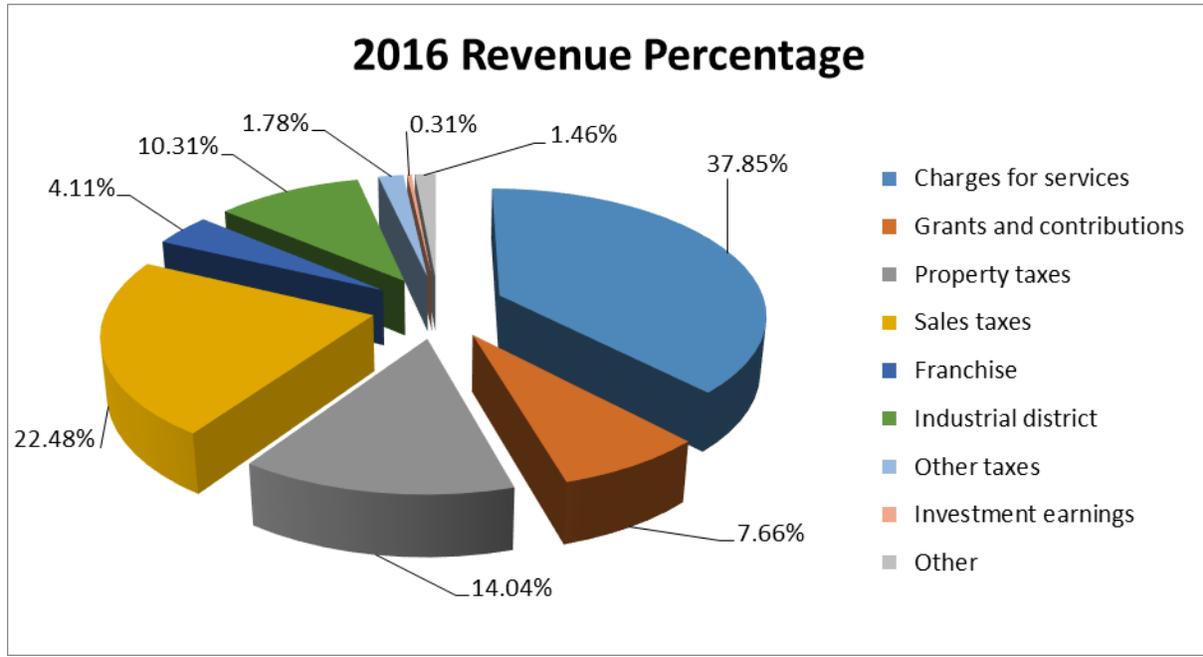
The following table provides a summary of the City's operations for the year ended September 30, 2016.

**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

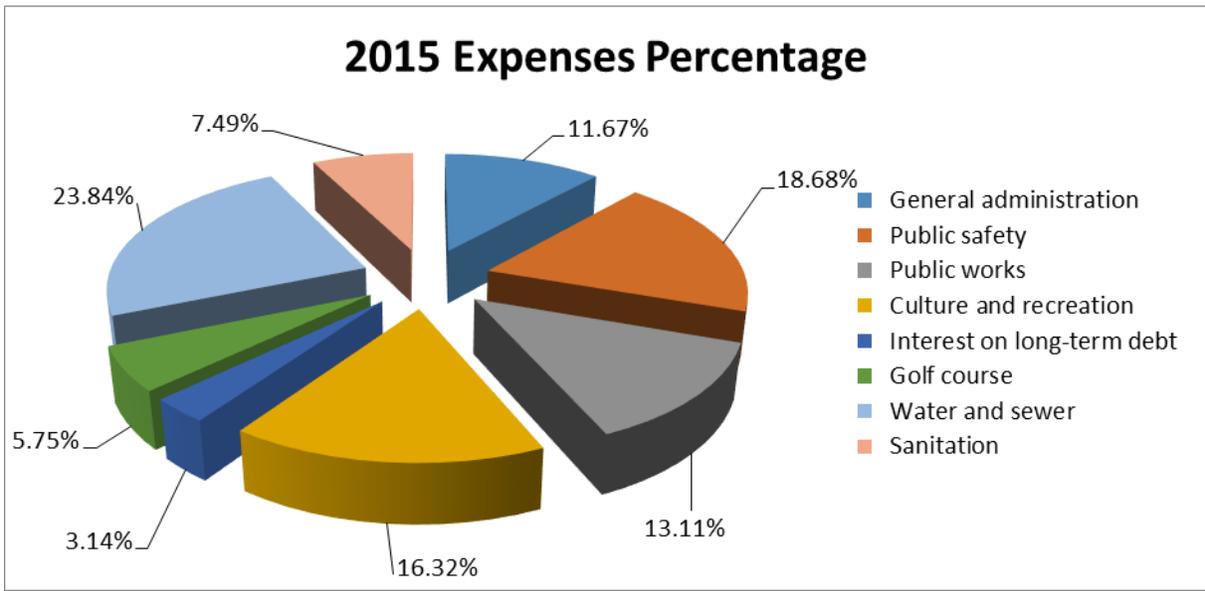
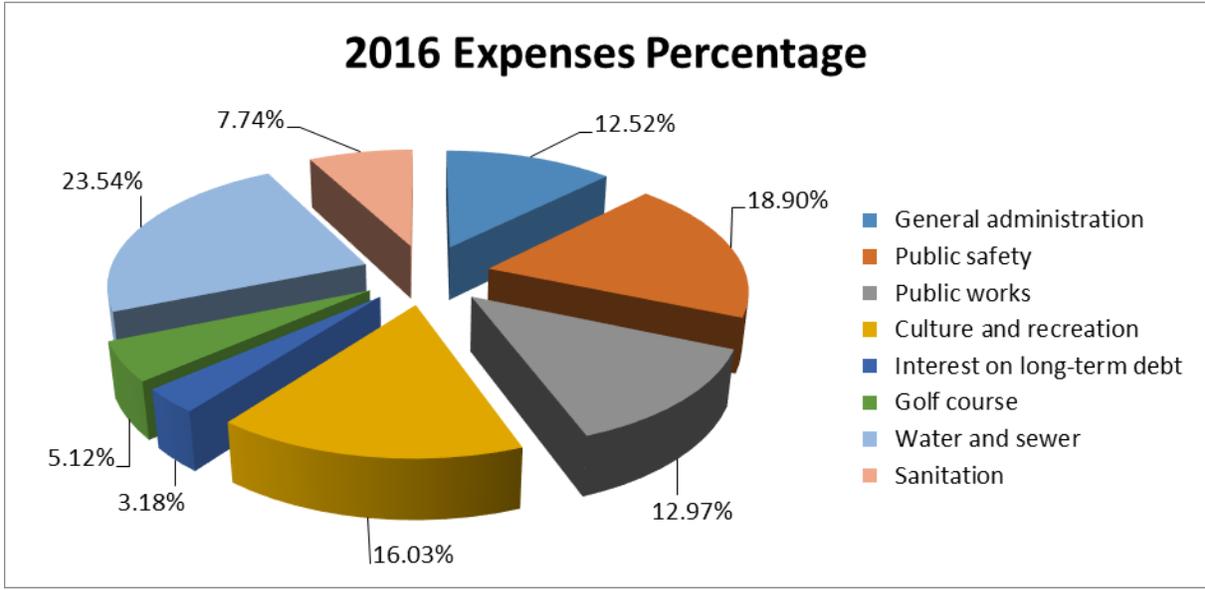
**CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>September 30, 2016</u>	<u>2015</u>	<u>September 30, 2016</u>	<u>2015</u>	<u>September 30, 2016</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 2,204,554	\$ 2,437,276	\$ 13,652,498	\$ 12,734,417	\$ 15,857,052	\$ 15,171,693
Operating grants and contributions	254,433	111,615			254,433	111,615
Capital grants and contributions	2,011,011		945,311	38,897	2,956,322	38,897
General Revenues:						
Property taxes	5,879,917	5,827,889			5,879,917	5,827,889
Sales taxes	9,417,731	9,129,362			9,417,731	9,129,362
Franchise taxes	1,720,294	1,734,149			1,720,294	1,734,149
Occupancy taxes	526,662	498,844			526,662	498,844
Alcoholic beverage taxes	121,656	116,215			121,656	116,215
Criminal justice taxes	23,604	21,342			23,604	21,342
Apartment taxes	72,666	69,344			72,666	69,344
Industrial district	4,317,295	4,249,304			4,317,295	4,249,304
Investment earnings	96,689	57,363	34,700	15,740	131,389	73,103
Miscellaneous	613,002	333,321			613,002	333,321
Gain on disposition of capital assets		7,314			-0-	7,314
Total revenues	<u>27,259,514</u>	<u>24,593,338</u>	<u>14,632,509</u>	<u>12,789,054</u>	<u>41,892,023</u>	<u>37,382,392</u>
Expenses:						
General government and administration	4,637,221	3,976,659			4,637,221	3,976,659
Public safety	6,996,740	6,364,951			6,996,740	6,364,951
Public works	4,800,673	4,466,925			4,800,673	4,466,925
Culture and recreation	5,934,908	5,561,349			5,934,908	5,561,349
Interest on long-term debt	1,177,942	1,071,742			1,177,942	1,071,742
Water and sewer			8,717,505	8,122,897	8,717,505	8,122,897
Sanitation			2,864,997	2,551,608	2,864,997	2,551,608
Golf course			1,895,258	1,962,353	1,895,258	1,962,353
Total expenses	<u>23,547,484</u>	<u>21,441,626</u>	<u>13,477,760</u>	<u>12,636,858</u>	<u>37,025,244</u>	<u>34,078,484</u>
Increase in net position before transfers	3,712,030	3,151,712	1,154,749	152,196	4,866,779	3,303,908
Transfers	( 2,537,922 )	326,052	2,537,922	( 326,052 )	-0-	-0-
Change in net position	1,174,108	3,477,764	3,692,671	( 173,856 )	4,866,779	3,303,908
Net position - beginning	<u>53,163,858</u>	<u>49,686,094</u>	<u>32,864,372</u>	<u>33,038,228</u>	<u>86,028,230</u>	<u>82,724,322</u>
Net position - ending	<u>\$ 54,337,966</u>	<u>\$ 53,163,858</u>	<u>\$ 36,557,043</u>	<u>\$ 32,864,372</u>	<u>\$ 90,895,009</u>	<u>\$ 86,028,230</u>

**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*



**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*



**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

**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 \$ 22,632,411. 29.88% of this total amount (\$ 6,763,696) constitutes unassigned fund balance. The remainder of the fund balance has been categorized as 1) non-spendable (\$ 80,608), 2) restricted (\$ 6,230,357), 3) committed (\$ 906,260), and 4) assigned (\$ 8,651,490).

In the General Fund, the City budgeted for a fund balance decrease of \$ 2,129,459. This included budgeting a \$ 1,350,000 transfer to the General Construction Fund and \$ 1,651,917 transfer to Enterprise Fund. Transferring of \$ 1,350,000 to General Construction Fund and \$ 750,000 to the Enterprise Fund reflects the fiscal year 2015 budget savings. The remaining transfer to the Enterprise Fund is the purchase of enterprise equipment. Due to actual revenue being more than budgeted, and actual expenditures being less than budgeted, the actual fund balance change was a decrease for fiscal year 2016 of \$ 670,134 and was \$ 1,459,325 less than budgeted decrease. This better than budgeted 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 2016, 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 decreased by \$ 617,437 and was \$ 166,598 less than the budgeted decrease.

The Debt Service fund balance decreased by \$ 21,209, which was consistent with the City's budget.

The 2014 Economic Incentive fund balance decreased by \$ 5,334,250 due to capital outlay expenditures.

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

Unrestricted net position at September 30, 2016 amounted to \$ 4,122,879. Total net position increased \$ 3,692,671. In 2016, the increase in net position for proprietary funds was a combination of a \$ 3,379,483 increase in the Enterprise Fund and a \$ 313,188 increase in the Golf Course Fund. Other factors concerning these funds have previously been addressed in the discussion of the City's business-type activities.

**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

**General Fund Budgetary Highlights.** Sales tax revenue continued its recovery and exceeded expectations by finishing the year in excess of 4.04% over budget. Revenue producing facilities revenue exceeded budgeted amounts by 11.34% as the result of the growth of public services.

The City's general fund expenditure budget exceeded the actual expenditures by \$ 2,995,313 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 2016, the City transferred fiscal 2015 budget savings of \$ 1,350,000 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, 2016, amounts to \$ 100,262,393 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements other than buildings, furniture, equipment and vehicles, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$ 9,616,271. (\$ 6,405,743 increase for governmental activities and \$ 3,210,528 increase in business-type activities).

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

- Developer Contributed Infrastructure totaling \$ 2,755,257
- Economic Development Infrastructure for Dow and HEB \$ 5,344,193
- Bond Infrastructure improvements completed \$ 2,119,889
- Completed \$ 1,270,634 of facility improvements
- Replaced radio communication system citywide \$ 958,427
- Replaced vehicles and mobile equipment \$ 967,622
- Improved and replaced City Network Equipment \$ 241,410

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

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2016	2015	September 30, 2016	2015	September 30, 2016	2015
Land	\$ 2,397,003	\$ 2,397,003	\$ 3,821,585	\$ 3,821,585	\$ 6,218,588	\$ 6,218,588
Buildings	18,456,932	17,756,181	1,283,396	1,476,524	19,740,328	19,232,705
Improvements other than buildings	3,737,288	7,436,270	15,940,987	14,541,298	19,678,275	21,877,568
Furniture, equipment and vehicles	4,496,467	4,149,710	2,820,458	2,185,582	7,316,925	6,335,292
Infrastructure	32,852,028	22,942,308	11,204,722	11,845,483	44,056,750	34,787,791
Construction in progress	810,472	1,662,975	2,441,055	431,203	3,251,527	2,094,178
Total	\$ <u>62,750,190</u>	\$ <u>56,344,447</u>	\$ <u>37,512,203</u>	\$ <u>34,301,675</u>	\$ <u>100,262,393</u>	\$ <u>90,646,122</u>

Additional information on the City's capital assets can be found in Note 6 on pages 61-64 of this report.

**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

**Debt Administration**

At the end of the current fiscal year, the City had a total bonded debt and notes payable of \$ 35,905,000. Of this amount, \$ 28,110,000 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 \$ 7,795,000 represents bonds secured by water and sewer revenues.

**OUTSTANDING LONG-TERM DEBT AT YEAR END**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 8,700,000	\$ 11,975,000	\$	\$	\$ 8,700,000	\$ 11,975,000
Limited tax bonds	19,410,000	19,410,000			19,410,000	19,410,000
Revenue bonds			7,795,000	8,960,000	7,795,000	8,960,000
Total	<u>\$ 28,110,000</u>	<u>\$ 31,385,000</u>	<u>\$ 7,795,000</u>	<u>\$ 8,960,000</u>	<u>\$ 35,905,000</u>	<u>\$ 40,345,000</u>

During the fiscal year, the City's total bonded debt decreased \$ 4,440,000 or 11.01% due to 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 66-71 of this report.

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

In the 2016-17 Budget, General Fund revenues and transfers-in are budgeted to increase by 6.2% from the 2015-16 fiscal year budget or 35% more than 2015-16 actual revenues. Sales tax continues to be the largest source of General Fund budgeted revenue at 33%. Property taxes account for 20.0% of the General Fund budgeted revenues. Certified assessed taxable valuations increased by 15%. 5% of this increase was due to new values. The Adopted tax rate was lowered from \$ .36/100 to \$ .3375/100.

The Utility Fund 2016-17 budget is 6.7% more than the proceeding year's budget. For the fiscal year 2016-17 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 11.7% from \$ 2.63/1,000 gallons to \$ 2.94/1,000 gallons. The City's water and sewer rates increased as follows:

	Fiscal Year 2015-16	Fiscal Year 2016-17
Water Rates		
Residential base (2,000 gallons)	\$ 12.90	\$ 13.05
Commercial & Multi-family base	\$ 12.90	\$ 26.10
2,000 to 20,000 gallons	\$ 4.00	\$ 4.10
Over 20,000 gallons	\$ 4.25	\$ 4.60

**CITY OF LAKE JACKSON, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

Sewer Rates	<u>Fiscal Year</u> <u>2015-16</u>	<u>Fiscal Year</u> <u>2016-17</u>
Residential base (2,000 gallons)	\$ 13.05	\$ 13.20
Commercial & Multi-family base	\$ 13.05	\$ 26.40
Over 20,000 gallons	\$ 4.25	\$ 4.40

**Request for Information**

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

## **BASIC FINANCIAL STATEMENTS**

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

**STATEMENT OF NET POSITION**

September 30, 2016

	Governmental Activities	Business- Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 22,026,578	\$ 4,577,456	\$ 26,604,034
Taxes receivable (net)	1,874,951		1,874,951
Accounts receivable (net)	568,239	701,842	1,270,081
Due from other governments	20,124		20,124
Investments	300,000		300,000
Inventories	80,608	37,502	118,110
Prepaid expenses		9,724	9,724
<b>Restricted Assets:</b>			
Temporarily Restricted:			
Cash and cash equivalents		4,055,315	4,055,315
Due from other governments		5,318	5,318
<b>Capital Assets (Net of Accumulated Depreciation):</b>			
Land	2,397,003	3,821,585	6,218,588
Buildings	18,456,932	1,283,396	19,740,328
Improvements other than buildings	3,737,288	15,940,987	19,678,275
Furniture, equipment, and vehicles	4,496,467	2,820,458	7,316,925
Infrastructure	32,852,028	11,204,722	44,056,750
Construction in progress	810,472	2,441,055	3,251,527
Total assets	87,620,690	46,899,360	134,520,050
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of resources - debt refunding cost	58,315	85,339	143,654
Deferred outflows of resources - pension	3,488,487	945,273	4,433,760
Total deferred outflows of resources	3,546,802	1,030,612	4,577,414

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

## STATEMENT OF NET POSITION - Continued

September 30, 2016

	Governmental Activities	Business- Type Activities	Total
Liabilities:			
Accounts payable	\$ 1,023,609	\$ 825,221	\$ 1,848,830
Cash bonds and taxes	377,906		377,906
Accrued wages	186,077	103,400	289,477
Unearned revenue	115,043	150,205	265,248
Liabilities payable from restricted assets		1,372,414	1,372,414
Noncurrent liabilities:			
Due within one year	3,739,062	712,917	4,451,979
Due in more than one year	<u>30,754,845</u>	<u>8,030,654</u>	<u>38,785,499</u>
Total liabilities	<u>36,196,542</u>	<u>11,194,811</u>	<u>47,391,353</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	<u>632,984</u>	<u>178,118</u>	<u>811,102</u>
Total deferred inflows of resources	<u>632,984</u>	<u>178,118</u>	<u>811,102</u>
Net Position:			
Net investment in capital assets	36,518,760	30,118,830	66,637,590
Restricted For:			
Debt service	746,414	1,834,380	2,580,794
Economic development	1,901,916		1,901,916
Construction		480,954	480,954
Other	508,401		508,401
Unrestricted	<u>14,662,475</u>	<u>4,122,879</u>	<u>18,785,354</u>
Total net position	<u>\$ 54,337,966</u>	<u>\$ 36,557,043</u>	<u>\$ 90,895,009</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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government and administration	\$ 4,637,221	\$ 444,607	\$	\$
Public safety	6,996,740		254,433	2,011,011
Public works	4,800,673	496,068		
Culture and recreation	5,934,908	1,263,879		
Interest on long-term debt	<u>1,177,942</u>			
Total governmental activities	<u>23,547,484</u>	<u>2,204,554</u>	<u>254,433</u>	<u>2,011,011</u>
<b>Business-type Activities:</b>				
Water and sewer	8,717,505	8,610,062		945,311
Sanitation	2,864,997	3,765,504		
Golf course	<u>1,895,258</u>	<u>1,276,932</u>		
Total business-type activities	<u>13,477,760</u>	<u>13,652,498</u>	<u>-0-</u>	<u>945,311</u>
Total	<u>\$ 37,025,244</u>	<u>\$ 15,857,052</u>	<u>\$ 254,433</u>	<u>\$ 2,956,322</u>

**General Revenue:**

<b>Taxes:</b>	
Property	
Sales	
Franchise	
Occupancy	
Other	
Industrial district	
Investment earnings	
Miscellaneous	
<b>Transfers</b>	
Total general revenues and transfers	

Change in net position

Net position – beginning

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
\$( 4,192,614 )	\$	\$( 4,192,614 )
( 4,731,296 )		( 4,731,296 )
( 4,304,605 )		( 4,304,605 )
( 4,671,029 )		( 4,671,029 )
<u>( 1,177,942 )</u>		<u>( 1,177,942 )</u>
<u>( 19,077,486 )</u>	-0-	<u>( 19,077,486 )</u>
	837,868	837,868
	900,507	900,507
	<u>( 618,326 )</u>	<u>( 618,326 )</u>
<u>-0-</u>	<u>1,120,049</u>	<u>1,120,049</u>
<u>( 19,077,486 )</u>	<u>1,120,049</u>	<u>( 17,957,437 )</u>
5,879,917		5,879,917
9,417,731		9,417,731
1,720,294		1,720,294
526,662		526,662
217,926		217,926
4,317,295		4,317,295
96,689	34,700	131,389
613,002		613,002
<u>( 2,537,922 )</u>	<u>2,537,922</u>	<u>-0-</u>
<u>20,251,594</u>	<u>2,572,622</u>	<u>22,824,216</u>
1,174,108	3,692,671	4,866,779
<u>53,163,858</u>	<u>32,864,372</u>	<u>86,028,230</u>
<u>\$ 54,337,966</u>	<u>\$ 36,557,043</u>	<u>\$ 90,895,009</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

September 30, 2016

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>General Debt Service Fund</u>	<u>2014 Economic Incentive Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets and Deferred Outflows of Resources</u>						
Assets:						
Cash and cash equivalents	\$ 14,136,250	\$ 1,444,952	\$ 685,096	\$ 170,049	\$ 5,590,231	\$ 22,026,578
Receivables (net of allowance for uncollectibles):						
Taxes	1,299,987	534,481	19,342		21,141	1,874,951
Accounts	66,342				16,009	82,351
Grants	20,124					20,124
Investments	300,000					300,000
Inventories	<u>80,608</u>					<u>80,608</u>
Total assets	<u>15,903,311</u>	<u>1,979,433</u>	<u>704,438</u>	<u>170,049</u>	<u>5,627,381</u>	<u>24,384,612</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>\$ 15,903,311</u>	<u>\$ 1,979,433</u>	<u>\$ 704,438</u>	<u>\$ 170,049</u>	<u>\$ 5,627,381</u>	<u>\$ 24,384,612</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 856,501	\$ 77,517	\$ 987		\$ 88,604	\$ 1,023,609
Cash bonds and taxes	377,906					377,906
Accrued wages	186,077					186,077
Unearned revenue	<u>95,043</u>				<u>20,000</u>	<u>115,043</u>
Total liabilities	<u>1,515,527</u>	<u>77,517</u>	<u>987</u>	<u>-0-</u>	<u>108,604</u>	<u>1,702,635</u>
Deferred Inflows of Resources:						
Deferred inflows of resources-property taxes	<u>30,279</u>		<u>19,287</u>			<u>49,566</u>
Total deferred inflows of resources	<u>30,279</u>	<u>-0-</u>	<u>19,287</u>	<u>-0-</u>	<u>-0-</u>	<u>49,566</u>
Fund Balances:						
Non-spendable	80,608					80,608
Restricted		1,901,916	684,164	170,049	3,474,228	6,230,357
Committed	906,260					906,260
Assigned	6,606,941				2,044,549	8,651,490
Unassigned	<u>6,763,696</u>					<u>6,763,696</u>
Total fund balances	<u>14,357,505</u>	<u>1,901,916</u>	<u>684,164</u>	<u>170,049</u>	<u>5,518,777</u>	<u>22,632,411</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,903,311</u>	<u>\$ 1,979,433</u>	<u>\$ 704,438</u>	<u>\$ 170,049</u>	<u>\$ 5,627,381</u>	<u>\$ 24,384,612</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, 2016

Total fund balances – governmental funds balance sheet	\$ 22,632,411
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 158,896,334 assets less \$ 96,146,144 in accumulated depreciation.	62,750,190
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 \$ 30,279 and \$ 19,287, respectively.	49,566
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 \$ 1,276,663 net of allowance for uncollectible accounts of \$ 790,775 of the general fund amounted to \$ 485,888.	485,888
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 \$ 58,315 (issuance costs of \$ 107,366 less amortization of \$ 49,051).	58,315
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 \$ 1,248,003 (premium on the sale of bonds of \$ 1,798,959 less amortization of \$ 550,956).	( 1,248,003 )
Pension deferred outflows of resources of \$ 3,488,487 less deferred inflows of resources of \$ 632,984	2,855,503
Payable for bond principal and other long-term debt are not reported in the funds.	( 28,110,000 )
Payable for bond interest is not reported in the funds.	( 35,647 )
Net pension liability is not reported in the funds.	( 4,471,320 )
Payable for long-term compensated absences is not reported in the funds.	( <u>628,937</u> )
Net position of governmental activities – statement of net position.	<u>\$ 54,337,966</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, 2016

	General Fund	Economic Development Fund	General Debt Service Fund	2014 Economic Incentive Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes:						
Property	\$ 3,773,882	\$	\$ 2,099,398	\$	\$	\$ 5,873,280
Sales	6,190,271	3,227,460				9,417,731
Franchise	1,632,284				88,010	1,720,294
Occupancy					526,662	526,662
Other	217,926					217,926
Industrial district	4,317,295					4,317,295
Intergovernmental	9,170				245,263	254,433
Revenue producing facilities	1,263,879					1,263,879
Fines and fees	472,117					472,117
Licenses and permits	496,068					496,068
Investment earnings	54,815	12,077	4,970	9,943	14,884	96,689
Miscellaneous	205,611	9,599			397,792	613,002
	<u>18,633,318</u>	<u>3,249,136</u>	<u>2,104,368</u>	<u>9,943</u>	<u>1,272,611</u>	<u>25,269,376</u>
<b>Expenditures:</b>						
Current:						
General government and administration	3,864,699				174,308	4,039,007
Public safety	6,028,794				9,971	6,038,765
Public works	2,777,394				60,169	2,837,563
Culture and recreation	4,487,262	44,435			536,510	5,068,207
Capital outlay	786,888	1,069,797		5,344,193	2,850,383	10,051,261
Debt Service:						
Principal retirement			1,668,954		1,541,046	3,210,000
Interest and fiscal charges			515,720		484,720	1,000,440
	<u>17,945,037</u>	<u>1,114,232</u>	<u>2,184,674</u>	<u>5,344,193</u>	<u>5,657,107</u>	<u>32,245,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>688,281</u>	<u>2,134,904</u>	<u>( 80,306 )</u>	<u>( 5,334,250 )</u>	<u>( 4,384,496 )</u>	<u>( 6,975,867 )</u>
<b>Other Financing Sources (Uses):</b>						
Issuance of bonds			5,194,561		2,675,439	7,870,000
Bond issuance premium			537,550			537,550
Sale of capital assets	41,105					41,105
Transfers in	1,602,397				3,328,045	4,930,442
Transfers out	( 3,001,917 )	( 2,752,341 )			( 75,491 )	( 5,829,749 )
Payment to bond refunding escrow agent			( 5,673,014 )		( 2,627,718 )	( 8,300,732 )
	<u>( 1,358,415 )</u>	<u>( 2,752,341 )</u>	<u>59,097</u>	<u>-0-</u>	<u>3,300,275</u>	<u>( 751,384 )</u>
Net change in fund balances	<u>( 670,134 )</u>	<u>( 617,437 )</u>	<u>( 21,209 )</u>	<u>( 5,334,250 )</u>	<u>( 1,084,221 )</u>	<u>( 7,727,251 )</u>
Fund balances - beginning (restated)	<u>15,027,639</u>	<u>2,519,353</u>	<u>705,373</u>	<u>5,504,299</u>	<u>6,602,998</u>	<u>30,359,662</u>
Fund balances - ending	<u>\$ 14,357,505</u>	<u>\$ 1,901,916</u>	<u>\$ 684,164</u>	<u>\$ 170,049</u>	<u>\$ 5,518,777</u>	<u>\$ 22,632,411</u>

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

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

For the Year Ended September 30, 2016

Net change in fund balances – total governmental funds \$( 7,727,251 )

**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 \$ 10,051,261 less depreciation of \$ 3,867,785 in the current period. 6,183,476

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 \$ 4,834 and \$ 1,803 , respectively. 6,637

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. ( 27,510 )

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 \$ 3,210,000. 3,210,000

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 \$ 7,870,000 for bonds less \$ 7,935,000 payments to refunding bond escrow agent. 65,000

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 \$ 190,740 less current proceeds of \$ 537,550. ( 346,810 )

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 net amount of change in expenditures related to the change in net pension obligations. ( 362,805 )

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. 7,398

(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, 2016

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.	\$( 46,386)
Capital asset transfer out reported in the government activities statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	( 1,638,615)
Capital asset contribution reported in the governmental activities statement of activities does not provide current financial resources and therefore are not reported as revenue in governmental funds.	2,011,011
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 \$ 150,129 (cost of \$ 779,955 less accumulated depreciation of \$ 629,826).	<u>( 150,129)</u>
Change in net position of governmental activities	<u>\$ 1,174,108</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, 2016

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,802,612	\$ 3,802,612
Sales	5,950,000	5,950,000
Franchise	1,615,775	1,615,775
Other	124,000	124,000
Industrial district	4,278,632	4,278,632
Intergovernmental		
Revenue producing facilities	1,135,200	1,135,200
Fines and fees	576,424	576,424
Licenses and permits	416,045	416,045
Investment earnings	35,300	35,300
Miscellaneous	186,200	186,200
Total revenues	18,120,188	18,120,188
Expenditures:		
Current:		
General government and administration	3,656,330	3,656,330
Public safety	6,531,697	6,531,697
Public works	3,234,797	3,234,797
Culture and recreation	4,596,721	4,596,721
Capital outlay	820,805	820,805
Total expenditures	18,840,350	18,840,350
Excess (deficiency) of revenues over (under) expenditures	( 720,162 )	( 720,162 )
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,592,620	1,592,620
Transfer out	( 901,917 )	( 3,001,917 )
Total other financing sources (uses)	690,703	( 1,409,297 )
Net change in fund balance	( 29,459 )	( 2,129,459 )
Fund balance - beginning	15,027,639	15,027,639
Fund balance - ending	\$ 14,998,180	\$ 12,898,180

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)
\$ 3,773,882	\$	\$ 3,773,882	\$ ( 28,730 )
6,190,271		6,190,271	240,271
1,632,284		1,632,284	16,509
217,926		217,926	93,926
4,317,295		4,317,295	38,663
9,170		9,170	9,170
1,263,879		1,263,879	128,679
472,117		472,117	( 104,307 )
496,068		496,068	80,023
54,815		54,815	19,515
205,611		205,611	19,411
<u>18,633,318</u>	<u>-0-</u>	<u>18,633,318</u>	<u>513,130</u>
3,864,699		3,864,699	( 208,369 )
6,028,794		6,028,794	502,903
2,777,394		2,777,394	457,403
4,487,262		4,487,262	109,459
<u>786,888</u>	<u>-0-</u>	<u>786,888</u>	<u>33,917</u>
<u>17,945,037</u>	<u>-0-</u>	<u>17,945,037</u>	<u>895,313</u>
<u>688,281</u>	<u>-0-</u>	<u>688,281</u>	<u>1,408,443</u>
41,105		41,105	41,105
1,602,397		1,602,397	9,777
( 3,001,917 )		( 3,001,917 )	-0-
( 1,358,415 )	-0-	( 1,358,415 )	50,882
( 670,134 )	-0-	( 670,134 )	1,459,325
<u>15,027,639</u>	<u>-0-</u>	<u>15,027,639</u>	<u>-0-</u>
<u>\$ 14,357,505</u>	<u>\$ -0-</u>	<u>\$ 14,357,505</u>	<u>\$ 1,459,325</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,135,000	\$ 3,135,000	\$ 3,227,460	\$ 92,460
Investment earnings	10,000	10,000	12,077	2,077
Miscellaneous			9,599	9,599
Total revenues	<u>3,145,000</u>	<u>3,145,000</u>	<u>3,249,136</u>	<u>104,136</u>
Expenditures:				
Current:				
Culture and recreation	40,000	50,000	44,435	5,565
Capital outlay	<u>425,000</u>	<u>1,103,835</u>	<u>1,069,797</u>	<u>34,038</u>
Total expenditures	<u>465,000</u>	<u>1,153,835</u>	<u>1,114,232</u>	<u>39,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,680,000</u>	<u>1,991,165</u>	<u>2,134,904</u>	<u>143,739</u>
Other Financing Sources (Uses):				
Transfers out	<u>( 2,600,912)</u>	<u>( 2,775,200)</u>	<u>( 2,752,341)</u>	<u>22,859</u>
Total other financing sources (uses)	<u>( 2,600,912)</u>	<u>( 2,775,200)</u>	<u>( 2,752,341)</u>	<u>22,859</u>
Net change in fund balance	79,088	( 784,035)	( 617,437)	166,598
Fund balance - beginning	<u>2,519,353</u>	<u>2,519,353</u>	<u>2,519,353</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 2,598,441</u>	<u>\$ 1,735,318</u>	<u>\$ 1,901,916</u>	<u>\$ 166,598</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, 2016

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 4,482,210	\$ 95,246	\$ 4,577,456
Receivables (net of allowance for uncollectibles):			
Accounts	663,401	38,441	701,842
Inventory		37,502	37,502
Prepaid expenses		9,724	9,724
	<u>5,145,611</u>	<u>180,913</u>	<u>5,326,524</u>
<b>Current Restricted Assets:</b>			
Cash and cash equivalents	1,626,676		1,626,676
Due from other governments	5,318		5,318
Total current restricted assets	<u>1,631,994</u>	<u>-0-</u>	<u>1,631,994</u>
Total current assets	<u>6,777,605</u>	<u>180,913</u>	<u>6,958,518</u>
<b>Noncurrent Assets:</b>			
<b>Restricted Cash and Cash Equivalents:</b>			
Revenue bond covenant accounts	2,428,639		2,428,639
Total noncurrent restricted assets	<u>2,428,639</u>	<u>-0-</u>	<u>2,428,639</u>
<b>Capital Assets:</b>			
Property, plant and equipment	67,100,415	9,490,185	76,590,600
Construction in progress	2,441,055		2,441,055
Less accumulated depreciation	( 38,220,148 )	( 3,299,304 )	( 41,519,452 )
Total capital assets (net of accumulated depreciation)	<u>31,321,322</u>	<u>6,190,881</u>	<u>37,512,203</u>
Total noncurrent assets	<u>33,749,961</u>	<u>6,190,881</u>	<u>39,940,842</u>
Total assets	<u>40,527,566</u>	<u>6,371,794</u>	<u>46,899,360</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of resources - debt refunding costs	85,339		85,339
Deferred outflows of resources - pension	945,273		945,273
Total deferred outflows of resources	<u>1,030,612</u>	<u>-0-</u>	<u>1,030,612</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS - Continued

September 30, 2016

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 786,803	\$ 38,418	\$ 825,221
Accrued wages	77,689	25,711	103,400
Unearned revenue		150,205	150,205
Accrued compensated absences	97,500		97,500
Revenue bonds payable	615,417		615,417
	<u>1,577,409</u>	<u>214,334</u>	<u>1,791,743</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest	131,638		131,638
Customer deposits	778,155		778,155
Revenue bonds payable	462,621		462,621
Total current liabilities payable from restricted assets	<u>1,372,414</u>	<u>-0-</u>	<u>1,372,414</u>
Total current liabilities	<u>2,949,823</u>	<u>214,334</u>	<u>3,164,157</u>
Noncurrent Liabilities:			
Revenue bonds payable	6,863,295		6,863,295
Accrued compensated absences	43,466		43,466
Net pension liability	1,123,893		1,123,893
Total noncurrent liabilities	<u>8,030,654</u>	<u>-0-</u>	<u>8,030,654</u>
Total liabilities	<u>10,980,477</u>	<u>214,334</u>	<u>11,194,811</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	178,118		178,118
Total deferred inflows of resources	<u>178,118</u>	<u>-0-</u>	<u>178,118</u>
Net Position:			
Net investment in capital assets	23,927,949	6,190,881	30,118,830
Restricted For:			
Revenue bond retirement	1,834,380		1,834,380
Construction	480,954		480,954
Unrestricted	4,156,300	( 33,421 )	4,122,879
Total net position	<u>\$ 30,399,583</u>	<u>\$ 6,157,460</u>	<u>\$ 36,557,043</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, 2016

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 4,104,121	\$	\$ 4,104,121
Sewer service	3,978,113		3,978,113
Garbage fees	3,765,504		3,765,504
Tapping and connection fees	289,097		289,097
Golf course fees and charges		1,276,932	1,276,932
Other	<u>238,731</u>		<u>238,731</u>
Total operating revenues	<u>12,375,566</u>	<u>1,276,932</u>	<u>13,652,498</u>
Operating Expenses:			
Utility administration	443,853		443,853
Water production and treatment	3,304,542		3,304,542
Sewer collection	2,473,949		2,473,949
Sanitation	2,864,997		2,864,997
Golf course		1,649,011	1,649,011
Depreciation	<u>2,186,304</u>	<u>246,247</u>	<u>2,432,551</u>
Total operating expenses	<u>11,273,645</u>	<u>1,895,258</u>	<u>13,168,903</u>
Operating income (loss)	<u>1,101,921</u>	<u>( 618,326)</u>	<u>483,595</u>
Non-Operating Revenues (Expenses):			
Interest revenue	34,045	655	34,700
Interest expense and fiscal charges	<u>( 308,857)</u>		<u>( 308,857)</u>
Total non-operating revenues (expenses)	<u>( 274,812)</u>	<u>655</u>	<u>( 274,157)</u>
Income (loss) before contributions and transfers	827,109	<u>( 617,671)</u>	209,438
Capital contributions	2,077,363	506,563	2,583,926
Transfers in	1,651,917	424,296	2,076,213
Transfers out	<u>( 1,176,906)</u>		<u>( 1,176,906)</u>
Change in net position	3,379,483	313,188	3,692,671
Net position at beginning of year	<u>27,020,100</u>	<u>5,844,272</u>	<u>32,864,372</u>
Net position at end of year	<u>\$ 30,399,583</u>	<u>\$ 6,157,460</u>	<u>\$ 36,557,043</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, 2016

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 12,545,061	\$ 1,251,786	\$ 13,796,847
Payments to suppliers	( 6,260,659)	( 828,620)	( 7,089,279)
Payments to employees	( 2,382,283)	( 848,539)	( 3,230,822)
Net cash provided (used) by operating activities	<u>3,902,119</u>	<u>( 425,373)</u>	<u>3,476,746</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	1,651,917	424,296	2,076,213
Transfers out	( 1,176,906)		( 1,176,906)
Net cash provided by non-capital and related financing activities	<u>475,011</u>	<u>424,296</u>	<u>899,307</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	( 3,142,873)		( 3,142,873)
Principal and premium paid on capital debt	( 1,188,038)		( 1,188,038)
Interest and fiscal charges paid on capital debt	( 301,888)		( 301,888)
Net cash used for capital and related financing activities	<u>( 4,632,799)</u>	<u>-0-</u>	<u>( 4,632,799)</u>
Cash Flows from Investing Activities:			
Interest received	<u>34,045</u>	<u>655</u>	<u>34,700</u>
Net cash provided by investing activities	<u>34,045</u>	<u>655</u>	<u>34,700</u>
Change in cash and cash equivalents	( 221,624)	( 422)	( 222,046)
Cash and cash equivalents at the beginning of year	<u>8,759,149</u>	<u>95,668</u>	<u>8,854,817</u>
Cash and cash equivalents at the end of year	<u>\$ 8,537,525</u>	<u>\$ 95,246</u>	<u>\$ 8,632,771</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

For the Year Ended September 30, 2016

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,101,921	\$( 618,326)	\$ 483,595
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,186,304	246,247	2,432,551
(Increase) decrease in accounts receivable	127,594	( 23,305)	104,289
(Increase) decrease in inventory		( 10,304)	( 10,304)
(Increase) decrease in prepaid expenses		( 253)	( 253)
Increase (decrease) in accounts payable	364,610	( 21,510)	343,100
Increase (decrease) in accrued wages payable	12,540	3,919	16,459
Increase (decrease) in net pension obligation	75,428		75,428
Increase (decrease) in accrued compensated absences	( 8,179)		( 8,179)
Increase (decrease) in deferred revenue		( 1,841)	( 1,841)
Increase (decrease) in customer deposits	41,901		41,901
Total adjustments	2,800,198	192,953	2,993,151
Net cash provided (used) by operating activities	\$ 3,902,119	\$( 425,373)	\$ 3,476,746
Non-cash Investing, Capital, and Financing Activities:			
Capital contributions	\$ 2,077,363	\$ 506,563	\$ 2,583,926
Net effect of non-cash transactions	\$ 2,077,363	\$ 506,563	\$ 2,583,926

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, 2016

**INDEX**

Note	Page
1. Summary of Significant Accounting Policies .....	40
2. Prior Period Adjustment.....	54
3. Deposits, Investments and Derivatives.....	55
4. Deferred Inflows/Outflows of Resources and Unearned Revenue .....	60
5. Interfund Receivables, Payables and Transfers.....	61
6. Capital Assets.....	61
7. Receivables and Allowance for Uncollectible Accounts .....	65
8. Long-Term Debt .....	66
9. Leasing Operations .....	72
10. Texas Municipal Retirement System Pension Plan .....	73
11. Texas Emergency Services Retirement System .....	78
12. OPEB Supplemental Death Benefits Plan.....	83
13. Deferred Compensation Plan .....	83
14. Contingent Liabilities.....	84
15. Risk-Pool Participation .....	84
16. Industrial District Contract .....	84
17. Grants, Loans, Entitlements and Shared Revenues .....	85
18. Interlocal Agreement .....	86
19. Economic Development Agreements .....	86
20. Evaluation of Subsequent Events.....	87
21. Excess of Expenditures Over Appropriations .....	87

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### 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, 2016

### 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, 2016

### 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, 2016

### 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, 2016

### 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.

GASB No. 72, "Fair Value Measurement and Application" was issued February 2015. 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, 2015.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

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

#### New Pronouncements - continued

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 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, 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 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, 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.

GASB No. 81 "Irrevocable Split-Interest Agreements" was issued in March 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. The requirements of this Statement are effective for periods beginning after December 15, 2016.

GASB No. 82 "Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73" was issued in March 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. The requirements of this Statement are effective for periods beginning after June 15, 2016.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

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

#### New Pronouncements - continued

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 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. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. 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. The requirements of this Statement are effective for periods beginning after December 15, 2018.

#### Budgetary Data

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

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

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

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

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - continued

The following reconciles the differences between the legally enacted budget basis and the GAAP basis of accounting for the year ended September 30, 2016:

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

Proprietary Fund Types:

	<u>Enterprise Fund</u>
Change in net position - GAAP basis	\$ 3,379,483
Provisions for Current Adjustments To:	
Depreciation	2,186,304
Amortization of loss on refunding debt	<u>23,038</u>
Change in net position - budgetary basis	<u>\$ 5,588,825</u>
	<u>Golf Course Operating Fund</u>
Change in net position - GAAP basis	\$ 313,188
Provisions for Current Adjustments To:	
Depreciation	<u>246,247</u>
Change in net position - budgetary basis	<u>\$ 559,435</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, 2016

### 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, 2016.

#### 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, 2016:

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, 2016

### 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, 2016.

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, 2016

### 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, 2015, upon which the levy for the 2015-16 fiscal year was based, was \$ 1,638,222,925. 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, 2016, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.232322 and \$ 0.127678 per \$ 100 valuation, respectively, for a total of \$ 0.36 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2016, were 99.79% 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, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 30,224 and \$ 19,342 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, 2016

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

#### Compensated Absences – Continued

As of September 30, 2016, accrued compensated absences reported in the Governmental Activities totaled \$ 628,937. Accrued compensated absences reported in the Enterprise Fund totaled \$ 140,966.

#### 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, 2016, consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 66,155	\$
Supplies held for resale	<u>14,453</u>	<u>37,502</u>
	<u>\$ 80,608</u>	<u>\$ 37,502</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, 2016

### 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 - Includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal City Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources. At September 30, 2016, the City Council approved to commit the total fund balance of General Contingency Fund during the council meeting.

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. The City Council delegates authority to the City Manager or the Finance Director to assign funds, when it is appropriate.

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, 2016

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

The following schedule presents details of fund balance components at September 30, 2016:

	General Fund	Economic Development Fund	General Debt Service Fund	2014 Economic Incentive Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Non-spendable:						
Inventory	\$ 80,608					\$ 80,608
Restricted:						
Debt service			684,164		9,303	693,467
Capital projects				170,049	2,956,524	3,126,573
Economic development		1,901,916				1,901,916
Program education					366,271	366,271
Encourage tourism					45,333	45,333
Law enforcement					96,797	96,797
Committed:						
Contingencies	906,260					906,260
Assigned:						
General construction					2,044,549	2,044,549
Unemployment insurance	125,052					125,052
Equipment replacement	6,284,423					6,284,423
Special events	50,934					50,934
Park improvement	146,532					146,532
Unassigned	<u>6,763,696</u>					<u>6,763,696</u>
 Total fund balances	 <u>\$ 14,357,505</u>	 <u>\$ 1,901,916</u>	 <u>\$ 684,164</u>	 <u>\$ 170,049</u>	 <u>\$ 5,518,777</u>	 <u>\$ 22,632,411</u>

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, 2016

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

The following schedule presents details of net position balance components at September 30, 2016:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position:			
Net investment in capital assets	\$ 36,518,760	\$ 30,118,830	\$ 66,637,590
Restricted:			
Debt service	746,414		746,414
Economic development	1,901,916		1,901,916
Program education	366,271		366,271
Encourage tourism	45,333		45,333
Law enforcement	96,797		96,797
Revenue bond retirement		1,834,380	1,834,380
Construction		480,954	480,954
Unrestricted	<u>14,662,475</u>	<u>4,122,879</u>	<u>18,785,354</u>
Total net position	<u>\$ 54,337,966</u>	<u>\$ 36,557,043</u>	<u>\$ 90,895,009</u>

**NOTE 2 - PRIOR PERIOD ADJUSTMENT**

During the year ended September 30, 2016, the City discovered that capital outlay of \$ 83,720 recorded in the capital project fund (General Construction fund) should be recorded in the enterprise fund (North Sewer Extension fund) as capital assets. The following represents the retroactive restatement of fund balances as a result of the error.

	<u>General</u> <u>Construction</u> <u>Fund</u>	<u>Total</u> <u>Non-major</u> <u>Government</u> <u>Fund</u>
Net position, September 30, previously reported	\$ 2,102,001	\$ 6,519,278
Overstated capital outlay	<u>83,720</u>	<u>83,720</u>
Net position, September 30, restated	<u>\$ 2,185,721</u>	<u>\$ 6,602,998</u>

This error had no effect on enterprise fund balance, governmental activities and business-type activities net position.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### 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, 2016, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 11,622	\$	\$ 11,622
Financial Institution Deposits:			
Demand deposits	10,436,874	746,349	11,183,223
Local Government Investment Pools:			
Texpool	5,425,184	1,111,182	6,536,366
Lone Star Investment Pool	6,407,773	1,312,436	7,720,209
TexSTAR	<u>4,322,581</u>	<u>885,348</u>	<u>5,207,929</u>
	<u>\$ 26,604,034</u>	<u>\$ 4,055,315</u>	<u>\$ 30,659,349</u>
Investments:			
Financial Institution Deposits:			
Certificates of deposit	\$ <u>300,000</u>	\$ _____	\$ <u>300,000</u>
	<u>\$ 300,000</u>	<u>\$ -0-</u>	<u>\$ 300,000</u>

### Deposits

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

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

At September 30, 2016, in addition to petty cash of \$ 11,622, the carrying amount of the City's cash, savings, and time deposits was \$ 11,483,223. The financial institutions balances were \$ 12,009,015 at September 30, 2016. Bank balances of \$ 712,417 were covered by federal depository insurance, and \$ 11,296,598 was covered by collateral pledged in the City's name. The pledged collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

#### Investments

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

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

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

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

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

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

#### Investments - Continued

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, 2016 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 44 days, 31 days, and 49 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 44 days, 31 days, and 49 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 three 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, 2016

**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, 2016.

	<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	44	\$ 6,536,366
Lone Star Investment Pool	N/A	Varies daily	31	7,720,209
TexSTAR	N/A	Varies daily	49	<u>5,207,929</u>
Total local government investment pools			37	<u>19,464,504</u>
Certificate of deposit	06-19-17	0.45%	262	100,000
Certificate of deposit	08-04-17	0.60%	308	100,000
Certificate of deposit	08-31-17	0.70 %	335	<u>100,000</u>
Total certificates of deposit			5	<u>300,000</u>
Total investments			42	\$ <u>19,764,504</u>

Credit Risk – The City’s policy requires that 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. As of September 30, 2016, the LGIP’s (which represent approximately 98.48% of the portfolio) are rated AAAM by Standard and Poor’s, while the certificates of deposits (1.52% of the portfolio) are fully insured.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the City’s investment policy requires that 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.

Fair Value – The City categorizes its fair value measurements within the fair value hierarchy established by GASB No 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

#### Investments - Continued

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the City's investment at fair value as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Local Governmental Investment Pool	\$ 19,464,504	\$	\$	\$ 19,464,504
Certificates of Deposit	<u>300,000</u>	<u>                    </u>	<u>                    </u>	<u>300,000</u>
Total assets at fair value	<u>\$ 19,764,504</u>	<u>\$</u>	<u>\$</u>	<u>\$ 19,764,504</u>

#### 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, 2016, and holds no direct investments in derivatives at September 30, 2016.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

**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, 2016, 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)	\$ 30,279	\$
Delinquent property taxes receivable (debt service fund)	19,287	
Donation received for dog park project		20,000
Recreation memberships and deposits		<u>95,043</u>
 Total	 <u>\$ 49,566</u>	 <u>\$ 115,043</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, 2016 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, 2016, 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>
<b><u>Governmental Activities</u></b>		
Debt refunding loss	\$ 58,315	\$
Deferred outflows and inflows of resources less amortization – TMRS	2,643,575	632,984
Pension contributions subsequent to the measurement date - TMRS	689,704	
Deferred outflows and inflows of resources less amortization - TESRS	73,105	
Pension contributions subsequent to the measurement date - TESRS	<u>82,103</u>	
 Totals	 <u>\$ 3,546,802</u>	 <u>\$ 632,984</u>
<b><u>Business-Type Activities</u></b>		
Debt refunding loss	\$ 85,339	\$
Deferred outflows and inflows of resources less amortization - TMRS	743,886	178,118
Pension contributions subsequent to the measurement date - TMRS	<u>201,387</u>	
 Totals	 <u>\$ 1,030,612</u>	 <u>\$ 178,118</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers for the year ended September 30, 2016 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	\$	\$ 1,350,000	\$ 1,651,917	\$	\$ 3,001,917
Economic development	350,000	1,978,045		424,296	2,752,341
Non-major governmental	75,491				75,491
Proprietary Funds:					
Enterprise	<u>1,176,906</u>				<u>1,176,906</u>
	<u>\$ 1,602,397</u>	<u>\$ 3,328,045</u>	<u>\$ 1,651,917</u>	<u>\$ 424,296</u>	<u>\$ 7,006,655</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, 2016, was as follows:

	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>09/30/16</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,397,003	\$	\$	\$ 2,397,003
Construction in progress	<u>1,662,975</u>	<u>7,645,484</u>	<u>8,497,987</u>	<u>810,472</u>
Total capital assets, not being depreciated	<u>4,059,978</u>	<u>7,645,484</u>	<u>8,497,987</u>	<u>3,207,475</u>
Capital Assets, Being Depreciated:				
Buildings	30,074,505	1,471,698		31,546,203
Improvements	16,876,180		3,231,432	13,644,748
Equipment	12,159,203	1,410,111	779,955	12,789,359
Infrastructure	<u>86,082,766</u>	<u>8,394,351</u>	<u>( 3,231,432)</u>	<u>97,708,549</u>
Total capital assets, being depreciated	<u>145,192,654</u>	<u>11,276,160</u>	<u>779,955</u>	<u>155,688,859</u>
Less Accumulated Depreciation For:				
Buildings	12,318,324	770,947		13,089,271
Improvements	9,439,910	467,550		9,907,460
Equipment	8,009,493	913,225	629,826	8,292,892
Infrastructure	<u>63,140,458</u>	<u>1,716,063</u>		<u>64,856,521</u>
Total accumulated depreciation	<u>92,908,185</u>	<u>3,867,785</u>	<u>629,826</u>	<u>96,146,144</u>
Total capital assets, being depreciated, net	<u>52,284,469</u>	<u>7,408,375</u>	<u>150,129</u>	<u>59,542,715</u>
Governmental activities capital assets, net	<u>\$ 56,344,447</u>	<u>\$ 15,053,859</u>	<u>\$ 8,648,116</u>	<u>\$ 62,750,190</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

**NOTE 6 - CAPITAL ASSETS** - Continued

	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>09/30/16</u>
Business-type Activities (Utility Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>431,203</u>	\$ <u>2,157,236</u>	\$ <u>147,384</u>	\$ <u>2,441,055</u>
Total capital assets, not being depreciated	<u>431,203</u>	<u>2,157,236</u>	<u>147,384</u>	<u>2,441,055</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	32,451,373	2,077,363		34,528,736
Equipment	7,312,308	1,049,301	485,825	7,875,784
Infrastructure	<u>19,295,948</u>	<u>                    </u>	<u>                    </u>	<u>19,295,948</u>
Total capital assets, being depreciated	<u>64,459,576</u>	<u>3,126,664</u>	<u>485,825</u>	<u>67,100,415</u>
Less Accumulated Depreciation:				
Buildings	4,438,486	132,533		4,571,019
Improvements other than buildings	19,274,085	927,204		20,201,289
Equipment	5,356,633	485,806	485,825	5,356,614
Infrastructure	<u>7,450,465</u>	<u>640,761</u>	<u>                    </u>	<u>8,091,226</u>
Total accumulated depreciation	<u>36,519,669</u>	<u>2,186,304</u>	<u>485,825</u>	<u>38,220,148</u>
Total capital assets, being depreciated, net	<u>27,939,907</u>	<u>940,360</u>	<u>-0-</u>	<u>28,880,267</u>
Business-type activities capital assets, net	\$ <u>28,371,110</u>	\$ <u>3,097,596</u>	\$ <u>147,384</u>	\$ <u>31,321,322</u>
	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>09/30/16</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	3,116,081	429,498		3,545,579
Equipment	<u>823,410</u>	<u>77,065</u>	<u>                    </u>	<u>900,475</u>
Total capital assets, being depreciated	<u>5,162,037</u>	<u>506,563</u>	<u>-0-</u>	<u>5,668,600</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

**NOTE 6- CAPITAL ASSETS - Continued**

	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>09/30/16</u>
Less Accumulated Depreciation:				
Buildings	\$ 707,483	\$ 60,595	\$	\$ 768,078
Improvements other than buildings	1,752,071	179,968		1,932,039
Equipment	<u>593,503</u>	<u>5,684</u>		<u>599,187</u>
Total accumulated depreciation	<u>3,053,057</u>	<u>246,247</u>	<u>-0-</u>	<u>3,299,304</u>
Total capital assets, being depreciated, net	<u>2,108,980</u>	<u>260,316</u>	<u>-0-</u>	<u>2,369,296</u>
Business-type activities capital assets, net	<u>\$ 5,930,565</u>	<u>\$ 260,316</u>	<u>\$ -0-</u>	<u>\$ 6,190,881</u>
	<u>Balance</u> <u>10/01/15</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/16</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$	\$	\$ 3,821,585
Construction in progress	<u>431,203</u>	<u>2,157,236</u>	<u>147,384</u>	<u>2,441,055</u>
Total capital assets, not being depreciated	<u>4,252,788</u>	<u>2,157,236</u>	<u>147,384</u>	<u>6,262,640</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	35,567,454	2,506,861		38,074,315
Equipment	8,135,718	1,126,366	485,825	8,776,259
Infrastructure	<u>19,295,948</u>			<u>19,295,948</u>
Total capital assets, being depreciated	<u>69,621,613</u>	<u>3,633,227</u>	<u>485,825</u>	<u>72,769,015</u>
Less Accumulated Depreciation:				
Buildings	5,145,969	193,128		5,339,097
Improvements other than buildings	21,026,156	1,107,172		22,133,328
Equipment	5,950,136	491,490	485,825	5,955,801
Infrastructure	<u>7,450,465</u>	<u>640,761</u>		<u>8,091,226</u>
Total accumulated depreciation	<u>39,572,726</u>	<u>2,432,551</u>	<u>485,825</u>	<u>41,519,452</u>
Total capital assets, being depreciated, net	<u>30,048,887</u>	<u>1,200,676</u>	<u>-0-</u>	<u>31,249,563</u>
Business-type activities capital assets, net	<u>\$ 34,301,675</u>	<u>\$ 3,357,912</u>	<u>\$ 147,384</u>	<u>\$ 37,512,203</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

**NOTE 6 - CAPITAL ASSETS** - Continued

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

Governmental Activities:

General government	\$ 395,066
Public safety	766,002
Public works, including depreciation of infrastructure	1,875,592
Culture and recreation	<u>831,125</u>

Total depreciation expense-governmental activities \$ 3,867,785

Business-type Activities:

Water and sewer	\$ 1,871,865
Sanitation	314,439
Golf course	<u>246,247</u>

Total depreciation expense-business-type activities \$ 2,432,551

During the year ended September 30, 2016, the City received contributed capital in the amount of \$ 2,956,322 of which \$ 2,011,011 was reported in governmental activities and \$ 945,311 was reported in business-type activities as construction in progress.

The City has entered into contracts for construction as of September 30, 2016, as follows:

**Governmental Fund Construction Commitments**

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Recreation Center A/C replacement	\$ 241,092	\$ 164,743	\$ 76,349
Drainage study of areas east of SH 332	75,200	20,114	55,086
Pedestrian bridge at Circle Way	35,000		35,000
Plantation Drive west bound bridge	95,000	4,599	90,401
Brazos Canal structure mitigation improvements	37,613		37,613
Traffic signal at Oak Drive & Circle Way	<u>59,839</u>		<u>59,839</u>
Total	\$ <u>543,744</u>	\$ <u>189,456</u>	\$ <u>354,288</u>

**Proprietary Fund Construction Commitments**

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
North Sewer Service	\$ 4,427,401	\$ 278,600	\$ 4,148,801
North Water Service	2,299,835	1,601,310	698,525
Beechwood water tower repair	<u>535,500</u>	<u>29,084</u>	<u>506,416</u>
Total	\$ <u>7,262,736</u>	\$ <u>1,908,994</u>	\$ <u>5,353,742</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

**NOTE 7 - RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

**Governmental Funds**

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 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 following is a summary of the receivables and allowance for uncollectible accounts by fund:

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
Taxes:					
Property	\$ 56,977	\$	\$ 35,984	\$	\$ 92,961
Sales	1,068,962	534,481			1,603,443
Franchise	200,801			21,141	221,942
Accounts	66,342			89,005	155,347
Grant	<u>20,124</u>				<u>20,124</u>
Gross receivables	1,413,206	534,481	35,984	110,146	2,093,817
Less: Allowance for uncollectible	<u>26,753</u>		<u>16,642</u>	<u>72,996</u>	<u>116,391</u>
Net total receivable	<u>\$ 1,386,453</u>	<u>\$ 534,481</u>	<u>\$ 19,342</u>	<u>\$ 37,150</u>	<u>\$ 1,977,426</u>

**Proprietary Funds**

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 following is a summary of the receivables and allowance for uncollectible accounts by fund:

	<u>Enterprise Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Accounts	\$ 715,124	\$ 49,522	\$ 764,646
Less: Allowance for uncollectible	<u>51,723</u>	<u>11,081</u>	<u>62,804</u>
Net total receivable	<u>\$ 663,401</u>	<u>\$ 38,441</u>	<u>\$ 701,842</u>

## CITY OF LAKE JACKSON

Lake Jackson, Texas

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

#### NOTE 7 - RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - Continued

##### Judicial Receivables

Municipal Court Receivables - Municipal court receivables are reported in the governmental activities statements of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The municipal court receivables and allowance for uncollectible receivables for the year ended September 30, 2016, were \$ 1,276,663 and \$ 790,775, respectively.

#### NOTE 8 - LONG-TERM DEBT

##### General Obligation Bonds\Certificates of Obligation

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, 2016

**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).

On December 30, 2015, the City sold \$ 7,870,000 of Limited Tax Refunding Bonds, Series 2015. The net proceeds of \$ 8,252,325 along with \$ 48,408 from the debt service fund, a total of \$ 8,300,733, were placed in escrow for the defeasement of the City of Lake Jackson, Texas, Limited Tax Bond, Series 2004; the Limited Tax Bond, Series 2007; Limited Tax Bond, Series 2009' and the Certificates of Obligation, Series 2009; for \$ 1,440,000, \$ 2,915,000, \$ 1,080,000, and \$ 2,500,000 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 \$ 901,489. The economic gain resulting from the transaction was \$ 764,187.

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2016, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/16
		Issued	Maturity	Callable	
Limited Tax Bond	3.75 –				
Series 2009	5.25	2009	2029	2018	\$ 480,000
Limited Tax Refunding	3.875 -				
Series 2009	4.00	2009	2019	N/A	1,005,000
Certificates of Obligation	3.50 -				
Series 2009	5.00	2010	2030	2019	1,000,000
Limited Tax	3.50 -				
Series 2010	5.00	2010	2030	2020	2,100,000
Limited Tax Refunding	2.00 -				
Series 2011	4.00	2011	2023	2020	4,665,000
Limited Tax Refunding	1.50 -				
Series 2013	3.00	2013	2033	2023	3,400,000

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/16
		Issued	Maturity	Callable	
Certificate of Obligation Series 2013	2.00 - 3.00	2013	2033	2023	\$ 1,700,000
Certificate of Obligation Series 2013A	2.00 - 3.00	2013	2023	2021	1,050,000
Certificates of Obligation Series 2014	2.00 - 3.00	2014	2034	2022	4,950,000
Limited Tax Refunding Series 2015	2.00 - 4.00	2015	2030	2026	<u>7,760,000</u>
Total					<u>\$ 28,110,000</u>

General obligation bond transactions for the year ended September 30, 2016, were as follows:

Bonds outstanding, October 1	\$ 31,385,000
Issued	7,870,000
Refunded	( 7,935,000)
Maturities	<u>( 3,210,000)</u>
Bonds outstanding, September 30	<u>\$ 28,110,000</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, 2016, the amount of ad valorem taxes collected for interest and sinking was \$ 2,099,398. The debt service requirements for principal and interest were \$ 4,210,440. In addition, \$ 1,978,045 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, 2016:

Year Ending September 30,	Principal	Interest	Total Requirements
2017	\$ 3,125,000	\$ 815,326	\$ 3,940,326
2018	2,755,000	722,674	3,477,674
2019	2,515,000	638,119	3,153,119
2020	2,450,000	557,918	3,007,918
2021	2,440,000	480,257	2,920,257
2022-2026	8,505,000	1,496,481	10,001,481
2027-2031	4,895,000	555,825	5,450,825
2032-2034	<u>1,425,000</u>	<u>60,969</u>	<u>1,485,969</u>
Total	<u>\$ 28,110,000</u>	<u>\$ 5,327,569</u>	<u>\$ 33,437,569</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

NOTE 8 - LONG-TERM DEBT - Continued

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 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, 2016, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/16
		Issued	Maturity	Callable	
Revenue Bonds	4.00 -				
Series 2007	5.00	2007	2027	2017	\$ 1,100,000
Revenue Bonds -	3.50 -				
Series 2009	4.50	2009	2030	2018	1,180,000
Revenue Bonds Refunding -	2.00 -				
Series 2010	4.00	2010	2021	N/A	3,815,000
Revenue Bonds -	2.50 -				
Series 2013	3.00	2013	2033	2022	<u>1,700,000</u>
Total					<u>\$ 7,795,000</u>

Revenue bond transactions for the year ended September 30, 2016 were as follows:

Bonds outstanding, October 1	\$ 8,960,000
Maturities	<u>( 1,165,000)</u>
Bonds outstanding, September 30	<u>\$ 7,795,000</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

NOTE 8 - LONG-TERM DEBT – Continued

Revenue Bonds Payable - Continued

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, 2016, the required balance in the sinking fund was \$ 682,708. 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, 2016, the required balance in the reserve fund was \$ 1,360,338. At September 30, 2016, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 682,708; and the designated amount for the reserve totaled \$ 1,745,931. The total account balance of \$ 2,428,639 is sufficient to cover the combined reserve and sinking requirement of \$ 2,043,046.

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, 2016:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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
2022-2026	1,425,000	356,725	1,781,725
2027-2031	930,000	115,675	1,045,675
2032-2033	<u>200,000</u>	<u>9,000</u>	<u>209,000</u>
Total	<u>\$ 7,795,000</u>	<u>\$ 1,539,325</u>	<u>\$ 9,334,325</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

**NOTE 8 - LONG-TERM DEBT** - Continued

**Changes in Outstanding Debt**

Transactions for the year ended September 30, 2016, are summarized as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>10-01-15</u>	<u>Additions</u>	<u>Reductions</u>	<u>09-30-16</u>	<u>One Year</u>
Governmental Type Activities:					
Certificates of obligation bonds	\$ 11,975,000	\$	\$ 3,275,000	\$ 8,700,000	\$ 775,000
Limited tax bonds	19,410,000	7,870,000	7,870,000	19,410,000	2,350,000
Components of Bonded Debt:					
Premiums on bonds	901,193	537,550	190,740	1,248,003	143,415
Accrued interest payable	43,045	35,647	43,045	35,647	35,647
Net pension liability	1,950,105	7,534,730	5,013,515	4,471,320	
Compensated absences	<u>582,551</u>	<u>465,208</u>	<u>418,822</u>	<u>628,937</u>	<u>435,000</u>
Total governmental activities	<u>34,861,894</u>	<u>16,443,135</u>	<u>16,811,122</u>	<u>34,493,907</u>	<u>3,739,062</u>
Business-Type Activities:					
Revenue bonds	8,960,000		1,165,000	7,795,000	1,055,000
Components of Bonded Debt:					
Premium on bonds	169,371		23,038	146,333	23,038
Accrued interest payable	148,151	131,638	148,151	131,638	131,638
Net pension liability	460,622	2,096,455	1,433,184	1,123,893	
Compensated absences	<u>149,145</u>	<u>106,975</u>	<u>115,154</u>	<u>140,966</u>	<u>97,500</u>
Total business-type activities	9,887,289	2,335,068	2,884,527	9,337,830	1,307,176
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	493,750	439,583	493,750	439,583	439,583
Premium on bonds	23,102	23,038	23,102	23,038	23,038
Accrued interest payable	<u>148,151</u>	<u>131,638</u>	<u>148,151</u>	<u>131,638</u>	<u>131,638</u>
Net business-type activities	<u>9,222,286</u>	<u>1,740,809</u>	<u>2,219,524</u>	<u>8,743,571</u>	<u>712,917</u>
Total government (net)	<u>\$ 44,084,180</u>	<u>\$ 18,183,944</u>	<u>\$ 19,030,646</u>	<u>\$ 43,237,478</u>	<u>\$ 4,451,979</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, 2016

NOTE 9 - LEASING OPERATIONS

Lessor

The City is involved in various operating leases as lessor. These rental facilities are leased through 2037. The City has not determined the cost of these facilities as of September 30, 2016. Minimum future rentals to be received on noncancelable leases, as of September 30, 2016, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 155,895
2018	159,728
2019	163,675
2020	167,675
2021	153,927
2022-2026	804,487
2027-2031	710,245
2032-2036	291,841
2037	<u>6,302</u>
	<u>\$ 2,613,775</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 paid on noncancelable leases, as of September 30, 2016, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 122,743
2018	82,517
2019	<u>41,258</u>
	<u>\$ 246,518</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

#### A. Plan Description

The City of Lake Jackson participates as one of 866 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](http://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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	113
Inactive employees entitled to but not yet receiving benefits	148
Active employees	<u>209</u>
	470

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### 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 12.16% and 11.73% in the calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$ 1,274,547, and were equal to the required contributions.

#### D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, 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 Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. 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 Combined Health Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of 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 Real Rate of Return</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
Total	100%	

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN – Continued

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2014	\$ 53,449,244	\$ 51,272,386	\$ 2,176,858
Changes for the Year:			
Service cost	1,395,740		1,395,740
Interest	3,720,766		3,720,766
Difference between expected and actual experience	( 455,995)		( 455,995)
Changes of assumptions	268,564		268,564
Contributions – employer		1,274,547	( 1,274,547)
Contributions – employee		606,865	( 606,865)
Net investment income		75,651	( 75,651)
Benefit payment, including refunds of employee contributions	( 1,986,637)	( 1,986,637)	
Administrative expense		( 46,082)	46,082
Other changes		( 2,275)	2,275
Net changes	<u>2,942,438</u>	<u>( 77,931)</u>	<u>3,020,369</u>
Balance at 12/31/2015	<u>\$ 56,391,682</u>	<u>\$ 51,194,455</u>	<u>\$ 5,197,227</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - 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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease In Discount Rate <u>(5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase In Discount Rate <u>(7.75%)</u>
City's Net Pension Liability	\$ 13,176,018	\$ 5,197,227	\$( 1,333,431)

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](http://www.tmrs.com).

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

For the year ended September 30, 2016, the city recognized pension expense of \$ 1,552,076.

At September 30, 2016, 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 experience	\$	\$ 811,102
Difference between projected and actual earnings	3,186,375	
Differences in assumption changes	201,086	
Contributions subsequent to the measurement date	<u>891,091</u>	<u>                    </u>
Total	<u>\$ 4,278,552</u>	<u>\$ 811,102</u>

\$ 891,091 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Year Ended <u>September 30,</u>	
2017	\$ 583,144
2018	583,144
2019	707,388
2020	702,683
2021	-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. The System issues a standalone financial report that is available to the public at [www.tesrs.org](http://www.tesrs.org).

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. On August 31 of the following years, contributing fire and/or emergency services department members participating in TESRS were:

	Contributing Departments
2014	198
2015	197

Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

B. Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified 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. Members 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.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

**NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued**

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. There is no provision for automatic postretirement benefit increases.

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 or continuing monthly payments to a member's surviving spouse and dependent children.

**C. Covered Membership**

On August 31 of the following fiscal years, the pension system membership consisted of:

	<u>2014</u>	<u>2015</u>
Retirees and beneficiaries currently receiving benefits	3,073	2,991
Terminated members entitled to benefits but not yet receiving them	2,161	2,211
Active participants (vested and non-vested)	4,036	4,016

**D. 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, 2016

### 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.

#### E. 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, 2015, total contributions (dues, prior service, and interest on prior service financing) of \$ 3,515,546 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The City appropriated \$ 70,400 for the fiscal year ending August 31, 2015.

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 F below.

The most recently completed biennial 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.

#### F. Net Pension Liability

The System's Net Pension Liability (NPL) was measured as of August 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of August 31, 2014 and rolled forward to August 31, 2015.

	<u>City's Portion</u>	<u>System</u>
Total pension liability	\$ 1,498,313	\$ 115,520,991
Plan fiduciary net position	<u>1,100,327</u>	<u>88,828,460</u>
Net pension liability	<u>\$ 397,986</u>	<u>\$ 26,692,531</u>
Plan fiduciary net position as a percentage of the total pension liability	73.4%	76.9%

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

**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 (currently 4.45%) and by adding expected inflation (3.50%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby 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%	
Weighted average		4.45%

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

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.

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	\$ 696,357	\$ 397,986	\$ 226,049

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

At September 30, 2016, the City reported \$ 155,208 deferred outflows of resources related to the pension. Of this amount, \$ 82,103 was from contributions subsequent to the measurement date and \$ 73,105 was net difference between projected and actual investment earning.

\$ 82,103 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, 2016. \$ 73,105 reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>September 30,</u>	
2017	\$ 14,009
2018	14,009
2019	14,009
2020	31,078

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### 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.

	<u>2016</u>	<u>2015</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, 2016, 2015, and 2014 were \$ 21,475, \$ 20,225, and \$ 19,904, 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, 2016

### NOTE 14 - CONTINGENT LIABILITIES

There are two personal injury damage claims that were filed. The first one was resulting from an October 2, 2015 accident involving City of Lake Jackson Utilities Department employee, who was returning to a work site. Although depositions have been obtained from the Plaintiff and Defendant's driver, this matter is still in discovery stage. Since liability for failure to keep a proper lookout is an issue that will be vigorously contested. With respect to exposure if liability is adverse to the City, with \$ 171,314 in medical bills, the statutory limit of \$ 250,000 is the upper limit. Trial is set in the matter for August 14, 2017.

Another claim was resulting from an accident where Plaintiff claims that she was struck by an F-150 vehicle driven by Parks Department employee. This was a very minor impact; therefore, injury causation is an issue that will be vigorously contested; however, should this damages only matter be tried, the range is \$ 25,000 - \$ 40,000. Discovery is ongoing. No trial date has been set.

### 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 and 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, 2016

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 15 year term of the contract. 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, 2016 amounted to \$ 4,317,295.

NOTE 17 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2016, the City applied for and received federal and state grants related to various activities. The operations of these grants are reported in the General Fund and Capital Project 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 Security:			
Passed Through Texas Public Assistance Grant	\$	\$ 120,263	\$ 120,263
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	5,809		5,809
State:			
Office of Governor – Criminal Justice Division			
Passed Through Houston-Galveston area		125,000	125,000
Law Enforcement Officer Standards and Education (LEOSE)	<u>3,361</u>		<u>3,361</u>
Total	<u>\$ 9,170</u>	<u>\$ 245,263</u>	<u>\$ 254,433</u>

As of September 30, 2016, 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 do not apply.

## **CITY OF LAKE JACKSON**

Lake Jackson, Texas

### **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

#### **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, 2016, the City paid the Shelter \$ 143,887 under this agreement.

#### **NOTE 19 - ECONOMIC DEVELOPMENT AGREEMENTS**

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 (\$ 2,344,193) 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, 2016, the City made a rebate payment of \$ 50,034 under this agreement, all of which was paid during the fiscal year 2016.

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, 2016, the City paid total \$ 140,833 under this agreement and \$ 70.833 was paid during the fiscal year 2016.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2016

NOTE 19 – ECONOMIC DEVELOPMENT AGREEMENTS - 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, 2016, the City paid no reimbursements or rebates to HEB under this agreement.

NOTE 20 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 29, 2017, the date which the financial statements were available to be issued.

On December 7, 2016, the City issued City of Lake Jackson, Texas Waterworks and Sewer System Revenue and Refunding Bonds, Series 2016, in the amount of \$ 3,885,000 and Limited Tax Bonds, Series 2016, in the amount of \$ 2,965,000. The purpose of the refunding bonds is for sewer extension and improvements for new and expanded businesses. The purpose of the Limited Tax bonds is for infrastructure improvements.

NOTE 21 - EXCESS OF EXPENDITURES OVER APROPRIATIONS

During the year ended September 30, 2016, expenditures exceeded appropriations in the funds as follows:

Police Seizure Fund	\$	6,743
Program Education Fund		3,288
General Debt Service Fund		69,120

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 <sup>(1)</sup>

SEPTEMBER 30, 2016 WITH MEASUREMENT DATE OF DECEMBER 31, 2015

	2015	2016
<b>Total Pension Liability</b>		
Service cost	\$ 1,235,156	\$ 1,395,740
Interest (on the Total Pension Liability)	3,586,517	3,720,766
Changes of benefit terms	-0-	-0-
Difference between expected and actual experience	( 864,997 )	( 455,995 )
Change of assumptions	-0-	268,564
Benefit payments, including refunds of employee contributions	<u>( 2,251,635 )</u>	<u>( 1,986,637 )</u>
Net Change in Total Pension Liability	1,705,041	2,942,438
Total Pension Liability – Beginning	<u>51,744,203</u>	<u>53,449,244</u>
Total Pension Liability – Ending (a)	<u>\$ 53,449,244</u>	<u>\$ 56,391,682</u>
<b>Plan Fiduciary Net Position</b>		
Contributions – Employer	\$ 1,276,545	\$ 1,274,547
Contributions – Employee	557,850	606,865
Net Investment Income	2,798,520	75,651
Benefit payments, including refunds of employee contributions	( 2,251,635 )	( 1,986,637 )
Administrative expense	( 29,219 )	( 46,082 )
Other	<u>( 2,402 )</u>	<u>( 2,275 )</u>
Net Change in Plan Fiduciary Net Position	2,349,659	( 77,931 )
Plan Fiduciary Net Position – Beginning	<u>48,922,727</u>	<u>51,272,386</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 51,272,386</u>	<u>\$ 51,194,455</u>
<b>Net Pension Liability (a-b)</b>	<u>\$ 2,176,858</u>	<u>\$ 5,197,227</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.93%	90.78%
Covered Employee Payroll	\$ 9,297,496	\$ 10,099,421
Net Pension Liability as a Percentage of Covered Employee Payroll	23.41%	51.46%

Notes to Schedule:

N/A

<sup>(1)</sup> The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only two years of required supplemental information are available.

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

**TMRS SCHEDULE OF CONTRIBUTIONS  
FOR THE LAST TEN YEARS <sup>(1)</sup>  
SEPTEMBER 30, 2016 WITH MEASUREMENT DATE OF DECEMBER 31, 2015**

	2015	2016
Actuarially determined contribution	\$ 1,276,545	\$ 1,274,547
Contributions in relation to the actuarially determined contribution	1,276,545	1,274,547
Contribution deficiency (excess)	\$ -0-	\$ -0-
Covered-employee payroll	\$ 9,297,496	\$ 10,099,421
Contributions as a percentage of covered-employee payroll	13.73%	12.62%

**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	30 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
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 There were no benefit changes during the year.

<sup>(1)</sup> The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only two years of required supplemental information are available.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

TESRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE LAST TEN YEARS <sup>(1)</sup>

SEPTEMBER 30, 2016 WITH MEASUREMENT DATE OF AUGUST 31, 2015

	<u>2015</u>	<u>2016</u>
<b>Total Pension Liability</b>		
Service cost	\$ 23,521	\$ 25,261
Interest	103,620	126,298
Changes in benefit terms	-0-	-0-
Difference between expected and actual experience	-0-	-0-
Assumption changes	-0-	-0-
Benefit payments	<u>( 53,644 )</u>	<u>( 67,077 )</u>
Net Change in Total Pension Liability	73,497	84,482
Total Pension Liability – Beginning	<u>1,340,334 <sup>(2)</sup></u>	<u>1,413,831</u>
Total Pension Liability – Ending (a)	<u>\$ 1,413,831</u>	<u>\$ 1,498,313 <sup>(4)</sup></u>
<b>Total Fiduciary Net Position</b>		
Contributions by the City	\$ 53,754	\$ 52,417
Contributions by the State	19,696	24,412
Net Investment Income	153,260	( 49,097 )
Benefit payments	( 53,644 )	( 67,077 )
Administrative expense	( 2,133 )	( 3,220 )
Other	<u>-0-</u>	<u>( 37,070 )</u>
Net Change in Plan Fiduciary Net Position	170,933	( 79,635 )
Plan Fiduciary Net Position – Beginning	<u>1,009,029</u>	<u>1,179,962</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 1,179,962</u>	<u>\$ 1,100,327</u>
<b>Net Pension Liability (a-b)</b>	<u>\$ 233,869</u>	<u>\$ 397,986</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.46%	73.44%
Number of Active Members <sup>(3)</sup>	43	33
City's Net Pension Liability per Active Member	\$ 5,439	\$ 12,060

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, so number of active members is used instead.
- (4) Determined from beginning of year total pension liability using the roll forward procedure allowed by GASB 67.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**TESRS SCHEDULE OF INVESTMENT RETURNS  
FOR THE LAST TEN YEARS <sup>(1)</sup>**

**SEPTEMBER 30, 2016 WITH MEASUREMENT DATE OF AUGUST 31, 2015**

<u>Fiscal Year Ending</u>	<u>Annual Money-Weighted Net Real Rate of Return <sup>(2)</sup></u>
August 31, 2013	13.84%
August 31, 2014	14.92%
August 31, 2015	( 3.58% )

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**

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 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.

2016 Infrastructure Improvement Fund – This fund accounts for the proceeds of the 2016 Limited Tax Bonds issue for financing the infrastructure improvements.

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

	Special Revenue Funds			Debt
	Motel Occupancy Tax	Police Seizure	Program Education	Economic Development
<u>Assets and Deferred Outflows of Resources</u>				
Assets:				
Cash and cash equivalents	\$ 45,333	\$ 96,797	\$ 345,130	\$ 9,303
Receivables (net of allowance for uncollectibles):				
Taxes			21,141	
Accounts				
Total assets	<u>45,333</u>	<u>96,797</u>	<u>366,271</u>	<u>9,303</u>
Deferred Outflows of Resources:				
Deferred outflows of resources				
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 45,333</u>	<u>\$ 96,797</u>	<u>\$ 366,271</u>	<u>\$ 9,303</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Unearned revenue				
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Deferred Inflows of Resources:				
Deferred inflows of resources				
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Restricted:				
Debt service				9,303
Capital projects				
Program education			366,271	
Encourage tourism	45,333			
Law enforcement		96,797		
Assigned				
Total fund balances	<u>45,333</u>	<u>96,797</u>	<u>366,271</u>	<u>9,303</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,333</u>	<u>\$ 96,797</u>	<u>\$ 366,271</u>	<u>\$ 9,303</u>

Service Funds	Capital Projects Funds				
Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2013 Infrastructure	2010 Drainage infrastructure	Downtown Revitalization
\$	\$ 2,132,545	\$ 77,552	\$ 977	\$ 997,899	\$
	16,009				
<u>-0-</u>	<u>2,148,554</u>	<u>77,552</u>	<u>977</u>	<u>997,899</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 2,148,554</u>	<u>\$ 77,552</u>	<u>\$ 977</u>	<u>\$ 997,899</u>	<u>\$ -0-</u>
\$	\$ 84,005	\$	\$	\$	\$
	20,000				
<u>-0-</u>	<u>104,005</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
		77,552	977	997,899	
	2,044,549				
<u>-0-</u>	<u>2,044,549</u>	<u>77,552</u>	<u>977</u>	<u>997,899</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 2,148,554</u>	<u>\$ 77,552</u>	<u>\$ 977</u>	<u>\$ 997,899</u>	<u>\$ -0-</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS - Continued

September 30, 2016

	Capital Projects Funds		Total
	2013	2016	Non-major
	Downtown	Infrastructure	Governmental
	Improvement	Improvements	Funds
<u>Assets and Deferred Outflows of Resources</u>			
Assets:			
Cash and cash equivalents	\$ 1,884,695	\$	\$ 5,590,231
Receivables (net of allowance for uncollectibles):			
Taxes			21,141
Accounts			16,009
Total assets	1,884,695	-0-	5,627,381
Deferred Outflows of Resources:			
Deferred outflows of resources			-0-
Total deferred outflows of resources	-0-	-0-	-0-
Total assets and deferred outflows of resources	\$ 1,884,695	\$ -0-	\$ 5,627,381
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>			
Liabilities:			
Accounts payable	\$	\$ 4,599	\$ 88,604
Unearned revenue			20,000
Total liabilities	-0-	4,599	108,604
Deferred Inflows of Resources:			
Deferred inflows of resources			-0-
Total deferred inflows of resources	-0-	-0-	-0-
Fund Balances:			
Restricted:			
Debt service			9,303
Capital projects	1,884,695	( 4,599)	2,956,524
Program education			366,271
Encourage tourism			45,333
Law enforcement			96,797
Assigned			2,044,549
Total fund balances	1,884,695	( 4,599)	5,518,777
Total liabilities, deferred inflows of resources and fund balances	\$ 1,884,695	\$ -0-	\$ 5,627,381

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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, 2016

	Special Revenue Funds			Debt
	Motel Occupancy Tax	Police Seizure	Program Education	Economic Development
Revenues:				
Franchise tax	\$	\$	\$ 88,010	\$
Motel occupancy tax	526,662			
Intergovernmental				
Investment earnings	160	243	385	
Miscellaneous		32,450		
Total revenues	526,822	32,693	88,395	-0-
Expenditures:				
Current:				
General government and administration				
Public safety		6,743	3,228	
Public works				
Cultural and Recreation:				
Contribution to Fine Arts Council	75,491			
Contribution to Museum of Natural Science	113,237			
Contribution to Chamber of Commerce	150,982			
Contribution to Historical Museum	113,236			
Other	2,850			
Capital outlay				
Debt Service:				
Principal retirement				1,161,046
Interest and fiscal charges				366,620
Total expenditures	455,796	6,743	3,228	1,527,666
Excess (deficiency) of revenues over (under) expenditures	71,026	25,950	85,167	( 1,527,666)
Other Financing Sources (Uses):				
Issuance of bonds				2,675,439
Transfers in				1,479,945
Transfers out	( 75,491)			
Payment to bond refunding escrow agent				( 2,627,718)
Total other financing sources (uses)	( 75,491)	-0-	-0-	1,527,666
Net change in fund balances	( 4,465)	25,950	85,167	-0-
Fund balances – beginning (restated)	49,798	70,847	281,104	9,303
Fund balances – ending	\$ 45,333	\$ 96,797	\$ 366,271	\$ 9,303

Service Funds	Capital Projects Funds				
Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2013 Infrastructure	2010 Drainage infrastructure	Downtown Revitalization
\$	\$	\$	\$	\$	\$
	245,263				
	4,153		1,048	2,794	57
	<u>365,342</u>				
<u>-0-</u>	<u>614,758</u>	<u>-0-</u>	<u>1,048</u>	<u>2,794</u>	<u>57</u>
	174,308				
	60,169				
	77,819	2,895			
	1,793,634		872,853		54,459
380,000					
<u>118,100</u>					
<u>498,100</u>	<u>2,105,930</u>	<u>2,895</u>	<u>872,853</u>	<u>-0-</u>	<u>54,459</u>
( <u>498,100</u> )	( <u>1,491,172</u> )	( <u>2,895</u> )	( <u>871,805</u> )	<u>2,794</u>	( <u>54,402</u> )
498,100	1,350,000				
<u>498,100</u>	<u>1,350,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
-0-	( 141,172 )	( 2,895 )	( 871,805 )	2,794	( 54,402 )
	<u>2,185,721</u>	<u>80,447</u>	<u>872,782</u>	<u>995,105</u>	<u>54,402</u>
<u>\$ -0-</u>	<u>\$ 2,044,549</u>	<u>\$ 77,552</u>	<u>\$ 977</u>	<u>\$ 997,899</u>	<u>\$ -0-</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

For the Year Ended September 30, 2016

	Capital Projects Funds		
	2013	2016	Total
	Downtown	Infrastructure	Non-major
	Improvement	Improvements	Governmental
			Funds
Revenues:			
Franchise Tax	\$	\$	\$ 88,010
Motel occupancy tax			526,662
Intergovernmental			245,263
Investment earnings	6,044		14,884
Miscellaneous			397,792
Total revenues	6,044	-0-	1,272,611
Expenditures:			
Current:			
General government and administration			174,308
Public safety			9,971
Public works			60,169
Cultural and Recreation:			
Contribution to Fine Arts Council			75,491
Contribution to Museum of Natural Science			113,237
Contribution to Chamber of Commerce			150,982
Contribution to Historical Museum			113,236
Other			83,564
Capital outlay	124,838	4,599	2,850,383
Debit Service:			
Principal			1,541,046
Interest and fiscal charges			484,720
Total expenditures	124,838	4,599	5,657,107
Excess (deficiency) of revenues over (under) expenditures	( 118,794 )	( 4,599 )	( 4,384,496 )
Other Financing Sources (Uses):			
Issuance of bonds			2,675,439
Transfers in			3,328,045
Transfers out			( 75,491 )
Payment to bond refunding escrow agent			( 2,627,718 )
Total other financing sources (uses)	-0-	-0-	3,300,275
Net change in fund balances	( 118,794 )	( 4,599 )	( 1,084,221 )
Fund balances – beginning (restated)	2,003,489	-0-	6,602,998
Fund balances – ending	\$ 1,884,695	\$( 4,599 )	\$ 5,518,777

**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  
Motel Occupancy Tax Fund**

For the Year Ended September 30, 2016  
With Comparative Actual Totals for 2015

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Motel occupancy tax	\$ 460,000	\$ 460,000	\$ 526,662	\$ 66,662	\$ 498,844
Investment earnings		-0-	160	160	201
Total revenues	<u>460,000</u>	<u>460,000</u>	<u>526,822</u>	<u>66,822</u>	<u>499,045</u>
Expenditures:					
Current:					
Culture and recreation	<u>460,000</u>	<u>460,000</u>	<u>455,796</u>	<u>4,204</u>	<u>430,116</u>
Total expenditures	<u>460,000</u>	<u>460,000</u>	<u>455,796</u>	<u>4,204</u>	<u>430,116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-0-</u>	<u>-0-</u>	<u>71,026</u>	<u>71,026</u>	<u>68,929</u>
Other Financing Sources (Uses):					
Transfers out	<u>( 36,430)</u>	<u>( 36,430)</u>	<u>( 75,491)</u>	<u>( 39,061)</u>	<u>( 64,654)</u>
Total other financing sources (uses)	<u>( 36,430)</u>	<u>( 36,430)</u>	<u>( 75,491)</u>	<u>( 39,061)</u>	<u>( 64,654)</u>
Net changes in fund balance	<u>( 36,430)</u>	<u>( 36,430)</u>	<u>( 4,465)</u>	<u>31,965</u>	<u>4,275</u>
Fund balance – beginning	<u>49,798</u>	<u>49,798</u>	<u>49,798</u>	<u>-0-</u>	<u>45,523</u>
Fund balance – ending	<u>\$ 13,368</u>	<u>\$ 13,368</u>	<u>\$ 45,333</u>	<u>\$ 31,965</u>	<u>\$ 49,798</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, 2016  
With Comparative Actual Totals for 2015

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment earnings	\$	\$	\$ 243	\$ 243	\$ 195
Other			32,450	32,450	25,547
Total revenues	-0-	-0-	32,693	32,693	25,742
Expenditures:					
Current:					
Public Safety:					
Seizures administration			6,743	( 6,743 )	63,313
Total expenditures	-0-	-0-	6,743	( 6,743 )	63,313
Net changes in fund balance	-0-	-0-	25,950	25,950	( 37,571 )
Fund balance – beginning	70,847	70,847	70,847	-0-	108,418
Fund balance – ending	\$ 70,847	\$ 70,847	\$ 96,797	\$ 25,950	\$ 70,847

**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, 2016  
With Comparative Actual Totals for 2015

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Franchise tax	\$ 80,000	\$ 80,000	\$ 88,010	\$ 8,010	\$ 87,247
Investment earnings			385	385	
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>88,395</u>	<u>8,395</u>	<u>87,247</u>
Expenditures:					
Current:					
General administration			3,228	( 3,228 )	2,388
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>3,228</u>	<u>( 3,228 )</u>	<u>2,388</u>
Net changes in fund balance	<u>80,000</u>	<u>80,000</u>	<u>85,167</u>	<u>5,167</u>	<u>84,859</u>
Fund balance – beginning	<u>281,104</u>	<u>281,104</u>	<u>281,104</u>	<u>-0-</u>	<u>196,245</u>
Fund balance – ending	<u>\$ 361,104</u>	<u>\$ 361,104</u>	<u>\$ 366,271</u>	<u>\$ 5,167</u>	<u>\$ 281,104</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, 2016  
With Comparative Actual Total for 2015

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal retirement	1,276,389	1,276,389	1,161,046	115,343	1,132,361
Interest and fiscal charges	<u>426,423</u>	<u>426,423</u>	<u>366,620</u>	<u>59,803</u>	<u>461,141</u>
Total expenditures	<u>1,702,812</u>	<u>1,702,812</u>	<u>1,527,666</u>	<u>175,146</u>	<u>1,593,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 1,702,812)</u>	<u>( 1,702,812)</u>	<u>( 1,527,666)</u>	<u>175,146</u>	<u>( 1,593,502)</u>
Other Financing Sources (Uses):					
Issuance of bonds			2,675,439	2,675,439	82,571
Transfers in	1,702,812	1,702,812	1,479,945	( 222,867)	1,518,442
Payment to bond refunding escrow agent	_____	_____	<u>( 2,627,718)</u>	<u>( 2,627,718)</u>	_____
Total other financing sources (uses)	<u>1,702,812</u>	<u>1,702,812</u>	<u>1,527,666</u>	<u>( 175,146)</u>	<u>1,601,013</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	7,511
Fund balance – beginning	<u>9,303</u>	<u>9,303</u>	<u>9,303</u>	<u>-0-</u>	<u>1,792</u>
Fund balance – ending	<u>\$ 9,303</u>	<u>\$ 9,303</u>	<u>\$ 9,303</u>	<u>\$ -0-</u>	<u>\$ 9,303</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, 2016  
With Comparative Actual Totals for 2015

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal retirement	380,000	380,000	380,000		375,000
Interest and fiscal charges	<u>118,100</u>	<u>118,100</u>	<u>118,100</u>		<u>129,425</u>
Total expenditures	<u>498,100</u>	<u>498,100</u>	<u>498,100</u>	<u>-0-</u>	<u>504,425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 498,100)</u>	<u>( 498,100)</u>	<u>( 498,100)</u>	<u>-0-</u>	<u>( 504,425)</u>
Other Financing Sources (Uses):					
Transfers in	<u>498,100</u>	<u>498,100</u>	<u>498,100</u>	<u>-0-</u>	<u>504,425</u>
Total other financing sources (uses)	<u>498,100</u>	<u>498,100</u>	<u>498,100</u>	<u>-0-</u>	<u>504,425</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning	_____	_____	_____	<u>-0-</u>	_____
Fund balance – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

***General Fund***

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

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE BALANCE SHEETS -  
General Fund**

September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 14,136,250	\$ 14,471,336
Receivable (net of allowance for uncollectibles):		
Taxes	1,299,987	1,288,588
Accounts	66,342	46,877
Grants	20,124	20,284
Investments	300,000	399,000
Inventories	<u>80,608</u>	<u>100,472</u>
 Total assets	 <u>15,903,311</u>	 <u>16,326,557</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>\$ 15,903,311</u>	 <u>\$ 16,326,557</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 856,501	\$ 530,495
Cash bonds and taxes	377,906	400,125
Accrued wages	186,077	262,024
Unearned revenue	<u>95,043</u>	<u>80,829</u>
Total liabilities	<u>1,515,527</u>	<u>1,273,473</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>30,279</u>	<u>25,445</u>
Total deferred inflows of resources	<u>30,279</u>	<u>25,445</u>
Fund Balance:		
Non-spendable:		
Inventory	80,608	100,472
Committed:		
General contingencies	906,260	903,264
Assigned:		
Unemployment insurance	125,052	144,302
Equipment replacement	6,284,423	6,193,352
Special events	50,934	32,652
Park improvement	146,532	172,762
Unassigned	<u>6,763,696</u>	<u>7,480,835</u>
Total fund balance	<u>14,357,505</u>	<u>15,027,639</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 15,903,311</u>	<u>\$ 16,326,557</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, 2016  
With Comparative Actual Totals for 2015

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,802,612	\$ 3,802,612
Sales	5,950,000	5,950,000
Franchise	1,615,775	1,615,775
Other	124,000	124,000
Industrial district	4,278,632	4,278,632
Intergovernment		
Revenue producing facilities	1,135,200	1,135,200
Fines and fees	576,424	576,424
Licenses and permits	416,045	416,045
Investment earnings	35,300	35,300
Miscellaneous	186,200	186,200
Total revenues	<u>18,120,188</u>	<u>18,120,188</u>
Expenditures:		
Current:		
General government and administration	3,656,330	3,656,330
Public safety	6,531,697	6,531,697
Public works	3,234,797	3,234,797
Culture and recreation	4,596,721	4,596,721
Capital outlay	820,805	820,805
Total expenditures	<u>18,840,350</u>	<u>18,840,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 720,162 )</u>	<u>( 720,162 )</u>
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,592,620	1,592,620
Transfers out	<u>( 901,917 )</u>	<u>( 3,001,917 )</u>
Total other financing sources (uses)	<u>690,703</u>	<u>( 1,409,297 )</u>
Net change in fund balance	<u>( 29,459 )</u>	<u>( 2,129,459 )</u>
Fund balance - beginning	<u>15,027,639</u>	<u>15,027,639</u>
Fund balance - ending	<u>\$ 14,998,180</u>	<u>\$ 12,898,180</u>

2016			2015	
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,773,882	\$	\$ 3,773,882	\$( 28,730 )	\$ 3,615,757
6,190,271		6,190,271	240,271	5,991,129
1,632,284		1,632,284	16,509	1,646,902
217,926		217,926	93,926	206,901
4,317,295		4,317,295	38,663	4,249,304
9,170		9,170	9,170	8,443
1,263,879		1,263,879	128,679	1,186,243
472,117		472,117	( 104,307 )	573,801
496,068		496,068	80,023	666,610
54,815		54,815	19,515	38,474
<u>205,611</u>		<u>205,611</u>	<u>19,411</u>	<u>146,148</u>
<u>18,633,318</u>	<u>-0-</u>	<u>18,633,318</u>	<u>513,130</u>	<u>18,329,712</u>
3,864,699		3,864,699	( 208,369 )	3,536,378
6,028,794		6,028,794	502,903	5,843,285
2,777,394		2,777,394	457,403	2,576,814
4,487,262		4,487,262	109,459	4,274,608
<u>786,888</u>		<u>786,888</u>	<u>33,917</u>	<u>1,017,483</u>
<u>17,945,037</u>	<u>-0-</u>	<u>17,945,037</u>	<u>895,313</u>	<u>17,248,568</u>
<u>688,281</u>	<u>-0-</u>	<u>688,281</u>	<u>1,408,443</u>	<u>1,081,144</u>
41,105		41,105	41,105	81,393
1,602,397		1,602,397	9,777	1,623,339
( 3,001,917 )		( 3,001,917 )	-0-	( 1,582,633 )
( 1,358,415 )	-0-	( 1,358,415 )	50,882	122,099
( 670,134 )	-0-	( 670,134 )	1,459,325	1,203,243
<u>15,027,639</u>		<u>15,027,639</u>	<u>-0-</u>	<u>13,824,396</u>
<u>\$ 14,357,505</u>	<u>\$ -0-</u>	<u>\$ 14,357,505</u>	<u>\$ 1,459,325</u>	<u>\$ 15,027,639</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 1,444,952	\$ 2,024,750
Receivable (net of allowance for uncollectibles):		
Taxes	<u>534,481</u>	<u>528,076</u>
Total assets	<u>1,979,433</u>	<u>2,552,826</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>\$ 1,979,433</u>	<u>\$ 2,552,826</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ <u>77,517</u>	\$ <u>33,473</u>
Total liabilities	<u>77,517</u>	<u>33,473</u>
Deferred Inflows of Resources:		
Deferred inflows of resources		
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Fund Balances:		
Restricted For:		
Economic development	<u>1,901,916</u>	<u>2,519,353</u>
Total fund balances	<u>1,901,916</u>	<u>2,519,353</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,979,433</u>	<u>\$ 2,552,826</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, 2016  
With Comparative Actual Totals for 2015

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 3,135,000	\$ 3,135,000	\$ 3,227,460	\$ 92,460	\$ 3,138,233
Investment earnings	10,000	10,000	12,077	2,077	6,832
Miscellaneous			9,599	9,599	
Total revenues	<u>3,145,000</u>	<u>3,145,000</u>	<u>3,249,136</u>	<u>104,136</u>	<u>3,145,065</u>
Expenditures:					
Current:					
Culture and recreation	40,000	50,000	44,435	5,565	55,918
Capital outlay	<u>425,000</u>	<u>1,103,835</u>	<u>1,069,797</u>	<u>34,038</u>	<u>309,693</u>
Total expenditures	<u>465,000</u>	<u>1,153,835</u>	<u>1,114,232</u>	<u>39,605</u>	<u>365,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,680,000</u>	<u>1,991,165</u>	<u>2,134,904</u>	<u>143,739</u>	<u>2,779,454</u>
Other Financing Sources (Uses):					
Transfers out	( 2,600,912)	( 2,775,000)	( 2,752,341)	22,859	( 2,672,867)
Total other financing sources (uses)	( 2,600,912)	( 2,775,000)	( 2,752,341)	22,859	( 2,672,867)
Net changes in fund balance	79,088	( 784,035)	( 617,437)	166,598	106,587
Fund balances – beginning	<u>2,519,353</u>	<u>2,519,353</u>	<u>2,519,353</u>	<u>-0-</u>	<u>2,412,766</u>
Fund balances – ending	<u>\$ 2,598,441</u>	<u>\$ 1,735,318</u>	<u>\$ 1,901,916</u>	<u>\$ 166,598</u>	<u>\$ 2,519,353</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 685,096	\$ 705,634
Receivable (net of allowance for uncollectibles):		
Taxes	<u>19,342</u>	<u>17,539</u>
Total assets	<u>704,438</u>	<u>723,173</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>\$ 704,438</u>	<u>\$ 723,173</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accrued interest	\$ <u>987</u>	\$ <u>316</u>
Total liabilities	<u>987</u>	<u>316</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>19,287</u>	<u>17,484</u>
Total deferred inflows of resources	<u>19,287</u>	<u>17,484</u>
Fund Balance:		
Restricted For:		
Debt service	<u>684,164</u>	<u>705,373</u>
Total fund balance	<u>684,164</u>	<u>705,373</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 704,438</u>	<u>\$ 723,173</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, 2016  
With Comparative Actual Totals for 2015

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Property taxes	\$ 2,107,554	\$ 2,107,554	\$ 2,099,398	\$ ( 8,156)	\$ 2,202,155
Investment earnings	<u>8,000</u>	<u>8,000</u>	<u>4,970</u>	<u>( 3,030)</u>	<u>2,872</u>
Total revenues	<u>2,115,554</u>	<u>2,115,554</u>	<u>2,104,368</u>	<u>( 11,186)</u>	<u>2,205,027</u>
Expenditures:					
Debt Service:					
Principal retirement	1,593,611	1,593,611	1,668,954	( 75,343)	1,642,639
Interest and fiscal charges	<u>521,943</u>	<u>521,943</u>	<u>515,720</u>	<u>6,223</u>	<u>572,957</u>
Total expenditures	<u>2,115,554</u>	<u>2,115,554</u>	<u>2,184,674</u>	<u>( 69,120)</u>	<u>2,215,596</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-0-</u>	<u>-0-</u>	<u>( 80,306)</u>	<u>( 80,306)</u>	<u>( 10,569)</u>
Other Financing Sources (Uses):					
Issuance of bonds			5,194,561	5,194,561	
Bond issuance premium			537,550	537,550	
Payment to bond refunding escrow agent			<u>( 5,673,014)</u>	<u>( 5,673,014)</u>	
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>59,097</u>	<u>59,097</u>	<u>-0-</u>
Net changes in fund balances			<u>( 21,209)</u>	<u>( 21,209)</u>	<u>( 10,569)</u>
Fund balance – beginning	<u>705,373</u>	<u>705,373</u>	<u>705,373</u>	<u>-0-</u>	<u>715,942</u>
Fund balance – ending	<u>\$ 705,373</u>	<u>\$ 705,373</u>	<u>\$ 684,164</u>	<u>\$ ( 21,209)</u>	<u>\$ 705,373</u>

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**SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

***Proprietary Funds***

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

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF NET POSITION**  
Enterprise Fund

September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 4,482,210	\$ 3,002,342
Receivables (net of allowance for uncollectibles):		
Accounts	<u>663,401</u>	<u>790,995</u>
	<u>5,145,611</u>	<u>3,793,337</u>
Current Restricted Assets:		
Cash and cash equivalents	1,626,676	3,332,203
Due from other governments	<u>5,318</u>	<u>5,318</u>
Total current restricted assets	<u>1,631,994</u>	<u>3,337,521</u>
Total current assets	<u>6,777,605</u>	<u>7,130,858</u>
Noncurrent Assets:		
Restricted Cash and Cas Equivalents:		
Revenue bond covenant accounts	<u>2,428,639</u>	<u>2,340,884</u>
Total noncurrent restricted assets	<u>2,428,639</u>	<u>2,340,884</u>
Capital Assets:		
Property, plant and equipment	67,100,415	64,459,576
Construction in process	2,441,055	431,203
Less accumulated depreciation	<u>( 38,220,148 )</u>	<u>( 36,519,669 )</u>
Total capital assets (net of accumulated depreciation)	<u>31,321,322</u>	<u>28,371,110</u>
Total noncurrent assets	<u>33,749,961</u>	<u>30,711,994</u>
Total assets	<u>40,527,566</u>	<u>37,842,852</u>
Deferred Outflows of Resources:		
Deferred outflows of resources – bond refunding	85,339	108,821
Deferred outflows of resources - pension	<u>945,273</u>	<u>278,696</u>
Total deferred outflows of resources	<u>1,030,612</u>	<u>387,517</u>

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

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

September 30, 2016 and 2015

	2016	2015
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 786,803	\$ 422,193
Accrued wages	77,689	65,149
Accrued compensated absences	97,500	102,861
Revenue bonds payable	615,417	671,250
	1,577,409	1,261,453
Current Liabilities Payable from Restricted Assets:		
Accrued interest	131,638	148,151
Customer deposits	778,155	736,254
Revenue bonds payable	462,621	516,852
Total current liabilities payable from restricted assets	1,372,414	1,401,257
Total current liabilities	2,949,823	2,662,710
Noncurrent Liabilities:		
Revenue bonds payable	6,863,295	7,941,269
Accrued compensated absences	43,466	46,284
Net pension obligation	1,123,893	460,622
Total noncurrent liabilities	8,030,654	8,448,175
Total liabilities	10,980,477	11,110,885
Deferred Inflows of Resources:		
Deferred inflows of resources - pension	178,118	99,384
Total deferred inflows of resources	178,118	99,384
Net Position:		
Net investment in capital assets	23,927,949	19,867,412
Restricted For:		
Revenue bond retirement	1,834,380	1,592,161
Construction	480,954	2,684,987
Unrestricted	4,156,300	2,875,540
Total net position	\$ 30,399,583	\$ 27,020,100

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Water service	\$ 4,104,121	\$ 3,912,414
Sewer service	3,978,113	3,616,255
Garbage fees	3,765,504	3,287,706
Tapping and connection fees	289,097	329,992
Other	<u>238,731</u>	<u>201,519</u>
Total operating revenues	<u>12,375,566</u>	<u>11,347,886</u>
Operating Expenses:		
Utility administration	443,853	430,822
Water production and treatment	3,304,542	3,133,454
Sewer collection	2,473,949	2,110,332
Sanitation	2,864,997	2,551,608
Depreciation	<u>2,186,304</u>	<u>2,094,283</u>
Total operating expenses	<u>11,273,645</u>	<u>10,320,499</u>
Operating income	<u>1,101,921</u>	<u>1,027,387</u>
Non-Operating Revenues (Expenses):		
Interest revenue	34,045	15,410
Loss on disposal of capital assets		( 10,764)
Interest expense and fiscal charges	<u>( 308,857)</u>	<u>( 343,242)</u>
Total non-operating revenues (expenses)	<u>( 274,812)</u>	<u>( 338,596)</u>
Income before contributions and transfers	827,109	688,791
Capital contributions	2,077,363	
Transfers in	1,651,917	482,633
Transfers out	<u>( 1,176,906)</u>	<u>( 1,208,685)</u>
Change in net position	3,379,483	( 37,261)
Net position at beginning of year	<u>27,020,100</u>	<u>27,057,361</u>
Net position at end of year	<u>\$ 30,399,583</u>	<u>\$ 27,020,100</u>

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 12,545,061	\$ 11,261,777
Payments to suppliers	( 6,260,659)	( 5,834,243)
Payments to employees	( 2,382,283)	( 2,446,023)
Net cash provided by operating activities	<u>3,902,119</u>	<u>2,981,511</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	1,651,917	482,633
Transfers out	( 1,176,906)	( 1,208,685)
Net cash provided (used) by non-capital financing activities	<u>475,011</u>	<u>( 726,052)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	( 3,142,873)	( 1,026,668)
Principal and premium paid on capital debt	( 1,188,038)	( 1,208,102)
Interest and fiscal charges paid on capital debt	( 301,888)	( 334,672)
Net cash used for capital and related financing activities	<u>( 4,632,799)</u>	<u>( 2,569,442)</u>
Cash Flows from Investing Activities:		
Interest received	<u>34,045</u>	<u>15,410</u>
Net cash provided by investing activities	<u>34,045</u>	<u>15,410</u>
Change in cash and cash equivalents	( 221,624)	( 298,573)
Cash and cash equivalents at the beginning of year	<u>8,759,149</u>	<u>9,057,722</u>
Cash and cash equivalents at the end of year	<u>\$ 8,537,525</u>	<u>\$ 8,759,149</u>

(continued)

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ <u>1,101,921</u>	\$ <u>1,027,387</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	2,186,304	2,094,283
(Increase) decrease in accounts receivable	127,594	( 122,557)
Increase (decrease) in accounts payable	364,610	43,778
Increase (decrease) in accrued wages payable	12,540	5,970
Increase (decrease) in net pension obligation	75,428	( 105,876)
Increase (decrease) in accrued compensated absences	( 8,179)	2,078
Increase (decrease) in customer deposits	<u>41,901</u>	<u>36,448</u>
Total adjustments	<u>2,800,198</u>	<u>1,954,124</u>
Net cash provided by operating activities	\$ <u><u>3,902,119</u></u>	\$ <u><u>2,981,511</u></u>
Non-cash Investing, Capital, and Financing Activities:		
Capital contributions	\$ <u>2,077,363</u>	\$ <u>-0-</u>
Net effect of non-cash transactions	\$ <u><u>2,077,363</u></u>	\$ <u><u>-0-</u></u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2016  
With Comparative Actual Totals for 2015

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 4,246,002	\$ 4,246,002
Sewer service	3,859,517	3,859,517
Garbage fees	3,478,989	3,478,989
Tapping and connection fees	236,763	236,763
Other	155,500	155,500
Total revenues	<u>11,976,771</u>	<u>11,976,771</u>
Operating Expenses:		
Utility administration	484,259	484,259
Water production and treatment	3,584,259	3,584,259
Sewer collection	2,466,957	2,466,957
Sanitation	2,698,755	2,698,755
Depreciation		
Total operating expenses	<u>9,234,230</u>	<u>9,234,230</u>
Operating income	<u>2,742,541</u>	<u>2,742,541</u>
Non-Operating Revenues (Expenses):		
Interest revenue	10,200	10,200
Loss on disposal of capital assets		
Interest expense and fiscal charge	( 372,917 )	( 372,917 )
Total non-operating revenues (expenses)	<u>( 362,717 )</u>	<u>( 362,717 )</u>
Income before contributions and transfers	2,379,824	2,379,824
Capital contributions		
Transfers in		750,000
Transfers out	( 1,176,906 )	( 1,176,906 )
Change in net position	1,202,918	1,952,918)
Net position - beginning	<u>27,020,100</u>	<u>27,020,100</u>
Net position - ending	<u>\$ 28,223,018</u>	<u>\$ 28,973,018</u>

2016			2015	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 4,104,121	\$	\$ 4,104,121	\$ ( 141,881 )	\$ 3,912,414
3,978,113		3,978,113	118,596	3,616,255
3,765,504		3,765,504	286,515	3,287,706
289,097		289,097	52,334	329,992
238,731		238,731	83,231	201,519
<u>12,375,566</u>	<u>-0-</u>	<u>12,375,566</u>	<u>398,795</u>	<u>11,347,886</u>
443,853		443,853	40,406	430,822
3,304,542		3,304,542	279,717	3,133,454
2,473,949		2,473,949	( 6,992 )	2,110,332
2,864,997		2,864,997	( 166,242 )	2,551,608
2,186,304	( 2,186,304 )			2,094,283
<u>11,273,645</u>	<u>( 2,186,304 )</u>	<u>9,087,341</u>	<u>146,889</u>	<u>10,320,499</u>
<u>1,101,921</u>	<u>2,186,304</u>	<u>3,288,225</u>	<u>545,684</u>	<u>1,027,387</u>
34,045		34,045	23,845	15,410
( 308,857 )	23,038	( 285,819 )	87,098	( 10,764 )
( 274,812 )	23,038	( 251,774 )	110,943	( 343,242 )
827,109	2,209,342	3,036,451	656,627	688,791
2,077,363		2,077,363	2,077,363	-0-
1,651,917		1,651,917	901,917	482,633
( 1,176,906 )		( 1,176,906 )		( 1,208,685 )
3,379,483	2,209,342	5,588,825	3,635,907	( 37,261 )
<u>27,020,100</u>		<u>27,020,100</u>	<u>-0-</u>	<u>27,057,361</u>
<u>\$ 30,399,583</u>	<u>\$ 2,209,342</u>	<u>\$ 32,608,925</u>	<u>\$ 3,635,907</u>	<u>\$ 27,020,100</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**COMPARATIVE STATEMENTS OF NET POSITION**  
Golf Course Operating Fund

September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 95,246	\$ 95,668
Receivables (net of allowance for uncollectibles):		
Accounts	38,441	15,136
Inventory	37,502	27,198
Prepaid expenses	<u>9,724</u>	<u>9,471</u>
Total current assets	<u>180,913</u>	<u>147,473</u>
Capital Assets:		
Property, plant and equipment	9,490,185	8,983,622
Less accumulated depreciation	<u>( 3,299,304 )</u>	<u>( 3,053,057 )</u>
Total capital assets (net of accumulated depreciation)	<u>6,190,881</u>	<u>5,930,565</u>
Total noncurrent assets	<u>6,190,881</u>	<u>5,930,565</u>
Total assets	<u>6,371,794</u>	<u>6,078,038</u>
Deferred Outflows of Resources:		
Deferred outflows of resources	<u>          </u>	<u>          </u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 38,418	\$ 59,928
Accrued wages	25,711	21,792
Unearned revenues	<u>150,205</u>	<u>141,921</u>
Total current liabilities	214,334	223,641
Noncurrent Liabilities:		
Total noncurrent liabilities	<u>          </u>	<u>          </u>
Total liabilities	<u>214,334</u>	<u>223,641</u>
Deferred Inflows of Resources:		
Deferred inflows of resources	<u>          </u>	<u>10,125</u>
Total deferred inflows of resources	<u>-0-</u>	<u>10,125</u>
Net Position:		
Net investment in capital assets	6,190,881	5,930,565
Unrestricted	<u>( 33,421 )</u>	<u>( 86,293 )</u>
Total net position	<u>\$ 6,157,460</u>	<u>\$ 5,844,272</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Course and ground	\$ 749,944	\$ 797,075
Cart	162,154	173,812
Pro shop	99,137	113,858
Range	48,180	58,628
Food and beverage	217,482	243,032
Other	<u>35</u>	<u>126</u>
Total operating revenues	<u>1,276,932</u>	<u>1,386,531</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	64,410	77,356
Food and beverage	93,100	101,455
Payroll and related benefits	852,458	788,470
Other expenses	551,992	688,486
Management fee	87,051	87,144
Depreciation	<u>246,247</u>	<u>219,442</u>
Total operating expenses	<u>1,895,258</u>	<u>1,962,353</u>
Operating income (loss)	<u>( 618,326 )</u>	<u>( 575,822 )</u>
Non-Operating Revenues (Expenses):		
Interest revenue	<u>655</u>	<u>330</u>
Total non-operating revenues (expenses)	<u>655</u>	<u>330</u>
Income (loss) before contributions and transfers	<u>( 617,671 )</u>	<u>( 575,492 )</u>
Capital contributions	506,563	38,897
Transfers in	<u>424,296</u>	<u>400,000</u>
Change in net position	313,188	<u>( 136,595 )</u>
Net position at beginning of year	<u>5,844,272</u>	<u>5,980,867</u>
Net position at end of year	<u>\$ 6,157,460</u>	<u>\$ 5,844,272</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,251,786	\$ 1,391,239
Payments to suppliers	( 828,620)	( 861,297)
Payments to employees	( 848,539)	( 877,686)
Net cash used by operating activities	<u>( 425,373)</u>	<u>( 347,744)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	<u>424,296</u>	<u>400,000</u>
Net cash provided by non-capital financing activities	<u>424,296</u>	<u>400,000</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>655</u>	<u>330</u>
Net cash provided by investing activities	<u>655</u>	<u>330</u>
Change in cash and cash equivalents	( 422)	52,586
Cash and cash equivalents at the beginning of year	<u>95,668</u>	<u>43,082</u>
Cash and cash equivalents at the end of year	<u>\$ 95,246</u>	<u>\$ 95,668</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$( <u>618,326</u> )	\$( <u>575,822</u> )
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	246,247	219,442
(Increase) decrease in accounts receivable	( 23,305)	40,739
(Increase) decrease in inventory	( 10,304)	10,672
(Increase) decrease in prepaid expenses	( 253)	( 9,471)
Increase (decrease) in accounts payable	( 21,510)	( 393)
Increase (decrease) in accrued wages payable	3,919	3,120
Increase (decrease) in unearned revenues	( <u>1,841</u> )	( <u>36,031</u> )
Total adjustments	<u>192,953</u>	<u>228,078</u>
Net cash used by operating activities	\$( <u>425,373</u> )	\$( <u>347,744</u> )
Noncash Investing, Capital, and Financing Activities:		
Capital contributions	\$ <u>506,563</u>	\$ <u>38,897</u>
Net effect of noncash transactions	\$ <u>506,563</u>	\$ <u>38,897</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, 2016  
With Comparative Actual Totals for 2015

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 840,401	\$ 840,401
Cart	222,369	222,369
Pro shop	150,400	150,400
Range	70,174	70,174
Food and beverage	257,788	257,788
Other	643	643
Total operating revenues	<u>1,541,775</u>	<u>1,541,775</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	95,963	95,963
Food and beverage	105,668	105,668
Payroll and related benefits	913,067	913,067
Other expenses	536,017	536,017
Management fee	87,048	87,048
Depreciation		
Total operating expenses	<u>1,737,763</u>	<u>1,737,763</u>
Operating income (loss)	<u>( 195,988 )</u>	<u>( 195,988 )</u>
Non-Operating Revenues (Expenses):		
Interest revenue		
Interest expense and fiscal charge	<u>( 3,360 )</u>	<u>( 3,360 )</u>
Total non-operating revenues (expenses)	<u>( 3,360 )</u>	<u>( 3,360 )</u>
Income (loss) before contributions and transfers	<u>( 199,348 )</u>	<u>( 199,348 )</u>
Capital contributions		
Transfers in	<u>250,000</u>	<u>250,000</u>
Change in net position	50,652	50,652
Fund balances - beginning	<u>5,844,272</u>	<u>5,844,272</u>
Fund balances - ending	<u>\$ 5,894,924</u>	<u>\$ 5,894,924</u>

2016			2015	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 749,944	\$	\$ 749,944	\$ ( 90,457 )	\$ 797,075
162,154		162,154	( 60,215 )	173,812
99,137		99,137	( 51,263 )	113,858
48,180		48,180	( 21,994 )	58,628
217,482		217,482	( 40,306 )	243,032
35		35	( 608 )	126
<u>1,276,932</u>	<u>-0-</u>	<u>1,276,932</u>	<u>( 264,843 )</u>	<u>1,386,531</u>
64,410		64,410	31,553	77,356
93,100		93,100	12,568	101,455
852,458		852,458	60,609	788,470
551,992		551,992	( 15,975 )	688,486
87,051		87,051	( 3 )	87,144
<u>246,247</u>	<u>( 246,247 )</u>		<u>-0-</u>	<u>219,442</u>
<u>1,895,258</u>	<u>( 246,247 )</u>	<u>1,649,011</u>	<u>88,752</u>	<u>1,962,353</u>
<u>( 618,326 )</u>	<u>246,247</u>	<u>( 372,079 )</u>	<u>( 176,091 )</u>	<u>( 575,822 )</u>
655		655	655	330
		-0-	3,360	
<u>655</u>	<u>-0-</u>	<u>655</u>	<u>4,015</u>	<u>330</u>
<u>( 617,671 )</u>	<u>246,247</u>	<u>( 371,424 )</u>	<u>( 172,076 )</u>	<u>( 575,492 )</u>
506,563		506,563	506,563	38,897
<u>424,296</u>		<u>424,296</u>	<u>174,296</u>	<u>400,000</u>
313,188	246,247	559,435	508,783	( 136,595 )
<u>5,844,272</u>		<u>5,844,272</u>	<u>-0-</u>	<u>5,980,867</u>
<u>\$ 6,157,460</u>	<u>\$ 246,247</u>	<u>\$ 6,403,707</u>	<u>\$ 508,783</u>	<u>\$ 5,844,272</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Governmental Activities Capital Assets:		
Land	\$ 2,397,003	\$ 2,397,003
Buildings	31,546,203	30,074,505
Improvements other than buildings	13,644,748	16,876,180
Machinery and equipment	12,789,359	12,159,203
Infrastructure	97,708,549	86,082,766
Construction in progress	<u>810,472</u>	<u>1,662,975</u>
Total governmental activities capital assets	<u>\$ 158,896,334</u>	<u>\$ 149,252,632</u>
Investments in Governmental Activities Capital Assets by Source:		
General fund	\$ 13,286,470	\$ 12,519,308
Special revenue fund	5,830,923	4,761,126
Capital projects fund	112,890,023	108,788,858
Contributed	<u>26,888,918</u>	<u>23,183,340</u>
Total governmental activities capital assets	<u>\$ 158,896,334</u>	<u>\$ 149,252,632</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, 2016**

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government	\$ 1,094,732	\$ 7,449,641	\$ 1,446,370
Public safety		7,577,714	634,424
Public works		1,954,871	734,663
Culture and recreation	<u>1,302,271</u>	<u>14,563,977</u>	<u>10,829,291</u>
 Total governmental activities capital assets	 <u>\$ 2,397,003</u>	 <u>\$ 31,546,203</u>	 <u>\$ 13,644,748</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>
\$ 1,414,369	\$ 1,340,048	\$ 384,126	\$ 13,129,286
7,210,145	218,945		15,641,228
2,503,677	94,896,842	411,555	100,501,608
<u>1,661,168</u>	<u>1,252,714</u>	<u>14,791</u>	<u>29,624,212</u>
<u>\$ 12,789,359</u>	<u>\$ 97,708,549</u>	<u>\$ 810,472</u>	<u>\$ 158,896,334</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, 2016

<u>Function</u>	<u>Governmental Activities Capital Assets 10/01/15</u>	<u>Additions</u>	<u>Deductions/ Transfers</u>	<u>Governmental Activities Capital Assets 09/30/16</u>
General government	\$ 12,624,346	\$ 617,918	\$ 112,978	\$ 13,129,286
Public safety	14,973,353	1,248,143	580,268	15,641,228
Public works	91,480,813	7,370,746	( 1,650,049)	100,501,608
Culture and recreation	<u>30,257,840</u>	<u>541,884</u>	<u>1,175,512</u>	<u>29,624,212</u>
Total governmental activities capital assets	<u>\$ 149,336,352</u>	<u>\$ 9,778,691</u>	<u>\$ 218,709</u>	<u>\$ 158,896,334</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, 2016

	<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	\$ 9,082	\$ 14,127,168	\$	\$
Receivables (net of allowance for uncollectibles):				
Property tax	30,224			
Accounts	66,342			
Sales tax	1,068,962			
Franchise tax	200,801			
Grants	20,124			
Due from clearing fund	6,438,900		132,263	906,260
Investments		300,000		
Inventories:				
Resale items	14,453			
Supplies	66,155			
	<u>7,915,043</u>	<u>14,427,168</u>	<u>132,263</u>	<u>906,260</u>
Total assets				
Deferred Outflows of Resources:				
Deferred outflows of resources				
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total deferred outflows of resources				
Total assets and deferred outflows of resources	<u>\$ 7,915,043</u>	<u>\$ 14,427,168</u>	<u>\$ 132,263</u>	<u>\$ 906,260</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 14,136,250
					30,224
					66,342
					1,068,962
					200,801
					20,124
6,624,390	127,889	50,934	146,532	( 14,427,168 )	-0-
					300,000
					14,453
					66,155
<u>6,624,390</u>	<u>127,889</u>	<u>50,934</u>	<u>146,532</u>	<u>( 14,427,168 )</u>	<u>15,903,311</u>
					-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 6,624,390</u>	<u>\$ 127,889</u>	<u>\$ 50,934</u>	<u>\$ 146,532</u>	<u>\$ ( 14,427,168 )</u>	<u>\$ 15,903,311</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, 2016

	<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	\$ 386,434	\$	\$ 127,263	\$
Cash bonds and taxes	377,906			
Accrued wages	186,077			
Unearned revenue	95,043			
Due to other funds	<u>                    </u>	<u>14,427,168</u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>1,045,460</u>	<u>14,427,168</u>	<u>127,263</u>	<u>-0-</u>
Deferred Inflows of Resources:				
Deferred inflows of resources – property taxes	<u>30,279</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred inflows of resources	<u>30,279</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Non-spendable:				
Inventory	80,608			
Committed:				
Contingencies				906,260
Assigned:				
Unemployment insurance				
Equipment replacement				
Special events				
Park improvement				
Unassigned	<u>6,758,696</u>	<u>                    </u>	<u>5,000</u>	<u>                    </u>
Total fund balances	<u>6,839,304</u>	<u>-0-</u>	<u>5,000</u>	<u>906,260</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,915,043</u>	<u>\$ 14,427,168</u>	<u>\$ 132,263</u>	<u>\$ 906,250</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$ 339,967	\$ 2,837	\$	\$	\$	\$ 856,501
					377,906
					186,077
					95,043
				( 14,427,168)	-0-
<u>339,967</u>	<u>2,837</u>	<u>-0-</u>	<u>-0-</u>	<u>( 14,427,168)</u>	<u>1,515,527</u>
					30,279
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>30,279</u>
					80,608
					906,260
	125,052				125,052
6,284,423					6,284,423
		50,934			50,934
			146,532		146,532
					6,763,696
<u>6,284,423</u>	<u>125,052</u>	<u>50,934</u>	<u>146,532</u>	<u>-0-</u>	<u>14,357,505</u>
<u>\$ 6,624,390</u>	<u>\$ 127,889</u>	<u>\$ 50,934</u>	<u>\$ 146,532</u>	<u>\$( 14,427,168)</u>	<u>\$ 15,903,311</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, 2016

	General	Clearing	Payroll	General Contingencies
Revenues:				
Taxes:				
Property	\$ 3,773,882	\$	\$	\$
Sales	6,190,271			
Franchise	1,632,284			
Other	217,926			
Industrial district	4,317,295			
Intergovernmental	9,170			
Revenue producing facilities	1,263,879			
Fines and fees	472,117			
Licenses and permits	496,068			
Investment earnings	29,778			2,996
Miscellaneous	181,112			
Total revenues	18,583,782	-0-	-0-	2,996
Expenditures:				
Current:				
General government and administration				
General administration	1,834,620			
Finance	995,849			
Elections	6,261			
Legal	178,323			
Municipal court	366,977			
Engineering	442,150			
Public Safety:				
Police	4,728,563			
Fire	572,087			
EMS department	407,075			
Humane	282,428			
Public works:				
Garage	663,562			
Street	839,085			
Drainage	648,486			
Building inspection	584,494			
Culture and recreation:				
Parks	1,182,457			
Recreation	2,146,630			
Civic Center & Jasmine Hall	695,356			
Commissions and Boards	318,134			
Special event				
Capital outlay	19,727			
Total expenditures	16,912,264	-0-	-0-	-0-

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 3,773,882
					6,190,271
					1,632,284
					217,926
					4,317,295
					9,170
					1,263,879
					472,117
					496,068
21,087	436		518		54,815
<u>2,456</u>		<u>21,688</u>	<u>355</u>		<u>205,611</u>
<u>23,543</u>	<u>436</u>	<u>21,688</u>	<u>873</u>	<u>-0-</u>	<u>18,633,318</u>
9,325	19,686				1,863,631
10,486					1,006,335
					6,261
20					178,343
					366,977
1,002					443,152
7,902					4,736,465
30,739					602,826
					407,075
					282,428
					663,562
37,186					876,271
					648,486
4,581					589,075
			27,103		1,209,560
13,685					2,160,315
					695,356
					318,134
		103,897			103,897
<u>767,161</u>					<u>786,888</u>
<u>882,087</u>	<u>19,686</u>	<u>103,897</u>	<u>27,103</u>	<u>-0-</u>	<u>17,945,037</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, 2016

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>1,671,518</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,996</u>
Other Financing Sources (Uses):				
Sale of capital assets				
Transfers in	890,390			
Transfers out	<u>( 3,298,911 )</u>			
Total other financing sources (uses)	<u>( 2,408,521 )</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net changes in fund balances	<u>( 737,003 )</u>	<u>-0-</u>	<u>-0-</u>	<u>2,996</u>
Fund balances - beginning	<u>7,576,307</u>		<u>5,000</u>	<u>903,264</u>
Fund balances - ending	<u>\$ 6,839,304</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 906,260</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
<u>\$ ( 858,544 )</u>	<u>\$ ( 19,250 )</u>	<u>\$ ( 82,209 )</u>	<u>\$ ( 26,230 )</u>	<u>\$ -0-</u>	<u>\$ 688,281</u>
41,105					41,105
1,810,427		100,491		( 1,198,911 )	1,602,397
<u>( 901,917 )</u>				<u>1,198,911</u>	<u>( 3,001,917 )</u>
<u>949,615</u>	<u>-0-</u>	<u>100,491</u>	<u>-0-</u>	<u>-0-</u>	<u>( 1,358,415 )</u>
91,071	( 19,250 )	18,282	( 26,230 )	-0-	( 670,134 )
<u>6,193,352</u>	<u>144,302</u>	<u>32,652</u>	<u>172,762</u>		<u>15,027,639</u>
<u>\$ 6,284,423</u>	<u>\$ 125,052</u>	<u>\$ 50,934</u>	<u>\$ 146,532</u>	<u>\$ -0-</u>	<u>\$ 14,357,505</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

September 30, 2016

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 2,584,529	\$ 401,039	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	<u>663,401</u>	<u>          </u>	<u>          </u>
	<u>3,247,930</u>	<u>401,039</u>	<u>-0-</u>
<b>Current Restricted Assets:</b>			
Cash and cash equivalents	778,155		
Due from other governments	<u>          </u>	<u>          </u>	<u>          </u>
Total current restricted assets	<u>778,155</u>	<u>-0-</u>	<u>-0-</u>
Total current assets	<u>778,155</u>	<u>-0-</u>	<u>-0-</u>
<b>Noncurrent Assets:</b>			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u>          </u>	<u>          </u>	<u>2,428,639</u>
Total noncurrent restricted assets	<u>-0-</u>	<u>-0-</u>	<u>2,428,639</u>
<b>Capital Assets:</b>			
Property, plant and equipment	67,100,415		
Construction in progress			
Less accumulated depreciation	<u>( 38,220,148 )</u>	<u>          </u>	<u>          </u>
Total capital assets (net of accumulated depreciation)	<u>28,880,267</u>	<u>-0-</u>	<u>-0-</u>
Total noncurrent assets	<u>28,880,267</u>	<u>-0-</u>	<u>2,428,639</u>
Total assets	<u>32,906,352</u>	<u>401,039</u>	<u>2,428,639</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of resources - debt refunding cost			85,339
Deferred outflows of resources - pension	<u>945,273</u>	<u>          </u>	<u>          </u>
Total deferred outflows of resources	<u>945,273</u>	<u>-0-</u>	<u>85,339</u>

(continued)

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	Total
\$ 1,496,642	\$	\$	\$	\$ 4,482,210
				663,401
<u>1,496,642</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,145,611</u>
	( 5,318 )	1,228,973	( 375,134 )	1,626,676
	<u>5,318</u>			<u>5,318</u>
<u>-0-</u>	<u>-0-</u>	<u>1,228,973</u>	<u>( 375,134 )</u>	<u>1,631,994</u>
<u>1,496,642</u>	<u>-0-</u>	<u>1,228,973</u>	<u>( 375,134 )</u>	<u>6,777,605</u>
				2,428,639
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,428,639</u>
				67,100,415
162,279		1,903,642	375,134	2,441,055
				( 38,220,148 )
<u>162,279</u>	<u>-0-</u>	<u>1,903,642</u>	<u>375,134</u>	<u>31,321,322</u>
<u>162,279</u>	<u>-0-</u>	<u>1,903,642</u>	<u>375,134</u>	<u>33,749,961</u>
<u>1,658,921</u>	<u>-0-</u>	<u>3,132,615</u>	<u>-0-</u>	<u>40,527,566</u>
				85,339
				945,273
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,030,612</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

September 30, 2016

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 412,418	\$	\$
Accrued wages	77,689		
Accrued compensated absences	97,500		
Revenue bonds payable	<u>615,417</u>		
	<u>1,203,024</u>	<u>-0-</u>	<u>-0-</u>
<b>Current Liabilities Payable from Restricted Assets:</b>			
Accrued interest			131,638
Customer deposits	778,155		
Revenue bonds payable			<u>462,621</u>
Total current liabilities payable from restricted assets	<u>778,155</u>	<u>-0-</u>	<u>594,259</u>
Total current liabilities	<u>1,981,179</u>	<u>-0-</u>	<u>594,259</u>
<b>Noncurrent Liabilities:</b>			
Revenue bonds payable	6,740,000		123,295
Accrued compensated absences	43,466		
Net pension obligation	<u>1,123,893</u>		
Total noncurrent liabilities	<u>7,907,359</u>	<u>-0-</u>	<u>123,295</u>
Total liabilities	<u>9,888,538</u>	<u>-0-</u>	<u>717,554</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows of resources - pension	<u>178,118</u>		
Total deferred inflows of resources	<u>178,118</u>	<u>-0-</u>	<u>-0-</u>
<b>Net Position:</b>			
Net investment in capital assets	21,524,850		( 37,956)
<b>Restricted For:</b>			
Revenue bond retirement			1,834,380
Construction			
Unrestricted	<u>2,260,119</u>	<u>401,039</u>	
Total net position	<u>\$ 23,784,969</u>	<u>\$ 401,039</u>	<u>\$ 1,796,424</u>

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	Total
\$ 1,500	\$	\$ 372,885	\$	\$ 786,803
				77,689
				97,500
				615,417
<u>1,500</u>	<u>-0-</u>	<u>372,885-</u>	<u>-0-</u>	<u>1,577,409</u>
				131,638
				778,155
				462,621
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,372,414</u>
<u>1,500</u>	<u>-0-</u>	<u>372,885</u>	<u>-0-</u>	<u>2,949,823</u>
				6,863,295
				43,466
				1,123,893
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,030,654</u>
<u>1,500</u>	<u>-0-</u>	<u>375,885</u>	<u>-0-</u>	<u>10,980,477</u>
				178,118
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>178,118</u>
162,279		1,903,642	375,134	23,927,949
				1,834,380
		856,088	( 375,134)	480,954
<u>1,495,142</u>				<u>4,156,300</u>
<u>\$ 1,657,421</u>	<u>\$ -0-</u>	<u>\$ 2,759,730</u>	<u>\$ -0-</u>	<u>\$ 30,399,583</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, 2016

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 4,104,121	\$	\$
Sewer service	3,978,113		
Garbage fees	3,765,504		
Tapping and connection fees	289,097		
Other	<u>238,731</u>		
Total operating revenues	<u>12,375,566</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	443,853		
Water production and treatment	3,304,542		
Sewer collection	2,473,949		
Sanitation	2,864,997		
Depreciation	<u>2,186,304</u>		
Total operating expenses	<u>11,273,645</u>	<u>-0-</u>	<u>-0-</u>
Operating income (loss)	<u>1,101,921</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	14,669	1,161	8,346
Interest expense and fiscal charges			<u>( 308,857)</u>
Total non-operating revenues (expenses)	<u>14,669</u>	<u>1,161</u>	<u>( 300,511)</u>
Income (loss) before contributions and transfers	1,116,590	1,161	( 300,511)
Capital Contributions	2,077,363		
Transfers in (out):			
Transfers in	901,917		
Transfers out	<u>( 1,176,906)</u>		
Intrafund transfers	<u>( 511,118)</u>	<u>50,000</u>	<u>458,502</u>
Change in net position	2,407,846	51,161	157,991
Net position at beginning of year	<u>21,377,123</u>	<u>349,878</u>	<u>1,638,433</u>
Net position at end of year	<u>\$ 23,784,969</u>	<u>\$ 401,039</u>	<u>\$ 1,796,424</u>

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	Total
\$	\$	\$	\$	\$ 4,104,121
				3,978,113
				3,765,504
				289,097
				238,731
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,375,566</u>
				443,853
				3,304,542
				2,473,949
				2,864,997
				2,186,304
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,273,645</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,101,921</u>
2,030		7,839		34,045
				( 308,857)
<u>2,030</u>	<u>-0-</u>	<u>7,839</u>	<u>-0-</u>	<u>( 274,812)</u>
2,030	-0-	7,839	-0-	827,109
				2,077,363
750,000				1,651,917
				( 1,176,906)
<u>150,000</u>		<u>( 147,384)</u>		<u>-0-</u>
902,030		( 139,545)		3,379,483
<u>755,391</u>	<u>-0-</u>	<u>2,899,275</u>	<u>-0-</u>	<u>27,020,100</u>
<u>\$ 1,657,421</u>	<u>\$ -0-</u>	<u>\$ 2,759,730</u>	<u>\$ -0-</u>	<u>\$ 30,399,583</u>

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

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

For the Year Ended September 30, 2016

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers and users	\$ 12,545,061	\$	\$
Payments to suppliers	( 6,577,811 )		
Payments to employees	( 2,382,283 )		
Net cash provided (used) by operating activities	3,584,967	-0-	-0-
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfer in	901,917		
Transfers out	( 1,176,906 )		
Intrafund transfers	( 511,118 )	50,000	458,502
Net cash provided (used) by non-capital financing activities	( 786,107 )	50,000	458,502
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchases of capital assets	( 1,049,301 )		
Principal paid on capital debt	( 1,110,833 )		( 77,205 )
Interest and fiscal charges paid on capital debt			( 301,888 )
Net cash used by capital and related financing activities	( 2,160,134 )	-0-	( 379,093 )
<b>Cash Flows from Investing Activities:</b>			
Interest received	14,669	1,161	8,346
Net cash provided by investing activities	14,669	1,161	8,346
Change in cash and cash equivalents	653,395	51,161	87,755
Cash and cash equivalents at the beginning of year	2,709,289	349,878	2,340,884
Cash and cash equivalents at the end of year	\$ 3,362,684	\$ 401,039	\$ 2,428,639
<b>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</b>			
Operating income	\$ 1,101,921	\$	\$
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	2,186,304		
(Increase) decrease in accounts receivable	127,594		
Increase (decrease) in accounts payable	47,458		
Increase (decrease) in accrued wages payable	12,540		
Increase (decrease) in net pension obligation	75,428		
Increase (decrease) in accrued compensated absences	( 8,179 )		
Increase (decrease) in customer deposits	41,901		
Total adjustments	2,483,046	-0-	-0-
Net cash provided by operating activities	\$ 3,584,967	\$ -0-	\$ -0-
<b>Non-cash Investing, Capital, and Financing Activities:</b>			
Capital contributions	\$ 2,077,363	\$	\$
Net effect of non-cash transactions	\$ 2,077,363	\$ -0-	\$ -0-

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	Total
\$	\$	\$	\$	\$ 12,545,061
( 55,733 )		372,885		( 6,260,659 )
				( 2,382,283 )
( 55,733 )	-0-	372,885	-0-	3,902,119
750,000				1,651,917
150,000		( 147,384 )		( 1,176,906 )
900,000	-0-	( 147,384 )		-0-
				475,011
( 29,084 )		( 1,689,354 )	( 375,134 )	( 3,142,873 )
				( 1,188,038 )
				( 301,888 )
( 29,084 )	-0-	( 1,689,354 )	( 375,134 )	( 4,632,799 )
2,030		7,839		34,045
2,030	-0-	7,839	-0-	34,045
817,213	-0-	( 1,456,014 )	( 375,134 )	( 221,624 )
679,429	( 5,318 )	2,684,987	-0-	8,759,149
\$ 1,496,642	\$( 5,318 )	\$ 1,228,973	\$( 375,134 )	\$ 8,537,525
\$	\$	\$	\$	\$ 1,101,921
				2,186,304
				127,594
( 55,733 )		372,885		364,610
				12,540
				75,428
				( 8,179 )
				41,901
( 55,733 )	-0-	372,855	-0-	2,800,198
\$( 55,733 )	\$ -0-	\$ 372,855	\$ -0-	\$ 3,902,119
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,077,363
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,077,363

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS  
DEBT SERVICE SCHEDULE**

September 30, 2016

Year Ending 09/30	Series 2009		Series 2009 Refunding	
	Principal	Interest	Principal	Interest
2017	\$ 120,000	\$ 16,050	\$ 660,000	\$ 22,875
2018	120,000	11,325	285,000	7,162
2019	120,000	6,750	60,000	1,088
2020	120,000	2,250		
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
TOTAL	<u>\$ 480,000</u>	<u>\$ 36,375</u>	<u>\$ 1,005,000</u>	<u>\$ 31,125</u>

(continued)

Series 2009 Certificate		Series 2010		Series 2011	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 250,000	\$ 34,375	\$ 150,000	\$ 79,800	\$ 750,000	\$ 171,600
250,000	25,000	150,000	74,850	755,000	141,500
250,000	15,000	150,000	69,375	745,000	111,500
250,000	5,000	150,000	63,375	745,000	81,700
		150,000	57,375	740,000	52,000
		150,000	51,375	555,000	26,100
		150,000	45,375	375,000	7,500
		150,000	39,375		
		150,000	33,375		
		150,000	27,375		
		150,000	21,375		
		150,000	15,375		
		150,000	9,281		
		150,000	3,094		
<hr/>		<hr/>		<hr/>	
<u>\$ 1,000,000</u>	<u>\$ 79,375</u>	<u>\$ 2,100,000</u>	<u>\$ 590,775</u>	<u>\$ 4,665,000</u>	<u>\$ 591,900</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

September 30, 2016

Year Ending 09/30	Series 2013 LTB		Series 2013 Certificate	
	Principal	Interest	Principal	Interest
2017	\$ 200,000	\$ 74,500	\$ 100,000	\$ 41,750
2018	200,000	71,500	100,000	39,750
2019	200,000	68,500	100,000	37,750
2020	200,000	65,500	100,000	35,750
2021	200,000	62,000	100,000	33,750
2022	200,000	58,000	100,000	31,750
2023	200,000	54,000	100,000	29,625
2024	200,000	50,000	100,000	27,375
2025	200,000	46,000	100,000	24,875
2026	200,000	41,500	100,000	22,125
2027	200,000	36,500	100,000	19,375
2028	200,000	31,500	100,000	16,500
2029	200,000	26,500	100,000	13,500
2030	200,000	21,000	100,000	10,500
2031	200,000	15,000	100,000	7,500
2032	200,000	9,000	100,000	4,500
2033	200,000	3,000	100,000	1,500
2034				
TOTAL	<u>\$ 3,400,000</u>	<u>\$ 734,000</u>	<u>\$ 1,700,000</u>	<u>\$ 397,875</u>

(continued)

<u>Series 2013A Certificate</u>		<u>Series 2014 Certificate</u>		<u>Series 2015LT Refunding Bonds</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 150,000	\$ 25,125	\$ 275,000	\$ 128,563	\$ 470,000	\$ 220,688
150,000	21,938	275,000	123,062	470,000	206,587
150,000	18,375	275,000	117,218	465,000	192,563
150,000	14,625	275,000	111,031	460,000	178,687
150,000	10,875	275,000	104,844	825,000	159,413
150,000	6,750	275,000	98,656	820,000	134,737
150,000	2,250	275,000	92,469	810,000	110,288
		275,000	85,937	800,000	86,137
		275,000	79,063	615,000	64,912
		275,000	72,188	605,000	47,369
		275,000	65,141	595,000	30,869
		275,000	57,922	320,000	18,287
		275,000	50,187	315,000	9,556
		275,000	41,594	190,000	2,613
		275,000	32,656		
		275,000	23,719		
		275,000	14,438		
		275,000	4,812		
<u>\$ 1,050,000</u>	<u>\$ 99,938</u>	<u>\$ 4,950,000</u>	<u>\$ 1,303,500</u>	<u>\$ 7,760,000</u>	<u>\$ 1,462,706</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

September 30, 2016

Year Ending 09/30	Totals		
	Principal	Interest	Total
2017	\$ 3,125,000	\$ 815,326	\$ 3,940,326
2018	2,755,000	722,674	3,477,674
2019	2,515,000	638,119	3,153,119
2020	2,450,000	557,918	3,007,918
2021	2,440,000	480,257	2,920,257
2022	2,250,000	407,368	2,657,368
2023	2,060,000	341,507	2,401,507
2024	1,525,000	288,824	1,813,824
2025	1,340,000	248,225	1,588,225
2026	1,330,000	210,557	1,540,557
2027	1,320,000	173,260	1,493,260
2028	1,045,000	139,584	1,184,584
2029	1,040,000	109,024	1,149,024
2030	915,000	78,801	993,801
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>4,812</u>	<u>279,812</u>
TOTAL	<u>\$ 28,110,000</u>	<u>\$ 5,327,569</u>	<u>\$ 33,437,569</u>

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**CITY OF LAKE JACKSON**

Lake Jackson, Texas

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

September 30, 2016

Year Ending 09/30	Series 2007		Series 2009 Refunding	
	Principal	Interest	Principal	Interest
2017	\$ 100,000	\$ 44,000	\$ 85,000	\$ 48,850
2018	100,000	40,000	85,000	45,875
2019	100,000	36,000	85,000	42,900
2020	100,000	32,000	85,000	39,500
2021	100,000	28,000	85,000	36,100
2022	100,000	24,000	85,000	32,700
2023	100,000	20,000	85,000	29,300
2024	100,000	16,000	85,000	25,688
2025	100,000	12,000	85,000	22,075
2026	100,000	8,000	85,000	18,462
2027	100,000	4,000	85,000	14,850
2028			85,000	11,025
2029			80,000	7,200
2030			80,000	3,600
2031				
2032				
2033				
<b>TOTAL</b>	<b>\$ 1,100,000</b>	<b>\$ 264,000</b>	<b>\$ 1,180,000</b>	<b>\$ 378,125</b>

Series 2010 Refunding		Series 2013		Totals		
Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 770,000	\$ 144,900	\$ 100,000	\$ 48,250	\$ 1,055,000	\$ 286,000	\$ 1,341,000
765,000	121,800	100,000	45,750	1,050,000	253,425	1,303,425
765,000	91,200	100,000	43,250	1,050,000	213,350	1,263,350
760,000	60,600	100,000	40,750	1,045,000	172,850	1,217,850
755,000	30,200	100,000	38,000	1,040,000	132,300	1,172,300
		100,000	35,250	285,000	91,950	376,950
		100,000	32,500	285,000	81,800	366,800
		100,000	29,750	285,000	71,438	356,438
		100,000	27,000	285,000	61,075	346,075
		100,000	24,000	285,000	50,462	335,462
		100,000	21,000	285,000	39,850	324,850
		100,000	18,000	185,000	29,025	214,025
		100,000	15,000	180,000	22,200	202,200
		100,000	12,000	180,000	15,600	195,600
		100,000	9,000	100,000	9,000	109,000
		100,000	6,000	100,000	6,000	106,000
		100,000	3,000	100,000	3,000	103,000
<u>\$ 3,815,000</u>	<u>\$ 448,700</u>	<u>\$ 1,700,000</u>	<u>\$ 448,500</u>	<u>\$ 7,795,000</u>	<u>\$ 1,539,325</u>	<u>\$ 9,334,325</u>

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

**INSURANCE COVERAGE**

September 30, 2016

<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	10/01/17
Automobile liability	5,000,000	10/01/17
Other Liability:		
Law enforcement liability	5,000,000	10/01/17
Errors and omissions	2,000,000	10/01/17
Property coverage	53,333,390	10/01/17
Mobil equipment	3,281,498	10/01/17
Boiler and machinery	8,000,000	10/01/17
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	54,803,104	01/26/18
Pollution liability insurance	2,000,000	10/01/17

## **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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities:					
Net investment in capital assets	\$ 20,767,169	\$ 22,531,131	\$ 24,720,024	\$ 29,710,085	\$ 30,758,109
Restricted	7,165,037	6,127,672	5,539,740	3,464,062	3,492,533
Unrestricted	<u>12,535,286</u>	<u>12,901,474</u>	<u>13,589,900</u>	<u>11,359,453</u>	<u>11,811,249</u>
Total governmental activities net Position	<u>\$ 40,467,492</u>	<u>\$ 41,560,277</u>	<u>\$ 43,849,664</u>	<u>\$ 44,533,600</u>	<u>\$ 46,061,891</u>
Business-type Activities Net Position:					
Net investment in capital assets	\$ 26,931,575	\$ 27,384,565	\$ 27,423,694	\$ 28,033,629	\$ 28,073,361
Restricted	4,403,071	4,433,305	3,762,045	2,477,733	2,108,449
Unrestricted	<u>3,862,779</u>	<u>3,228,210</u>	<u>3,586,865</u>	<u>3,024,992</u>	<u>3,474,825</u>
Total business-type activities net position	<u>\$ 35,197,425</u>	<u>\$ 35,046,080</u>	<u>\$ 34,772,604</u>	<u>\$ 33,536,354</u>	<u>\$ 33,656,635</u>
Primary Government:					
Net investment in capital assets	\$ 47,698,744	\$ 49,915,696	\$ 52,143,718	\$ 57,743,714	\$ 58,831,470
Restricted	11,568,108	10,560,977	9,301,785	5,941,795	5,600,982
Unrestricted	<u>16,398,065</u>	<u>16,129,684</u>	<u>17,176,765</u>	<u>14,384,445</u>	<u>15,286,074</u>
Total primary government net position	<u>\$ 75,664,917</u>	<u>\$ 76,606,357</u>	<u>\$ 78,622,268</u>	<u>\$ 78,069,954</u>	<u>\$ 79,718,526</u>

Source: Comprehensive Annual Financial Report

(Restated) 2012	2013	(Restated) 2014	2015	2016
\$ 31,925,095	\$ 32,758,260	\$ 32,216,296	\$ 33,568,778	\$ 36,518,760
2,954,878	3,336,660	3,555,361	3,770,121	3,156,731
<u>12,831,196</u>	<u>13,720,520</u>	<u>13,914,437</u>	<u>15,824,959</u>	<u>14,662,475</u>
<u>\$ 47,711,169</u>	<u>\$ 49,815,440</u>	<u>\$ 49,686,094</u>	<u>\$ 53,163,858</u>	<u>\$ 54,337,966</u>
\$ 27,647,349	\$ 25,127,439	\$ 25,271,709	\$ 25,797,977	\$ 30,118,830
2,203,481	4,128,057	5,098,779	4,277,148	2,315,334
<u>3,249,031</u>	<u>3,459,981</u>	<u>2,667,740</u>	<u>2,789,247</u>	<u>4,122,879</u>
<u>\$ 33,099,861</u>	<u>\$ 32,715,477</u>	<u>\$ 33,038,228</u>	<u>\$ 32,864,372</u>	<u>\$ 36,557,043</u>
\$ 59,572,444	\$ 57,885,699	\$ 57,488,005	\$ 59,366,755	\$ 66,637,590
5,158,359	7,464,717	8,654,140	8,047,269	5,472,065
<u>16,080,227</u>	<u>17,180,501</u>	<u>16,582,177</u>	<u>18,614,206</u>	<u>18,785,354</u>
<u>\$ 80,811,030</u>	<u>\$ 82,530,917</u>	<u>\$ 82,724,322</u>	<u>\$ 86,028,230</u>	<u>\$ 90,895,009</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2007	2008	2009	2010	2011
<b>Expenses</b>					
Governmental Activities:					
General government and administration	\$ 2,933,681	\$ 2,894,285	\$ 3,075,201	\$ 3,222,710	\$ 3,079,021
Public safety	5,238,784	5,464,662	5,739,091	6,046,380	6,140,172
Public works	5,346,890	5,925,876	5,758,443	5,694,647	4,288,666
Culture and recreation	4,621,273	4,977,391	4,885,568	5,037,305	4,961,616
Interest on long-term debt	<u>1,225,583</u>	<u>1,260,296</u>	<u>1,180,102</u>	<u>1,233,922</u>	<u>1,293,892</u>
Total governmental activities expenses	<u>19,366,211</u>	<u>20,522,510</u>	<u>20,638,405</u>	<u>21,234,964</u>	<u>19,763,367</u>
Business-type Activities:					
Water and sewer	6,407,376	6,614,955	6,913,963	7,013,299	7,410,839
Sanitation	2,629,561	2,573,279	2,718,214	2,747,149	2,432,879
Golf Course	<u>1,868,965</u>	<u>2,017,199</u>	<u>2,167,996</u>	<u>2,197,021</u>	<u>2,060,021</u>
Total business-type activities expenses	<u>10,905,902</u>	<u>11,205,433</u>	<u>11,800,173</u>	<u>11,957,469</u>	<u>11,903,739</u>
Total primary government expenses	<u>\$ 30,272,113</u>	<u>\$ 31,727,943</u>	<u>\$ 32,438,578</u>	<u>\$ 33,492,433</u>	<u>\$ 31,667,106</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General government and administration	\$ 442,892	\$ 451,580	\$ 447,112	\$ 410,235	\$ 459,598
Public safety					
Public works	244,049	239,063	186,017	237,964	213,772
Culture and recreation	974,310	986,604	931,477	1,035,350	1,005,931
Operating grants and contributions	25,000	744,892	1,566,242	1,025,417	405,794
Capital grants and contributions	<u>856,100</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total governmental activities program revenues	<u>2,542,351</u>	<u>2,422,139</u>	<u>3,130,848</u>	<u>2,708,966</u>	<u>2,085,095</u>
Business-type Activities:					
Charges for Services:					
Water and sewer	5,614,724	6,678,843	7,003,764	6,807,782	7,784,450
Sanitation	2,823,869	2,970,992	3,038,754	3,015,623	3,036,999
Golf	1,637,741	1,847,418	1,869,731	1,550,705	1,571,415
Operating grants and contributions			53,182	99,687	
Capital grants and contributions	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>14,445</u>
Total business-type activities program revenues	<u>10,076,334</u>	<u>11,497,253</u>	<u>11,965,431</u>	<u>11,473,797</u>	<u>12,407,309</u>
Total primary government program revenues	<u>\$ 12,618,685</u>	<u>\$ 13,919,392</u>	<u>\$ 15,096,279</u>	<u>\$ 14,182,763</u>	<u>\$ 14,492,404</u>

(Restated) 2012	2013	(Restated) 2014	2015	2016
\$ 3,338,677	\$ 3,644,827	\$ 4,174,927	\$ 3,976,659	\$ 4,637,221
6,146,043	6,260,664	6,732,615	6,364,951	6,996,740
4,378,048	4,827,784	4,705,962	4,466,925	4,800,673
4,896,044	4,501,507	5,449,301	5,561,349	5,934,908
<u>1,629,413</u>	<u>1,258,756</u>	<u>985,786</u>	<u>1,071,742</u>	<u>1,177,942</u>
<u>20,388,225</u>	<u>20,493,538</u>	<u>22,048,588</u>	<u>21,441,626</u>	<u>23,547,484</u>
7,811,698	7,774,236	7,966,860	8,122,897	8,717,505
2,219,316	2,278,112	2,442,771	2,551,608	2,864,997
<u>1,922,542</u>	<u>1,972,608</u>	<u>1,951,623</u>	<u>1,952,353</u>	<u>1,895,258</u>
<u>11,953,556</u>	<u>12,024,956</u>	<u>12,361,254</u>	<u>12,636,858</u>	<u>13,477,760</u>
<u>\$ 32,341,781</u>	<u>\$ 32,518,494</u>	<u>\$ 34,409,842</u>	<u>\$ 34,078,484</u>	<u>\$ 37,025,244</u>
\$ 550,251	\$ 657,598	\$ 678,652	\$ 584,423	\$ 444,607
227,672	245,897	501,138	666,610	496,068
1,042,830	1,043,331	1,135,711	1,186,243	1,263,879
131,528	304,854	6,613	111,615	254,433
<u>100,168</u>				<u>2,011,011</u>
<u>2,052,449</u>	<u>2,251,680</u>	<u>2,322,114</u>	<u>2,548,891</u>	<u>4,469,998</u>
7,362,306	7,393,568	7,303,337	8,060,180	8,610,062
3,052,811	3,161,165	3,163,629	3,287,706	3,765,504
1,519,738	1,608,396	1,446,320	1,386,531	1,276,932
143,858				
<u>28,969</u>	<u>36,214</u>	<u>133,195</u>	<u>38,897</u>	<u>945,311</u>
<u>12,107,682</u>	<u>12,199,343</u>	<u>12,046,481</u>	<u>12,773,314</u>	<u>14,597,809</u>
<u>\$ 14,160,131</u>	<u>\$ 14,451,023</u>	<u>\$ 14,368,595</u>	<u>\$ 15,322,205</u>	<u>\$ 19,067,807</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2007	2008	2009	2010	2011
Net (Expense)/Revenue:					
Governmental activities	\$(16,823,860)	\$(18,100,371)	\$ 17,507,557	\$(18,525,998)	\$(17,678,272)
Business-type activities	( 829,568)	291,820	165,258	( 483,672)	503,570
 Total primary governmental net expense	 (17,653,428)	 (17,808,551)	 (17,342,299)	 (19,009,670)	 (17,174,702)
 <b>General Revenues &amp; Other Changes in Net Position</b>					
Governmental Activities:					
Taxes:					
Ad valorem	5,020,245	5,366,631	5,685,508	5,690,679	5,640,962
Sales	6,972,467	6,890,894	7,043,241	6,709,639	5,918,501
Occupancy	272,624	272,703	218,277	206,933	226,240
Franchise	1,596,697	1,525,195	1,586,698	1,610,075	1,619,883
Other	59,590	145,269	130,559	134,657	130,638
Industrial district	3,220,061	3,422,770	3,962,165	3,843,335	3,984,300
Investment earnings	819,379	656,899	193,207	99,729	100,646
Miscellaneous	103,123	182,791	138,624	282,518	165,279
Gain (loss) on sale/retirement of capital assets	56,533	22,498	325,310	70,055	
Transfers	( 53,112)	707,506	513,355	745,253	420,114
 Total governmental activities	 <u>18,067,607</u>	 <u>19,193,156</u>	 <u>19,796,944</u>	 <u>19,392,873</u>	 <u>19,206,563</u>
 Business-type Activities:					
Investment earnings	443,132	264,341	74,621	38,844	36,825
Gain on sale/retirement of capital assets	16,000				
Miscellaneous					
Transfers	<u>53,112</u>	<u>( 707,506)</u>	<u>( 513,353)</u>	<u>( 745,253)</u>	<u>( 420,114)</u>
 Total business-type activities	 <u>512,244</u>	 <u>( 443,165)</u>	 <u>( 438,734)</u>	 <u>( 706,409)</u>	 <u>( 383,289)</u>
 Total primary government	 <u>18,579,851</u>	 <u>18,749,991</u>	 <u>19,358,210</u>	 <u>18,686,464</u>	 <u>18,823,274</u>
 <b>Change in Net Position</b>					
Governmental activities	1,243,747	1,092,785	2,289,387	866,875	1,528,281
Business-type activities	<u>( 317,324)</u>	<u>( 151,345)</u>	<u>( 273,476)</u>	<u>( 1,190,081)</u>	<u>120,281</u>
 Total primary government	 <u>\$ 926,423</u>	 <u>\$ 941,440</u>	 <u>\$ 2,015,911</u>	 <u>\$( 323,206)</u>	 <u>\$ 1,648,572</u>

Source: Comprehensive Annual Financial Report

<u>(Restated)</u> <u>2012</u>	<u>2013</u>	<u>(Restated)</u> <u>2014</u>	<u>2015</u>	<u>2016</u>
\$(18,335,776)	\$(18,241,858)	\$(19,726,474)	\$(18,892,735)	\$(19,077,486)
<u>154,126</u>	<u>174,387</u>	<u>( 314,773)</u>	<u>136,456</u>	<u>1,120,049</u>
<u>(18,181,650)</u>	<u>(18,067,471)</u>	<u>(20,041,247)</u>	<u>(18,756,279)</u>	<u>(17,957,437)</u>
5,537,580	5,606,122	5,687,918	5,827,889	5,879,917
7,230,131	7,712,671	7,978,873	9,129,362	9,417,731
219,915	274,101	311,774	498,844	526,662
1,593,448	1,616,709	1,657,659	1,734,149	1,720,294
130,992	141,546	4,186,100	4,249,304	4,317,295
4,100,000	4,100,000	164,284	206,901	217,926
106,725	107,960	61,941	57,363	96,689
22,367	191,495	142,508	333,321	613,002
	290,564	29,403	7,314	
<u>753,332</u>	<u>595,525</u>	<u>( 623,332)</u>	<u>326,052</u>	<u>( 2,537,922)</u>
<u>19,985,054</u>	<u>20,346,129</u>	<u>19,597,128</u>	<u>22,370,499</u>	<u>20,251,594</u>
42,432	36,754	14,192	15,740	34,700
<u>( 753,332)</u>	<u>( 595,525)</u>	<u>623,332</u>	<u>( 326,052)</u>	<u>2,537,922</u>
<u>( 710,900)</u>	<u>558,771</u>	<u>637,524</u>	<u>( 310,312)</u>	<u>2,572,622</u>
<u>19,274,154</u>	<u>19,787,358</u>	<u>20,234,552</u>	<u>22,060,187</u>	<u>22,824,216</u>
1,649,278	2,104,271	( 129,446)	3,477,764	1,174,108
<u>( 556,774)</u>	<u>( 384,384)</u>	<u>322,751</u>	<u>( 173,856)</u>	<u>3,692,671</u>
<u>\$ 1,092,504</u>	<u>\$ 1,719,887</u>	<u>\$ 193,305</u>	<u>\$ 3,303,908</u>	<u>\$ 4,866,779</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2007	2008	2009	2010	2011
General Fund:					
Reserved for other/non-spendable*	\$ 125,301	\$ 442,782	\$ 331,434	\$ 262,501	\$ 179,575
Committed:					
General contingencies					1,032,819
Assigned:					
Unemployment insurance					203,627
Equipment replacement					4,033,149
Special events					6,660
Parks					336,842
Unreserved/unassigned*	<u>9,010,029</u>	<u>7,914,743</u>	<u>9,290,235</u>	<u>70,273,711</u>	<u>5,503,023</u>
<b>Total general fund</b>	<b><u>\$ 9,135,330</u></b>	<b><u>\$ 8,357,525</u></b>	<b><u>\$ 9,621,669</u></b>	<b><u>\$ 10,536,212</u></b>	<b><u>\$ 11,295,695</u></b>
 All Other Governmental Funds:					
Reserved For:					
Debt service	\$ 534,831	\$ 527,608	\$ 719,637	\$ 705,816	
Capital projects	6,344,497	5,648,872	4,838,804	9,470,729	
Unreserved, Reported In:					
Special Revenue	1,843,390	2,432,834	2,578,102	2,784,937	
Capital projects	<u>1,132,586</u>	<u>2,299,863</u>	<u>1,612,184</u>	<u>1,378,000</u>	
<b>Total all other governmental funds</b>	<b><u>\$ 9,855,304</u></b>	<b><u>\$ 10,909,177</u></b>	<b><u>\$ 6,748,727</u></b>	<b><u>\$ 14,339,482</u></b>	
 Restricted:					
Debt Service					\$ 671,628
Capital Projects					5,562,372
Economic Development					2,526,505
Encourage tourism					60,661
Law enforcement					121,667
Traffic safety					131,313
Contributor purpose					4,157
Program education					
Assigned:					
General construction					<u>1,353,206</u>
<b>Total all other governmental funds</b>					<b><u>\$ 10,431,509</u></b>

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

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 135,790	\$ 88,399	\$ 90,320	\$ 100,472	\$ 80,608
1,037,756	800,085	801,448	903,264	906,260
194,179	176,847	165,785	144,302	125,052
4,909,100	5,544,711	5,813,661	6,193,352	6,284,423
31,881	12,308	12,937	32,652	50,934
284,576	245,889	295,836	172,762	146,532
<u>5,636,513</u>	<u>6,240,900</u>	<u>6,644,409</u>	<u>7,480,835</u>	<u>6,763,696</u>
<u>\$ 12,229,795</u>	<u>\$ 13,109,139</u>	<u>\$ 13,824,396</u>	<u>\$ 15,027,639</u>	<u>\$ 14,357,505</u>

\$ 608,056	\$ 707,536	\$ 717,734	\$ 714,676	\$ 693,467
3,321,850	7,526,486	5,112,819	9,510,524	3,126,573
2,207,924	2,292,698	2,412,766	2,519,353	1,901,916
39,718	42,375	45,523	49,798	45,333
142,911	122,313	108,418	70,847	96,797
48,533	26,738	23,492		
75,138	124,901	196,245	281,104	366,271
<u>1,475,196</u>	<u>1,370,332</u>	<u>1,903,546</u>	<u>2,102,001</u>	<u>2,044,549</u>
<u>\$ 7,919,326</u>	<u>\$ 12,313,379</u>	<u>\$ 10,520,543</u>	<u>\$ 15,248,303</u>	<u>\$ 8,274,906</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)

	2007	2008	2009	2010	2011
<b>Revenues:</b>					
Taxes and industrial district	\$ 17,130,142	\$ 17,628,611	\$ 18,612,438	\$ 18,187,067	\$ 18,526,662
Intergovernmental	646,100	744,892	1,566,242	1,025,417	405,794
Charges for services	974,310	986,604	931,477	1,035,350	1,005,931
Fines and fees	442,892	429,564	425,746	383,023	418,536
Licenses and permits	244,049	239,063	186,017	237,964	213,772
Special assessment	3,246	100	655	2,349	4,712
Investment earnings	819,379	656,900	191,524	99,729	100,646
Contributions	2,020	515			
Miscellaneous	97,857	182,275	140,307	282,518	160,567
	<u>20,359,995</u>	<u>20,868,524</u>	<u>22,054,406</u>	<u>21,253,417</u>	<u>20,836,620</u>
<b>Total revenues</b>					
<b>Expenditures:</b>					
General government administration	2,737,126	2,707,090	2,874,769	2,984,712	2,862,240
Public safety	4,663,457	4,949,286	5,189,939	5,410,431	5,559,479
Public works	2,298,989	3,882,411	3,679,429	3,637,437	2,671,957
Culture and recreation	3,863,375	4,227,705	4,102,208	4,199,311	4,067,243
Capital outlay	2,568,700	2,393,437	6,007,292	4,615,889	5,355,135
Debt Service:					
Principal retirement	2,345,000	2,580,000	2,260,000	2,530,000	2,715,000
Interest and fiscal charges	1,267,213	1,238,338	1,273,840	1,318,896	1,272,263
	<u>19,743,860</u>	<u>21,978,267</u>	<u>25,387,477</u>	<u>24,696,676</u>	<u>24,503,317</u>
<b>Total expenditures</b>					
Excess (deficiency) of revenues over (under) expenditures	<u>616,135</u>	<u>( 1,109,743 )</u>	<u>( 3,333,071 )</u>	<u>( 3,443,259 )</u>	<u>( 3,666,697 )</u>
<b>Other Financing Sources (Uses):</b>					
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	56,533	54,638	386,858	70,055	28,330
Payment to bond refunding escrow agent			( 6,894,852 )		
Transfers in	3,107,252	5,217,473	3,608,298	4,172,617	4,058,123
Transfers out	( 3,160,364 )	( 4,509,967 )	( 3,053,092 )	( 3,427,364 )	( 3,638,009 )
	<u>5,304,034</u>	<u>762,144</u>	<u>3,436,765</u>	<u>8,948,557</u>	<u>448,444</u>
<b>Total other financing sources (uses)</b>					
Net change in fund balances	<u>\$ 5,920,169</u>	<u>\$ ( 347,599 )</u>	<u>\$ 103,694</u>	<u>\$ 5,505,298</u>	<u>\$ ( 3,218,253 )</u>
<b>Debt Service as a percentage of noncapital Expenditures</b>					
	21.0%	19.5%	18.2%	19.2%	20.8%

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 18,824,139	\$ 19,468,703	\$ 19,985,385	\$ 21,636,472	\$ 22,073,188
131,528	304,854	6,613	111,615	254,433
1,042,830	1,043,331	1,135,711	1,186,243	1,263,879
504,603	569,700	625,201	573,801	472,117
227,672	245,897	501,138	666,610	496,068
106,725	107,960	61,941	57,363	96,689
100,168				
<u>290,564</u>	<u>191,495</u>	<u>142,508</u>	<u>333,321</u>	<u>613,002</u>
<u>21,228,229</u>	<u>21,931,940</u>	<u>22,458,497</u>	<u>24,565,425</u>	<u>25,269,376</u>
3,068,045	3,478,670	3,762,435	3,787,952	4,039,007
5,600,724	5,686,957	5,751,812	5,966,657	6,038,765
2,717,025	2,618,713	2,697,647	2,578,564	2,837,563
4,105,287	4,101,500	4,236,809	4,812,107	5,068,207
4,181,783	3,736,077	4,111,550	3,166,664	10,051,261
2,830,000	2,785,000	2,805,000	3,150,000	3,210,000
<u>1,187,465</u>	<u>1,068,892</u>	<u>1,115,999</u>	<u>1,163,523</u>	<u>1,000,440</u>
<u>23,690,329</u>	<u>23,475,809</u>	<u>24,481,252</u>	<u>24,625,467</u>	<u>32,245,243</u>
( <u>2,462,100</u> )	( <u>1,543,869</u> )	( <u>2,022,755</u> )	( <u>60,042</u> )	( <u>6,975,867</u> )
7,360,000	6,000,000	1,500,000	5,500,000	7,870,000
810,870	106,996	40,920	83,600	537,550
73,120	14,745	127,588	81,393	41,105
( 8,113,305 )				( 8,300,732 )
4,071,614	3,929,614	4,315,121	4,646,206	4,930,442
( <u>3,318,282</u> )	( <u>3,334,089</u> )	( <u>4,938,453</u> )	( <u>4,320,154</u> )	( <u>5,829,749</u> )
<u>884,017</u>	<u>6,717,266</u>	<u>1,045,176</u>	<u>5,991,045</u>	( <u>751,384</u> )
<u>\$( 1,578,083 )</u>	<u>\$ 5,173,397</u>	<u>\$( 977,579 )</u>	<u>\$ 5,931,003</u>	<u>\$( 7,727,251 )</u>
20.6%	19.5%	19.2%	20.1%	19.0%

# 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			
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
2016	1,891,672,481	126,898,430	380,347,986	1,638,222,925	0.36000

**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
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
2016	0.2323	0.1277	0.3600	0.5174	1.2553	0.0401	0.2850	0.0915

**Source:** Brazoria County Appraisal District

# CITY OF LAKE JACKSON

Lake Jackson, Texas

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

2016			2007		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Lex Lake Jackson LP	\$ 62,589,370	3.82%	Brazos Outlets Center LLC	\$ 25,367,650	1.88%
Core LJ One Ltd	36,428,430	2.22%	Wal-mart Stores, Inc.	17,643,790	1.31%
Brazos Mall Partners LLC	23,880,040	1.46%	Fazio Peter & Shari (Lowe's)	12,768,510	0.95%
Dow Chemical Company	19,252,800	1.18%	Home Depot	11,673,130	0.87%
Redwood Westdale Edgewater	17,126,610	1.05%	Edgewater Associates LTD	11,240,910	0.83%
Wal-Mart Stores Texas LLC	16,408,370	1.00%	Centerpoint Energy Inc.	9,967,900	0.74%
Gulf Coast Kington Properties LLC	13,694,920	0.84%	Dow Chemical Company	9,496,430	0.71%
DCM Lake Jackson Property LLC	11,482,250	0.70%	Lake Jackson Apartments Assoc	5,892,120	0.44%
HEB Grocery Company	11,003,240	0.67%	Don Davis Buick/Pontiac/GMC	5,557,820	0.41%
Partners of Lake Jackson LTD	10,650,000	0.65%	Dayton Hudson Corp (Target)	5,250,980	0.39%
Centerpoint Energy Inc.	<u>9,832,010</u>	<u>0.60%</u>			
<b>Total</b>	<b>\$ <u>232,348,040</u></b>	<b><u>14.18%</u></b>	<b>Total</b>	<b>\$ <u>114,859,240</u></b>	<b><u>8.53%</u></b>

**Source:** Brazoria County Appraisal District

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 8  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year <sup>1</sup>	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 4,980,528	\$ 4,940,579	99.2%	\$ 36,541	\$ 4,977,120	99.9%
2008	5,348,657	5,294,887	99.0%	43,491	5,338,378	99.8%
2009	5,636,199	5,582,960	99.1%	36,656	5,619,616	99.7%
2010	5,706,573	5,606,421	98.2%	46,109	5,652,530	99.1%
2011	5,599,633	5,545,788	99.0%	40,193	5,585,981	99.8%
2012	5,506,055	5,468,387	99.3%	32,504	5,500,891	99.9%
2013	5,581,007	5,546,523	99.4%	27,029	5,573,552	99.9%
2014	5,652,730	5,617,595	99.4%	23,651	5,641,246	99.8%
2015	5,800,884	5,762,010	99.3%	21,381	5,783,391	99.7%
2016	5,897,602	5,852,979	99.2%		5,852,979	99.2%

**Source:** Brazoria County Tax Office

<sup>1</sup> Adjusted Tax Levy

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 9  
Sales Tax Analysis  
Last Ten Fiscal Years

Fiscal Year	General Fund Sales Tax Collections <sup>1</sup>	Half-Cent Sales Tax Collections <sup>2</sup>	Total Sales Tax Collections	Percentage Growth	Sales Tax as a % of Total Revenues	Per Capita <sup>3</sup>
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
2016	6,190,272	3,227,460	9,417,732	3.2%	37.27%	337.24

Source: Finance Department

<sup>1</sup> Collections net of Section 380 agreement rebates.

<sup>2</sup> The half-cent sales tax is accounted for in the Economic Development fund. Voters approved the half-cent sales tax on May 6, 1995. This revenue is limited to payment of the costs of land, building, equipment, facilities, improvements, and maintenance and operation costs for public park purposes, recreational facilities, and infrastructure improvements for the development of new or expanded business enterprises.

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

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

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Water and Sewer Revenue Bonds	Capital Leases			
2007	\$ 23,775,000	\$ 6,235,000	\$ 14,530,000	\$ 326,074	\$ 44,866,074	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	5.00%	1,736
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%	1,363
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	4.27%	1,454
2015	20,311,193	11,975,000	9,129,371	-0-	41,415,564	4.29%	1,491
2016	20,658,003	8,700,000	7,941,333	-0-	37,299,336	3.58%	1,336

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

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

## CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Fiscal Year	Gross Bonded Debt <sup>0</sup>	Less: Amounts Available in Debt Service Fund	Net Bonded Debt	Percentage of Actual Taxable Value of Property <sup>2</sup>	Per Capita <sup>3</sup>
2007	\$ 30,010,000	\$ 534,776	\$ 29,475,224	2.19%	\$ 1,067
2008	27,430,000	527,553	26,902,447	1.93%	974
2009	27,570,000	719,582	26,850,418	1.87 %	972
2010	33,040,000	679,125	32,360,875	2.22 %	1,205
2011	30,325,000	648,230	29,676,770	2.06 %	1,105
2012	27,395,000	608,056	26,786,944	1.90 %	962
2013	30,340,000	707,537	29,632,463	2.16 %	1,072
2014	29,956,338	715,235	29,241,103	2.02%	1,055
2015	32,286,193	705,319	31,580,874	2.11%	1,137
2016	29,358,003	685,096	28,672,907	1.75 %	1,027

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

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

<sup>1</sup> Includes Series 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.

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

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

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

Table 12  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2016

Governmental Unit	Debt Outstanding	As of	Estimated Percentage Applicable**	Estimated Share of Overlapping Debt
Debt repaid with property taxes:				
Angleton Danbury Medical Center	\$ 9,000,000	09/30/16	0.03%	\$ 2,700
Angleton I.S.D.	125,004,993	09/30/16	0.02%	25,001
Brazoria County	78,930,000	09/30/16	6.26%	4,941,018
Brazosport College District	58,270,000	09/30/16	19.71%	11,485,017
Brazosport I.S.D.	171,319,050	09/30/16	19.72%	33,784,117
Columbia-Brazoria I.S.D.	35,524,146	09/30/16	1.11%	394,318
Port Freeport	3,310,000	09/30/16	12.06%	399,186
Velasco Drainage District	5,600,000	09/30/16	19.89%	<u>1,113,840</u>
Subtotal, overlapping debt				52,145,197
City of Lack Jackson (direct debt)	28,110,000	* 09/30/16	100.00%	<u>28,110,000</u>
Total direct and overlapping debt				<u>\$ 80,255,197</u>

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

\* Gross Debt

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

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 13  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water and Sewer System Revenue Bonds						
	Utility Revenue and Other <sup>0</sup>	Less: Operating Expenses <sup>1</sup>	Net Available Revenue	Average Annual Requirement	Average Coverage	Maximum Annual Requirements	Maximum Coverage
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
2016	8,644,107	6,222,344	2,421,763	643,455	3.76	1,526,375	1.59

**Source:** Lake Jackson Finance Department

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

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

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 14  
Demographic and Economic Statistics  
Last Ten Calendar Years

Year	Estimated Population	Estimated Personal Income	Per Capita Personal Income	Median Age <sup>1</sup>	School Enrollment	Unemploy- ment Rate	Labor Force
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
2016	27,926	1,043,091,952	37,352	--	6,300	4.5%	14,080

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

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

School enrollment provided by Brazosport Independent School District.

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

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

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

Table 15  
Principal Employers  
Current Year and Ten Years Ago

2016			2007		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
Various Industrial Contractors	7,550	4.70%	The Dow Chemical Company	4,850	6.38%
The Dow Chemical Company	3,900	2.50%	Texas Dept of Criminal Justice	2,232	2.93%
Texas Dept of Criminal Justice	2,409	1.50%	Wal-Mart Associates, Inc.	1,755	2.31%
The Infinity Group	2,258	1.40%	U.S. Contractors Inc.	1,144	1.51%
Olin Corporation	1,087	0.7%	Industrial Specialists Inc.	1,069	1.41%
Phillips 66	1,030	0.60%	ConocoPhillips	900	1.18%
BASF Corporation	961	0.60%	Gulf States Inc.	803	1.05%
Brock Group	792	0.50%	Solutia Inc.	750	0.99%
TDECU	753	0.50%	BP	711	0.94%
Brazosport Regional Health System	650	0.40%	BASF Corporation	707	0.93%
<b>Total</b>	<b>21,390</b>	<b>13.50%</b>		<b>14,921</b>	<b>19.63%</b>

**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>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>	<u>2016</u>
General Government and Administration	31	35	35	35	35	35	35	35	35	35
Public Safety:										
Police	58	59	59	61	60	60	60	60	60	60
Fire	1	1	1	1	1	1	1	1	1	2
Humane	3	3	3	3	3	3	3	3	3	3
Culture and Recreation	27	27	27	27	27	27	27	27	27	28
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	8	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>226</u>	<u>226</u>	<u>228</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>229</u>

Source: City Budget

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

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

<u>Function/Program</u>	<u>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>	<u>Est. 2016</u>
<b>Public Safety:</b>										
<b>Police:</b>										
% Criminal Offenses Cleared	54%	55%	57%	43%	41%	39%	40% <sup>2</sup>	45% <sup>2</sup>	30%	28% <sup>3</sup>
Traffic contacts	18,296	14,406	13,515	15,169	22,500	18,523	16,074	16,000	14,599	12,000
<b>Fire:</b>										
Fire calls	537	532	520	520	502	441	525	550	688	650
EMS calls	2,183	2,197	2,448	2,730	2,811	2,907	2,958	3,084	3,719	3,904
Inspections	408	319	368	257	341	289	247	223	425	450
<b>Public Works:</b>										
<b>Streets:</b>										
Potholes repaired	363	235	223	469	665	301	436	547	852 <sup>4</sup>	600 <sup>4</sup>
Gutter sweeping (cu yd)	1,300	1,707	1,570	1,864	2,178	1,820	1,759	1,520	100% <sup>5</sup>	100% <sup>5</sup>
<b>Culture and Recreation:</b>										
Recreation Center members	5,800	6,204	5,738	4,926	3,861	4,434	4,600	4,327	4,900	5,000
Recreation Center Attendance	190,000	240,600	251,750	229,059	207,189	175,528	187,990	205,762	197,838	210,000
<b>Water and Sewer:</b>										
<b>Number of sewer leaks<sup>6</sup></b>										
Repaired	5	3	8	3	6	1	4	6	3	N/A <sup>6</sup>
Linear feet of sewer mains cleaned	108,464	45,215	29,430	20,232	25,000	67,726	7,188	9,205	4,820	500
Millions of gallons of wastewater treated									845	950
<b>Sanitation:</b>										
<b>Refuse Collected:<sup>1</sup></b>										
Residential garbage (cu yd)	27,200	28,000	24,070	22,214	24,000	20,331	20,120	22,000		
Commercial garbage (cu yd)	40,800	42,000	36,106	22,898	36,000	33,389	35,027	35,500		
(2016) Garbage collected (compacted yd <sup>3</sup> )									61,000	65,000
(2016) Large trash to landfill (non-compacted yd <sup>3</sup> )									36,183	36,000

**Source:** City Departments

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

<sup>2</sup> Represents actual percentage; not estimate.

<sup>3</sup> Includes burglary cases only.

<sup>4</sup> Man hours.

<sup>5</sup> Swept 4 times a year.

<sup>6</sup> Operating indicator nonmajor recorded in the format (2016).

# CITY OF LAKE JACKSON

Lake Jackson, Texas

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

<u>Function/Program</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>	<u>2016</u>
<b>Public Safety:</b>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
<b>Culture and Recreation:</b>										
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Community Center	2	2	2	2	2	2	2	2	2	2
Recreation Center	1	1	1	1	1	1	1	1	1	1
Parks Acreage <sup>1</sup>	1,296	1,306	1,306	1,306	1,306	1,306	1,306	1,306	1,306	1,643
Parks	23	23	23	23	23	23	23	23	23	23
Baseball/softball fields	23	23	23	23	23	23	23	23	23	23
Soccer fields	24	24	24	24	24	24	24	24	24	24
<b>Water:</b>										
Water mains (miles)	130	130	130	130	130	130	130	130	130	130
Fire Hydrants	917	917	917	917	917	917	917	1,000	1,000	1,015
<b>Wastewater<sup>2</sup></b>										
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

<sup>1</sup> According to the 2017 Master Plan Analysis.

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

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**CONTINUING FINANCIAL DISCLOSURES**

*As of 01/31/17*

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 1/31/17)

### Summary of Bonds Outstanding

#### **General Obligation Bonds and Certificates of Obligation**

2009 Limited Tax Bonds	\$ 480,000
2009 Limited Tax Refunding Bonds (\$ 345,407)*	1,005,000
2009 Certificates of Obligation (downtown)*	1,000,000
2010 Limited Tax Bonds	2,100,000
2011 Limited Tax Refunding Bonds (\$ 2,810,000)*	4,665,000
2013 Limited Tax Bonds	3,400,000
2013 Certificates of Obligation (downtown)*	1,700,000
2013A Certificates of Obligation *	1,050,000
2014 Certificates of Obligation*	4,950,000
2015 Limited Tax Refunding Bonds (\$ 2,332,087)	7,760,000
2016 Limited Tax General Obligation Bonds	2,965,000
2016 Certificates of Obligation *	<u>3,855,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>34,930,000</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**

2009 Waterworks and Sewer System Bonds	\$ 1,180,000
2009 Waterworks and Sewer System Refunding Bonds	100,000
2010 Waterworks and Sewer System Refunding Bonds	3,815,000
2013 Waterworks and Sewer System Bonds	1,700,000
2016 Waterworks and Sewer System Bonds	<u>3,885,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>10,680,000</u>

#### **General Obligation Bonds Authorized but not Issued as of 01/31/17**

None.

#### **Waterworks and Sewer System Bonds Authorized but not Issued as of 01/31/17**

None.

# CITY OF LAKE JACKSON

Lake Jackson, Texas

## Table CD-2 Financial Information (As of 1/31/2017)

2016 Assessed Valuation (100% of Actual) <sup>1</sup>	\$ <u>1,638,222,925</u>
<b><u>General Obligation Bonds Outstanding</u><sup>2</sup></b>	
Presently outstanding (01/31/17)	\$ 34,930,000
Other Bonds issued to date	<u>-0-</u>
Gross debt	34,930,000
Less: Amounts payable from ½ Cent Optional Tax	18,042,494
Less: Debt Service Cash Balance	<u>2,477,102</u>
Net Debt	\$ <u>14,410,404</u>
Ratio of Net Debt to 2016 Assessed Valuation	0.88%
2016 Estimated Population	27,926
2016 Assessed Valuation per Capita	\$ 58,663.00
Net Debt per Capita	\$ 516.02
Area of the City	18 square miles

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

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

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-3  
Estimated Direct & Overlapping Debt Statement

Political Subdivision	Net Debt		Estimated Percent Overlapping	Amount Overlapping
	Amount	As of		
Angleton I.S.D.	\$ 125,004,993	09/30/16	0.02%	\$ 25,001
Angleton-Danbury Hospital District	9,000,000	09/30/16	0.03%	2,700
Brazoria County	78,930,000	09/30/16	6.26%	4,941,018
Brazosport I.S.D.	171,319,050	09/30/16	19.72%	33,784,117
Brazos River Harbor Navigation District	3,310,000	09/30/16	12.06%	399,186
Brazosport Jr. College	58,270,000	09/30/16	19.71%	11,485,017
Columbia-Brazoria I.S.D.	35,524,146	09/30/16	1.11%	394,318
Velasco Drainage District	5,600,000	09/30/16	19.89%	<u>1,113,840</u>
Total Overlapping Debt				52,145,198
City of Lake Jackson				<u>28,110,000</u>
Total Direct and Overlapping Debt				<u>\$ 80,255,198</u>
Ratio of Total Direct and Overlapping Debt to 2016 Assessed Valuation				4.90%
Per Capita Total Direct and Overlapping Debt				\$ 2,874
Assessed Valuation per Capita				\$ 58,663

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  
As of January 31, 2017  
General Obligation Debt

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2017	\$ 3,395,000	\$ 943,955	\$ 4,338,955
2018	3,175,000	879,550	4,054,550
2019	2,935,000	785,844	3,720,844
2020	2,870,000	695,744	3,565,744
2021	2,860,000	608,181	3,468,181
2022	2,670,000	525,394	3,195,394
2023	2,480,000	449,631	2,929,631
2024	1,945,000	385,700	2,330,700
2025	1,760,000	332,500	2,092,500
2026	1,750,000	284,331	2,034,331
2027	1,590,000	240,134	1,830,134
2028	1,310,000	201,109	1,511,109
2029	1,305,000	165,250	1,470,250
2030	1,180,000	129,063	1,309,063
2031	835,000	98,856	933,856
2032	835,000	74,131	909,131
2033	835,000	48,775	883,775
2034	535,000	27,394	562,394
2035	260,000	15,144	275,144
2036	260,000	7,706	267,706
2037	<u>145,000</u>	<u>1,994</u>	<u>146,994</u>
	<u>\$ 34,930,000</u>	<u>\$ 6,900,386</u>	<u>\$ 41,830,386</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-5  
Water and Sewer System  
As of January 31, 2017  
Revenue Bonds Debt Service Schedule

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2017	\$ 1,175,000	\$ 287,383	\$ 1,462,383
2018	1,200,000	326,375	1,526,375
2019	1,200,000	282,800	1,482,800
2020	1,195,000	238,800	1,433,800
2021	1,190,000	194,750	1,384,750
2022	435,000	150,900	585,900
2023	430,000	137,250	567,250
2024	430,000	123,538	553,538
2025	430,000	109,825	539,825
2026	425,000	95,863	520,863
2027	420,000	82,050	502,050
2028	330,000	68,175	398,175
2029	325,000	57,000	382,000
2030	325,000	46,050	371,050
2031	245,000	35,100	280,100
2032	245,000	27,750	272,750
2033	245,000	20,400	265,400
2034	145,000	13,050	158,050
2035	145,000	8,700	153,700
2036	<u>145,000</u>	<u>4,350</u>	<u>149,350</u>
	<u>\$ 10,680,000</u>	<u>\$ 2,310,109</u>	<u>\$ 12,990,109</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 9/30/16, nor any of the debt to be repaid from the half-cent sales tax as indicated on CD-1.

	<u>Average Requirements (2017-2037)</u>	<u>Maximum Requirement 2017</u>
General Obligation Debt Service Requirements	\$ 643,455	\$ 1,526,375
Debt Service Fund tax rate required on 2016 Assessed Taxable Valuation of \$ 1,638,222,925 @ 98% collection	\$ 0.040	\$ 0.095

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 (2017-2037)</u>	<u>Maximum Requirement 2017</u>
General Obligation Debt Service Requirements	\$ 1,991,923	\$ 4,338,955
Debt Service Fund tax rate required on 2016 Assessed Taxable Valuation of \$ 1,638,222,925 @ 98% collection	\$ 0.124	\$ 0.270

# 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	
2003	2004	\$ 1,187,071,311	0.3703	98.7%	99.9%	09/30/04
2004	2005	1,237,823,934	0.3700	99.0%	99.9%	09/30/05
2005	2006	1,273,933,920	0.3800	99.2%	99.9%	09/30/06
2006	2007	1,354,217,330	0.3700	99.2%	99.9%	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%	99.1%	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%	99.9%	09/30/13
2013	2014	1,451,619,228	0.3900	98.8%	99.8%	09/30/14
2014	2015	1,498,799,409	0.3875	99.3%	99.8%	09/30/15
2015	2016	1,638,222,925	0.3600	99.2%	99.5%	09/30/16
2016	2017	1,880,368,410	0.3375		84.4%	thru 01/31/17

## 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	2017	2016	2015	2014	2013
General Fund	\$ 0.2251	\$ 0.2323	\$ 0.2408	\$ 0.2323	\$ 0.2323
Debt Service Fund	<u>0.1124</u>	<u>0.1277</u>	<u>0.1467</u>	<u>0.1577</u>	<u>0.1577</u>
Total Tax Rate	<u>\$ 0.3375</u>	<u>\$ 0.3600</u>	<u>\$ 0.3875</u>	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>

# CITY OF LAKE JACKSON

Lake Jackson, Texas

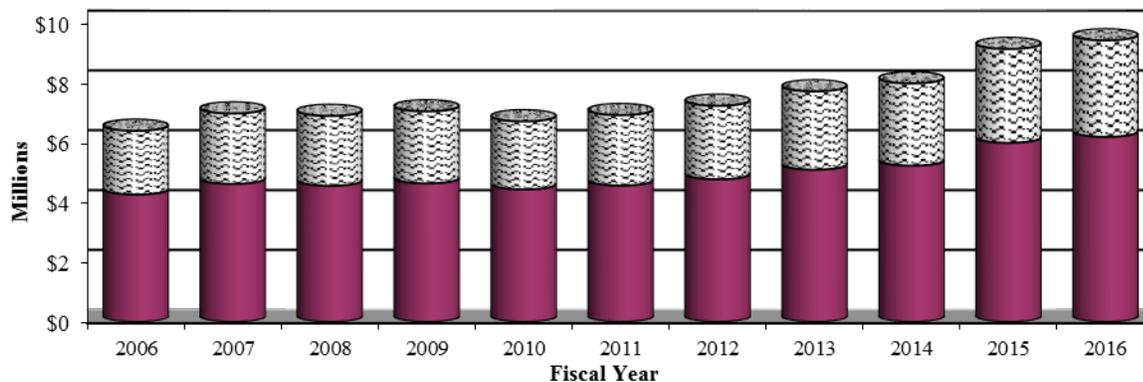
Table CD-8  
Sales Tax Collection History

## 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 <sup>1</sup>
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
2016	6,190,271	3,227,460



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

**CITY OF LAKE JACKSON**

Lake Jackson, Texas

Table CD-9  
Economic Development Fund

<u>Resources</u>	<u>ACTUAL 2014-15</u>	<u>BUDGET 2014-15</u>	<u>ACTUAL 2015-16</u>	<u>AMENDED 2016-17</u>
Fund Balance	\$ 2,412,766	\$ 2,519,353	\$ 2,519,353	\$ 1,901,916
Revenues:				
Half Cent Sales Tax	3,138,233	3,135,000	3,227,460	3,400,000
Interest income	6,832	10,000	12,078	12,000
HGAC Community Trees			2,000	
Insurance Reimbursement			7,599	
	<u>3,145,065</u>	<u>3,145,000</u>	<u>3,249,136</u>	<u>3,412,000</u>
Total Resources	<u>\$ 5,557,831</u>	<u>\$ 5,664,353</u>	<u>\$ 5,768,489</u>	<u>\$ 5,313,916</u>
<u>Expenditures</u>	<u>ACTUAL 2014-15</u>	<u>BUDGET 2014-15</u>	<u>ACTUAL 2015-16</u>	<u>AMENDED 2016-17</u>
Transfer to Economic Development Debt Service	\$ 1,518,442	\$ 1,502,812	\$ 1,479,945	\$ 1,824,841
New Bond Issue - S. Parking Place	-0-	36,131	10,366	-0-
New Bond Issue - Water to Airport	-0-	-0-	-0-	-0-
New Bond Issue - HEB/Dow	-0-	-0-	-0-	-0-
New Bond Issue - Sewer to Airport	-0-	-0-	-0-	-0-
Golf Course – June flood	-0-	163,814	166,468	-0-
A/C Replacement – Golf Course	3,025	-0-	-0-	-0-
Rec Air Handlers and Controllers	154,600	-0-	-0-	-0-
S. Parking Place - Design	29,137	-0-	-0-	-0-
This Way/Center Way to 332	-0-	385,000	385,303	-0-
Electronic Reader Board	-0-	-0-	-0-	15,000
Rec Repairs & Maintenance	-0-	-0-	-0-	99,000
Natorium & Aerobics LED	-0-	-0-	-0-	38,000
Phase Protection	-0-	-0-	-0-	10,000
Security Cameras	-0-	-0-	-0-	20,000
Sound System	-0-	-0-	-0-	8,000
Park Facility Signs	-0-	-0-	-0-	45,000
MacLean Pavillion Repairs	-0-	-0-	-0-	54,000
Jasmine Tennis Renovation	-0-	-0-	-0-	65,000
Bunker renovations	-0-	236,890	183,448	-0-
Downtown Maintenance	52,893	50,000	44,435	50,000
Recreation Center - A/C Rooftops	125,956	242,000	284,307	-0-
Recreation Center natatorium lighting	-0-	40,000	39,906	-0-
Transfer to Golf Course Debt Service	504,425	498,100	498,100	494,600
Golf Course Operating	300,000	424,296	424,296	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>\$ 3,038,478</u>	<u>\$ 3,929,043</u>	<u>\$ 3,866,573</u>	<u>\$ 3,323,441</u>
Ending Fund Balance	<u>\$ 2,519,353</u>	<u>\$ 1,735,310</u>	<u>\$ 1,901,916</u>	<u>\$ 1,990,475</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 9/30/16	\$ 685,096
Debt Service Tax Levy of \$ .1124 per \$ 100 of Assessed Valuation on 2016 Assessed Valuation of \$ 1,643,731,378 at 98% collection	1,810,602
Interest Earnings on Debt Service Fund	<u>8,000</u>
Total Available for 2017 Debt Service	2,503,698
Less: 2017 Debt Service Requirements	<u>2,022,659</u>
Projected Debt Service Fund Balance at 9/30/17	\$ <u>481,039</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 01/31/17, there are eight outstanding issues, the 2009 Refunding CO's originally 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, the 2014 CO's for infrastructure improvement incentives for Dow and HEB, the 2015 Refunding Bonds, and the 2016 CO's for replacement of force main from Lift Station 25 to the Wastewater Treatment Plant and Extension of Sewer to the northwest.

	<u>Golf Course</u>	<u>Economic Development</u>
Debt Service Fund Balance as of 9/30/16	\$ -0-	\$ -0-
Transfer from Golf Course Operations		
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>494,600</u>	<u>1,824,841</u>
Total Available for 2017 Debt Service	494,600	1,824,841
Less: 2017 Debt Service Requirements	<u>494,600</u>	<u>1,824,841</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 9/30/16	\$ 2,428,639
Transfer from Utility Operating Fund (as budgeted)	1,619,335
Transfer from Debt Service Reserve (as budgeted)	-0-
2017 Projected Interest Earnings	<u>6,500</u>
Total Available for 2017 Debt Service	4,054,474
Less: 2017 Debt Service Requirements (including agent fees)	<u>1,585,000</u>
Projected Debt Service Fund Balance at 9/30/17	<u>\$ 2,469,474</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	
	2016	2015
Revenues:		
Taxes	\$ 22,073,188	\$ 21,636,475
Intergovernmental	254,433	111,615
Charges for services	1,263,879	1,186,243
Fines and fees	472,117	573,801
Licenses and permits	496,068	666,610
Investment earnings	96,689	57,363
Miscellaneous	613,002	333,321
Total revenues	25,269,376	24,565,425
Expenditures:		
General government and administration	4,039,007	3,787,952
Public safety	6,038,765	5,966,657
Public works	2,837,563	2,578,564
Culture and recreation	5,068,207	4,812,107
Capital Outlay	10,051,261	3,166,664
Debt Service:		
Principal	3,210,000	3,150,000
Interest and fiscal charges	1,000,440	1,163,523
Total expenditures	32,245,243	24,625,467
Excess of revenues over (under) expenditures	( 6,975,867)	( 60,042)
Other Financing Sources (Uses):		
Issuance of bonds	7,870,000	5,500,000
Bonds issued premium	537,550	83,600
Sale of capital assets	41,105	81,393
Transfers in	4,930,442	4,646,206
Transfers out	( 5,829,749)	( 4,320,154)
Payment to bond refunding escrow agent	( 8,300,732)	-0-
Total other financing sources (uses)	( 751,384)	5,991,045
Net change in fund balances	\$( 7,727,251)	\$ 5,931,003

# 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, 2016 and 2015.

	2016	2015
<b>Revenues:</b>		
Water and sewer services	\$ 8,082,234	\$ 7,528,669
Sanitation service	3,765,504	3,287,706
Tapping and connection fees	289,097	329,992
Golf course fees and charges	1,276,932	1,386,531
Other	238,731	201,519
	13,652,498	12,734,417
<b>Operating Expenses:</b>		
Utility administration	443,853	430,822
Water and sewer	5,778,491	5,243,786
Golf course	1,649,011	1,742,911
Sanitation	2,864,997	2,551,608
Depreciation	2,432,551	2,313,725
	13,168,903	12,282,852
<b>Net revenues</b>	<b>483,595</b>	<b>451,565</b>
<b>Nonoperating Revenues (Expenses):</b>		
Interest earnings	34,700	15,740
Gain (loss) on disposition of capital assets		( 10,764)
Interest expense and fiscal charges	( 308,857)	( 343,242)
Contributions	2,583,926	38,897
<b>Transfers:</b>		
for franchise fee	( 102,000)	( 102,000)
for water and w/w admin fee	( 438,390)	( 438,390)
for equipment replacement	( 636,516)	( 668,295)
for utility projects	750,000	100,000
for golf course operation	424,296	400,000
Assets purchased by general fund	901,917	382,633
	3,209,076	( 625,421)
<b>Net income</b>	<b>\$ 3,692,671</b>	<b>\$( 173,856)</b>

**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, 2016.

Water:	First 2000 gallons	\$ 13.05 Minimum
	Over 2000 gallons	\$ 4.10 per 1,000 gallons
	Over 20,000 gallons	\$ 4.60 per 1,000 gallons
Sewer:	First 2000 gallons	\$ 13.20 Minimum
	Over 2000 gallons	\$ 4.40 per 1,000 gallons

Residential sewer charges stop at 15,000 gallons.

**Water Supply Facilities**

The City continues to purchase two million gallons of treated surface water per day from the Brazosport Water Authority. The current cost per 1,000 gallons is \$ 2.94.

In addition to the above, the City operates 12 water wells with a peak production capacity of 10.5 million gallons. Water storage capacity includes five elevated tanks (2.55 million gallons of capacity) and 4 ground storage tanks (4.5 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 24 apartment complexes (3,196 units); 414 Commercial businesses, 58 institutions (churches, schools, etc.) and 8,295 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 2016 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Buc-ee's #29	Gas Station/Car Wash	21,609	2.39%
Brazosport Hospital	Hospital	20,585	2.27%
Brazosport College	College	17,699	1.96%
Gulf Coast Kington	Apartments	14,093	1.56%
The Palms	Apartments	13,206	1.46%
Raamco Raintree LP	Apartments	11,638	1.29%
Gateway Housing	Apartments	11,471	1.27%
Residence of Lake Jackson	Apartments	10,083	1.11%
Westdale Edgewater	Apartments	8,423	0.93%
Oakwood Apartments	Apartments	<u>8,210</u>	<u>0.91%</u>
		<u><u>137,017</u></u>	<u><u>15.14%</u></u>

Total water consumption for the period October 1, 2015 to September 30, 2016 in thousands of gallons was 905,258.

# 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 2016 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Lex Lake Jackson LP	Industrial	\$ 62,589,370	3.82%
Core LJ One Ltd	Industrial	36,428,430	2.22%
Brazos Mall Partners, LLC	Mall - Retail	23,880,040	1.46%
Dow Chemical Company	Various Properties	19,252,800	1.18%
Redwood Westdale Edgewater	Apartments	17,126,610	1.05%
Wal-Mart Stores Texas LLC.	Grocery/Retail	16,408,370	1.00%
Gulf Coast Kington Properties LLC	Apartments	13,694,920	0.84%
DCM Lake Jackson Property LLC	Apartments	11,482,250	0.70%
HEB Grocery Company	Grocery	11,003,240	0.67%
Partners of Lake Jackson LTD	Apartments	10,650,000	0.65%
Centerpoint Energy Inc.	Utility	9,832,010	0.60%
		<u>\$ 232,348,040</u>	<u>14.18%</u>

## Assessed Valuation by Classification

<u>Classification</u>	<u>2016 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,432,437,896	64.86%
Real, Vacant Platted Lots/Tracts	12,905,330	0.58%
Commercial & Industrial	474,892,301	21.50%
Real, Acreage (Land only)	17,435,661	0.79%
Utilities & Pipelines	20,612,350	0.93%
Special Inventory & Other	<u>250,194,010</u>	<u>11.33%</u>
Total Market/Appraised Value	\$ 2,208,477,548	<u>100.00%</u>
Less Exemptions	<u>424,987,226</u>	
	1,783,490,322	
Under protest at certification	<u>106,532,083</u>	
Net Taxable Value	<u>\$ 1,890,022,405</u>	

# CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-17  
General Fund - Budget Summary

On September 6, 2016 the 2016-17 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	2014-15 <u>Actual</u>	2015-16 <u>Actual</u>	2016-17 <u>Adopted Budget</u>
Revenues:			
Property tax	\$ 3,615,757	\$ 3,773,882	\$ 4,105,644
Sales tax	5,991,129	6,190,271	6,600,000
Franchise fees	1,748,902	1,734,284	1,737,500
Industrial district	4,249,304	4,317,295	4,367,079
Licenses and permits	735,954	733,957	528,400
Fines and fees	573,301	468,501	542,584
Civic Center fees	279,984	297,944	294,000
Recreation Center fees	906,259	965,935	986,200
Intergovernmental *	144,489	98,419	34,000
Interest and other	155,195	105,453	187,500
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>\$ 19,188,664</u>	<u>\$ 19,474,332</u>	<u>\$ 20,171,297</u>
Expenditures:			
General government services	\$ 1,507,397	\$ 1,712,572	\$ 1,724,887
Financial services	1,314,065	1,415,436	1,513,284
Legal services	163,067	178,323	196,635
Public safety services *	6,428,036	6,738,267	7,892,795
Engineering services	417,381	448,695	496,565
Public works services	2,809,306	2,990,391	3,496,165
Storm damage clean up	192,909	194,631	-0-
Parks & recreation services	3,911,549	4,120,216	4,510,356
Miscellaneous services	300,279	318,133	340,610
Budget saving transfers	<u>1,000,000</u>	<u>2,100,000</u>	<u>-0-</u>
Total expenditures	<u>\$ 18,343,989</u>	<u>\$ 20,216,664</u>	<u>\$ 20,171,297</u>

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

Table CD-18  
Utility Fund - Budget Summary

On September 6, 2016 the 2016-17 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2014-15</u> Actual	<u>2015-16</u> Actual	<u>2016-17</u> Adopted Budget
<b>Revenues:</b>			
Plumbing fees	\$ 36,349	\$ 18,773	\$ 25,000
Tap fees	89,370	78,445	30,000
Administrative fees	204,273	192,044	198,700
Water sales	4,121,748	4,342,585	4,654,116
Sewer sales	3,616,256	3,981,553	4,153,852
Senior discount	( 209,334)	( 234,849)	( 210,000)
Sanitation sales	3,325,003	3,824,848	3,779,805
Other revenues	163,153	177,046	150,100
Interest & sales tax discount	7,475	15,869	6,000
Transfer from General Contingency	-0-	-0-	-0-
Transfer from Utility Contingency	-0-	-0-	-0-
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 11,354,293</u>	<u>\$ 12,396,314</u>	<u>\$ 12,787,573</u>
<b>Expenditures:</b>			
Utility administration	\$ 473,850	\$ 474,302	\$ 608,633
Water	3,228,737	3,375,475	4,042,227
Wastewater	2,293,832	2,610,498	2,672,556
Sanitation	3,001,890	3,188,153	3,304,432
Non-departmental	2,109,725	2,109,725	2,159,725
Budget savings transfer to Capital	-0-	200,000	-0-
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 11,108,034</u>	<u>\$ 11,958,153</u>	<u>\$ 12,787,573</u>