

City of
Lake Jackson, Texas
Comprehensive
Annual
Financial Report



For the fiscal year ended September 30, 2018

For further information, contact the City of Lake Jackson, 25 Oak Drive
Lake Jackson, Texas 77566
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(979) 415-2438

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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For the Year Ended September 30, 2018*

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INTRODUCTORY SECTION

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CITY OF LAKE JACKSON • 25 OAK DRIVE • LAKE JACKSON, TEXAS 77566-5289
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March 26, 2019

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, 2018.

This report is published to provide to the City Council, City staff, our citizens, our bondholders and other interested parties detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the data is accurate in all material aspects, 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.

Kennemer, Masters and Lunsford, LLC., Certified Public Accountants, has issued an unmodified ("clean") opinion on the city's financial statements for the year ended September 30, 2018.

Management's discussion and analysis (MD&A), which compliments this letter, immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements.

PROFILE OF THE CITY

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.

Location

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.

Structure

On January 30, 1954, the City adopted a Home Rule Charter and approved 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. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially responsible as defined by the Governmental Accounting Standards Board. Based on these criteria, no other governmental organizations are included in this report. For additional information on the reporting entity, refer to Note 1 to the basic financial statements.

Services Provided

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 9.1 million gallons per day. Water storage capacity includes four 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.

AREA ECONOMY

The industrial expansion triggered by low natural gas prices continues in Southern Brazoria County. Nearly \$40 billion in industrial projects have been built or are under construction. The cornerstone of Dow’s \$12 billion Gulf Coast investment, the Ethylene facility came on line in September of 2017. Major construction continues on Freeport LNG’s 4 liquefaction trains, with train 1 now in the commissioning stage. Construction of the fourth train will be on-going for several more years. Expected completion is in 2022. While some projects have completed, others have started up, including Phillips \$1.5 billion expansion for natural gas liquids fractionators and Dow’s \$715 million polyethylene plant. There remain some 10,000 construction workers currently working on various projects in the Brazoria county coastal region. At some point the growth will slow. However, with feedstocks at a good equilibrium between supply and demand, the short-term prospects continue to be strong.

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 transitioned into service. The impact of this facility is now seen in our tax base. Both Lex Lake Jackson LP (Dow research facility) and Cole OFC (Dow administration building) are now among our top taxpayers. The research facility also is among the city's top water customers.

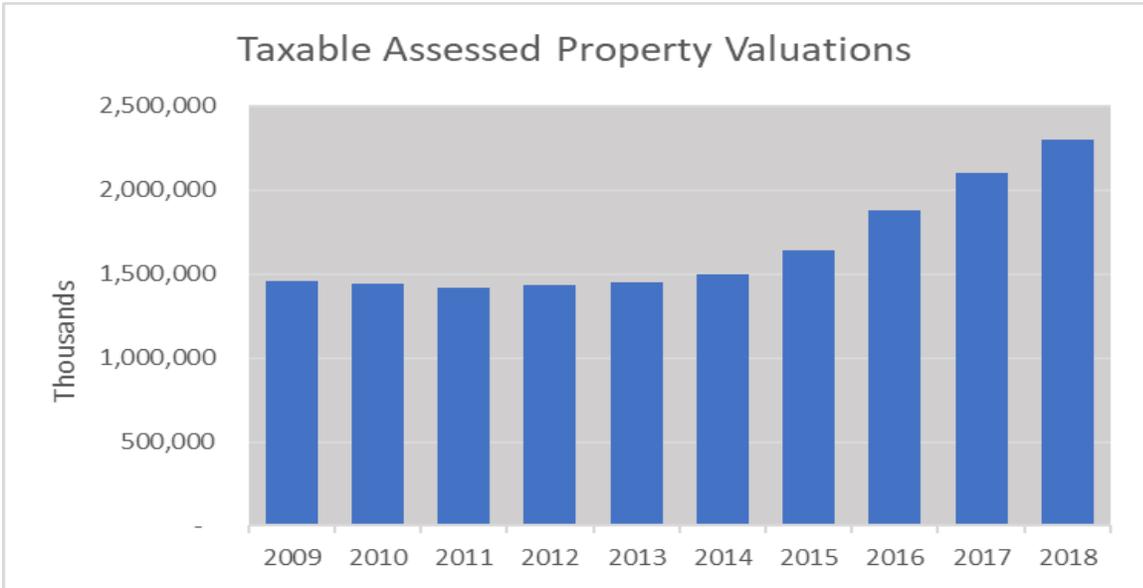
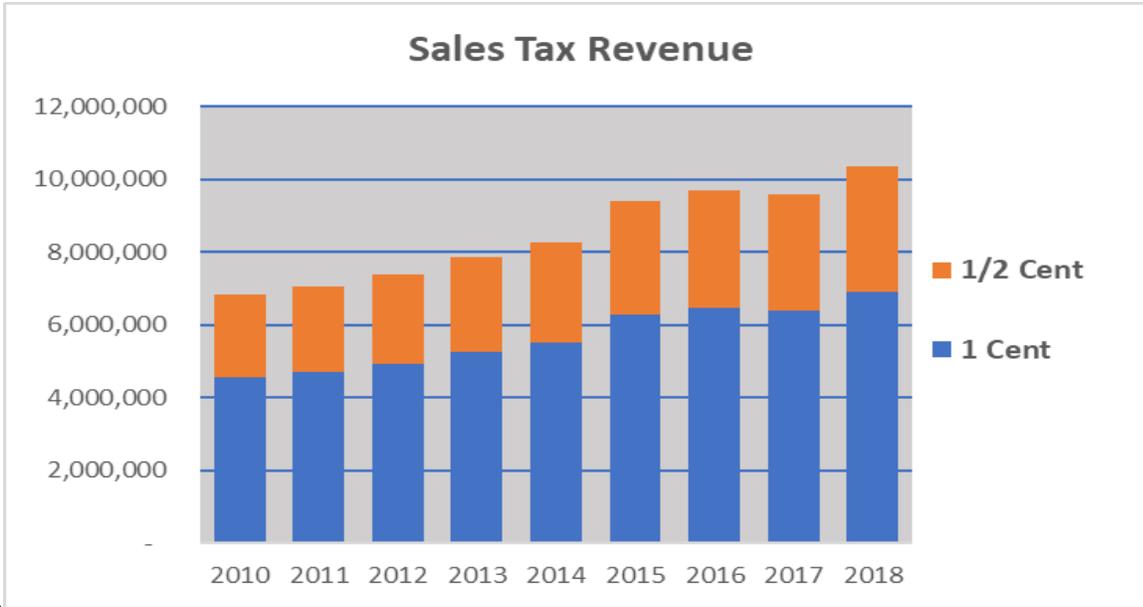
Having this facility adjacent to our downtown area combined with the City's Downtown Revitalization program of street replacement and improvements such as the South Parking Place Pavilion have citizens and visitors utilizing downtown. The pavilion is now home to a once a month farmers market. New shops and restaurants continue to locate downtown. Also, the City recently issued \$9 million in bonds for the next phase of downtown street reconstruction.

The Brazos Mall completed some \$20 million in upgrades in 2018. Large retailers, such as T.J. Maxx, Home Goods, and Ashley Furniture have been added to the already expansive list of retailers in the mall, which includes Dillard's, JC Penney, Victoria's Secret, Ross Dress for Less to name a few. Two new hotels have been added to the Mall site. They are a Courtyard by Marriott and Staybridge Suites.

Overall, taxable assessed values increased 11% for FY2018 and 9% for FY 2019 with a new motel, numerous smaller commercial projects and continued residential construction we anticipate values to maintain a steady growth.

This growth has had an immediate impact on Sales Tax collections for the City. Sales Tax in FY 2018 increased over 8% compared to FY 2017. Over the last five years sales tax revenue has averaged an increase 6 % per year. Although sales tax FY 2019 is down slightly from FY 2018 we anticipate a continued growth in sales tax revenue.

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 32% of the General Operating Fund budget.



MAJOR ISSUES AND INITIATIVES

Groundwork has been laid for future development in the Northwest portion of the City. Water and sewer service has been extended to the Gulf Coast Regional airport and proposed new business park area. This system will support the airport and industrial development surrounding the airport. The construction of the sewer system for this area allowed the Wayne Scott prison unit to be brought on as a customer. The proposed 987 acre Alden mixed use residential/retail development is still in the formative stages. Approximately 450 single family equivalents of this new development can currently be supported by the water and sewer system in place. Plans exist to expand the water and sewer systems that will fully support the ultimate development of the Alden development.

All three phases of the \$16 million bond package approved by the voters have been sold. The Plantation Drive bridge and Circle Way / Oak traffic signal are complete. The Woodland Park subdivision street and utility replacement is underway and the Willow / Blossom Drainage project is nearing bid date. Planning for the next large phase of the downtown renovation is nearing completion, construction is anticipated to begin this September.

We anticipate convening a bond task force this summer to consider the next group of projects to take to the voters. It is likely several facilities, including a City Hall addition, Police evidence storage facility and an animal services facility will be heavily considered.

On the water and sewer side, \$5 million in bonds were sold in December 2017 primarily for the replacement of Sewer lines and lift stations in the basin 6 area. This project is well underway.

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

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 Charter provides that the City Council shall adopt the annual budget prepared by City Management as revised by the City Council. This budget is reviewed and revised by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within all funds. The City Council must authorize all increases in total spending in any 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 quarterly 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, 2017. 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 eighteen 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.

RESPONSIBILITY FOR FINANCIAL REPORTING

The City's Senior Management, including the City Manager and Finance Director, accept the responsibility for the accuracy, integrity, consistency, and reliability of the financial statements. They also acknowledge their responsibility for assuring the continuous monitoring of the City's system of internal controls for compliance in order to prevent misappropriation of assets and fraudulent financial reporting. Additionally, they confirm their commitment to fostering a strong ethical climate and communicating those standards to employees through personnel rules, administrative regulations and City law.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efforts of the entire Finance Department staff, especially our Controller, Toni Truly. Appreciation is also expressed to City employees throughout the organization, especially those employees instrumental in the successful completion of this report. Additionally, we would like to thank our auditors, Kennemer, Masters and Lunsford, LLC; whose professional expertise and advice have resulted in continuing improvements in the quality of the City's financial reporting.

Respectfully submitted,



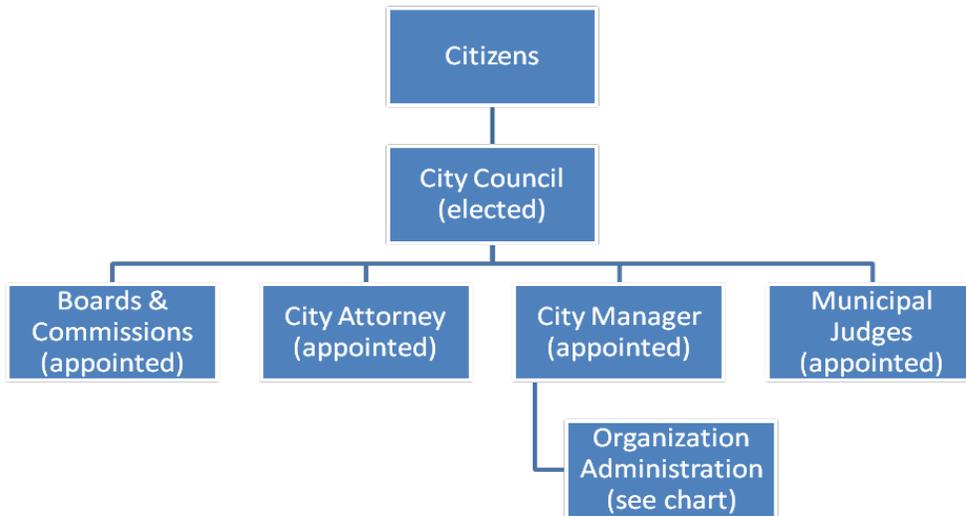
William P. Yenne
City Manager



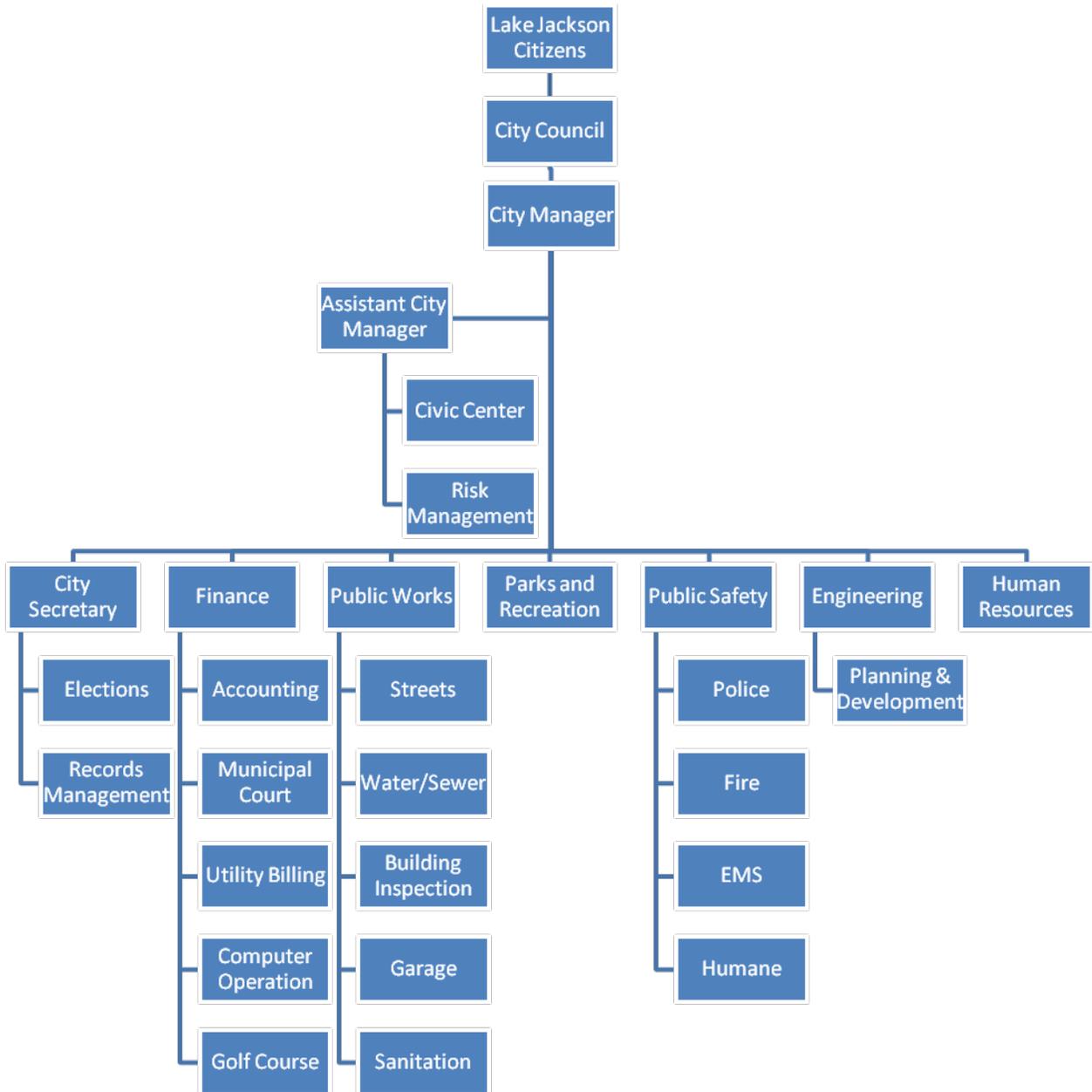
Pamela K. Eaves, CPA
Finance Director

City of Lake Jackson

Council-Manager Government



Organization Administration Chart



Elected Officials

	Official	Title	Years Of Service	Term Expire	Occupation
*	Bob Sipple	Mayor	1	2020	Retired
	Matthew Broaddus	Councilmember	2	2021	Attorney
**	Vinay Singhanian	Councilmember	1	2018	Manager/Sourcing
***	Gerald Roznovsky	Councilmember	6	2021	Retired
	Ralph “Buster” Buell	Councilmember	5	2020	Retired
	Vacant	Councilmember			Will be filed May 2019

* Previously served as Councilmember (2005) and Mayor from 2006 to 2012.

** Served as Councilmember 2006-2011.

*** Served as Councilmember 2005-2010.

City Officials

	Name	Title	Length of Service
*	<i>William P. Yenne</i>	<i>City Manager</i>	<i>39 years</i>
	<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>24 years</i>
	<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>29 years</i>
	<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>40 years</i>
	<i>Sherri Russell</i>	<i>City Attorney</i>	<i>12 years</i>
	<i>Hilltop Securities</i>	<i>Financial Advisors</i>	<i>14 years</i>

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

**City of Lake Jackson
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

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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

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 the City of Lake Jackson (the "City") as of and for the year ended September 30, 2018, 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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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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, required pension related schedules for Texas Municipal Retirement System and Texas Emergency Services Retirement System on 94 through 97, and required OPEB schedule for Texas Municipal Retirement System on page 98 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, other schedules, statistical section, and continuing financial disclosures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual fund statements and schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, 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 26, 2019

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CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages ix-xv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 96,496,329 (net position). This number must be viewed in the context that the vast majority of the City's net position of \$ 64,271,165 (66.6%) 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 \$ 11,565,527 (12.0%). The remaining \$ 20,659,637 (21.4%) is unrestricted net position and may be used to meet the City'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 \$ 26,051,277. Within this total, \$ 117,040 is non-spendable, \$ 9,599,653 is restricted by specific legal requirements, \$ 921,955 has been committed for general contingency purpose, and \$ 9,041,001 has been assigned to specific types of expenditures.
- At the end of the current fiscal year, the general fund balance was \$ 14,435,947. Of this amount, \$ 117,040 is non-spendable, \$ 921,955 has been committed for general contingency purpose, and \$ 7,025,324 has been assigned primarily for equipment replacement. The remaining \$ 6,371,628 is unassigned and can be used for any lawful purpose.
- The City reported net pension liability of \$ 2,304,679 and a total OPEB (Other Post-Employment Benefits) liability of \$ 648,452, at September 30, 2018, with the implementation of GASB Statements Nos. 68, 71 and 75.

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.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 20-23 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.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

The City maintains fifteen (15) 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 2016-17 Infrastructure Improvement Fund (capital projects fund); all of which are considered to be major funds. Data from the other eleven (11) 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 24-32 of this report.

Proprietary Funds. The City maintains two categories of *proprietary funds* - Enterprise Fund and Golf Course Operating Fund. Proprietary funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses proprietary funds to account for its water and sewer, golf, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 34-39 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 42-92 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 94-98 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 102-152 of this report. Other schedules can be found on pages 154-178 of this report. The statistical section can be found on pages 180-203 of this report following the other schedules. The continuing financial disclosures can be found on pages 207-224 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 \$ 96,496,329 as of September 30, 2018.

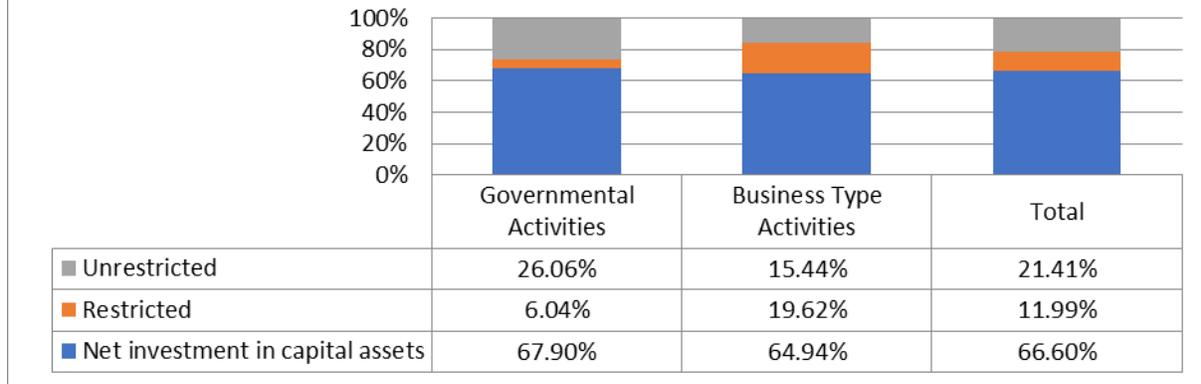
CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

NET POSITION

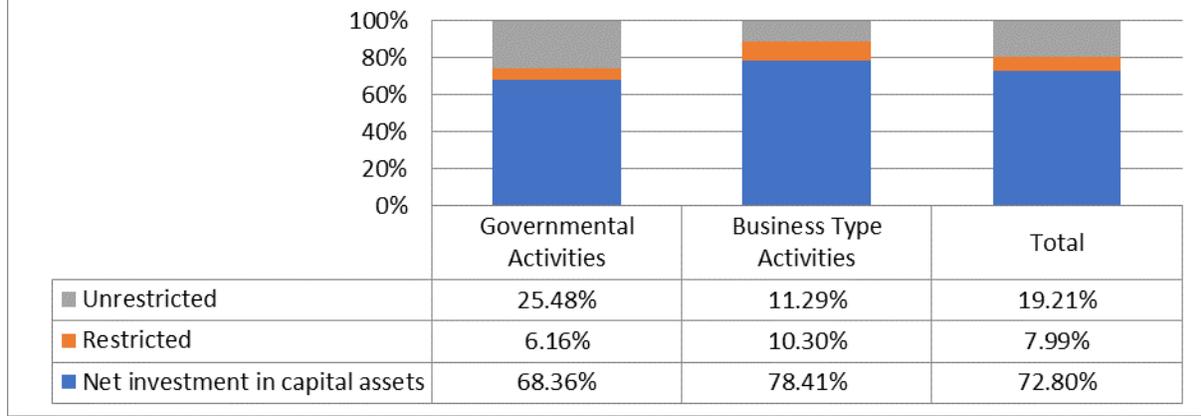
	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
ASSETS						
Current and other assets	\$ 28,334,388	\$ 26,115,928	\$ 18,707,663	\$ 12,101,947	\$ 47,042,051	\$ 38,217,875
Capital assets	<u>63,973,048</u>	<u>62,560,676</u>	<u>40,590,095</u>	<u>40,925,972</u>	<u>104,563,143</u>	<u>103,486,648</u>
Total assets	<u>92,307,436</u>	<u>88,676,604</u>	<u>59,297,758</u>	<u>53,027,919</u>	<u>151,605,194</u>	<u>141,704,523</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	<u>2,675,446</u>	<u>3,154,607</u>	<u>727,161</u>	<u>1,162,891</u>	<u>3,402,607</u>	<u>4,317,498</u>
Total deferred outflows of resources	<u>2,675,446</u>	<u>3,154,607</u>	<u>727,161</u>	<u>1,162,891</u>	<u>3,402,607</u>	<u>4,317,498</u>
LIABILITIES						
Current liabilities	1,684,585	1,951,067	2,261,222	2,071,428	3,945,807	4,022,495
Long-term liabilities	<u>36,524,885</u>	<u>38,615,074</u>	<u>14,788,510</u>	<u>11,639,081</u>	<u>51,313,395</u>	<u>50,254,155</u>
Total liabilities	<u>38,209,470</u>	<u>40,566,141</u>	<u>17,049,732</u>	<u>13,710,509</u>	<u>55,259,202</u>	<u>54,276,650</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	<u>2,511,403</u>	<u>390,067</u>	<u>740,867</u>	<u>111,452</u>	<u>3,252,270</u>	<u>501,519</u>
Total deferred inflows of resources	<u>2,511,403</u>	<u>390,067</u>	<u>740,867</u>	<u>111,452</u>	<u>3,252,270</u>	<u>501,519</u>
NET POSITION						
Net investment in capital assets	36,842,141	34,776,336	27,429,024	31,654,276	64,271,165	66,430,612
Restricted	3,280,276	3,135,742	8,285,251	4,156,093	11,565,527	7,291,835
Unrestricted	<u>14,139,592</u>	<u>12,962,925</u>	<u>6,520,045</u>	<u>4,558,480</u>	<u>20,659,637</u>	<u>17,521,405</u>
Total net position	<u>\$ 54,262,009</u>	<u>\$ 50,875,003</u>	<u>\$ 42,234,320</u>	<u>\$ 40,368,849</u>	<u>\$ 96,496,329</u>	<u>\$ 91,243,852</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

2018 Percentage of Net Position by Type



2017 Percentage of Net Position by Type



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

As of September 30, 2018, 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, \$ 64,271,165 (66.6%) 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 \$ 11,565,527 (12.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 20,659,637 (21.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

There was an increase of \$ 4,273,692 in restricted net position and a decrease of \$ 2,159,447 in net investment in capital assets. The increase in restricted net position and the decrease in net investment in capital assets, resulted from the issuance of bonds, 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 \$ 3,387,006. The increase mainly reflects the increase in property and sales taxes revenue and decrease in general government and administration expenses.

Total revenues for governmental activities increased from the previous year by \$ 2,310,491 (9.0%).

Program revenues increased from the previous year by \$ 503,124. This is a result of an increase in operating and capital grants and contributions.

General revenues increased from the previous year by \$ 1,807,367. This is primarily resulting from an increase in property tax revenue from new values and sales taxes.

Business-type Activities: Business activities increased the City's net position by \$ 1,865,471 (4.6%) which mainly resulted from an increase in charges for services.

Total revenues increased from the prior year by \$ 1,883,592 and total expenses increased from the prior year by \$ 623,305 respectively. Total revenues increased from the prior year, due to an increase in water/sewer consumption and service rates. Total expenses increased at a rate of about 4.4%. The major increases in 2018 expenses were water and sewer operating and sanitation expenses.

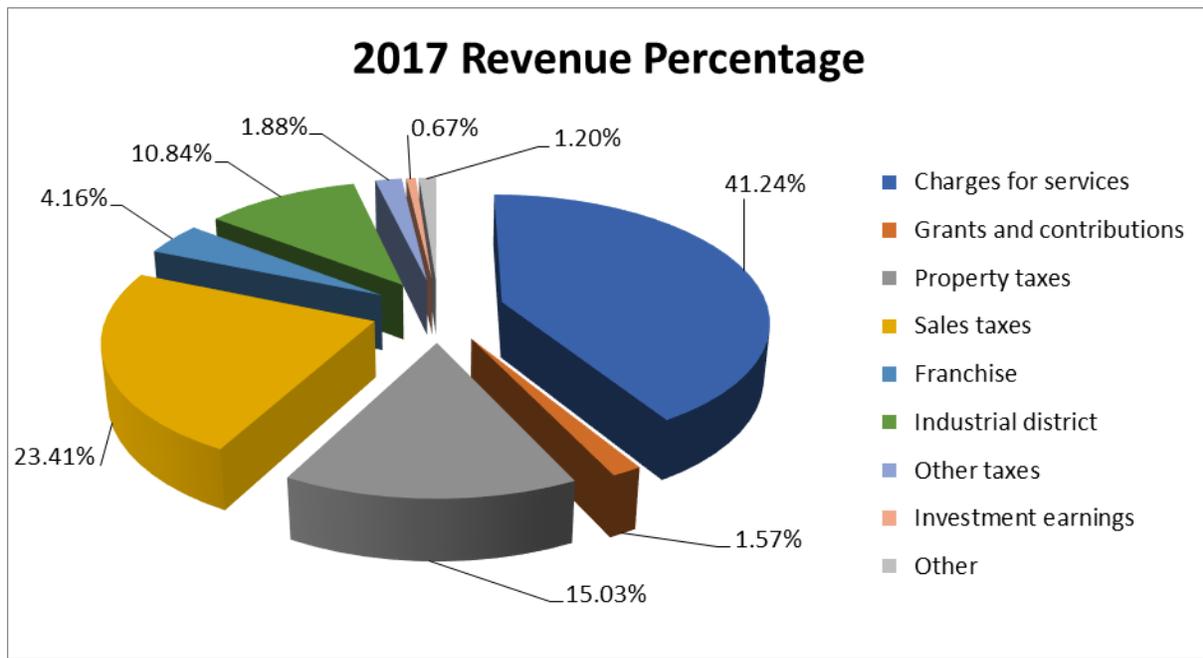
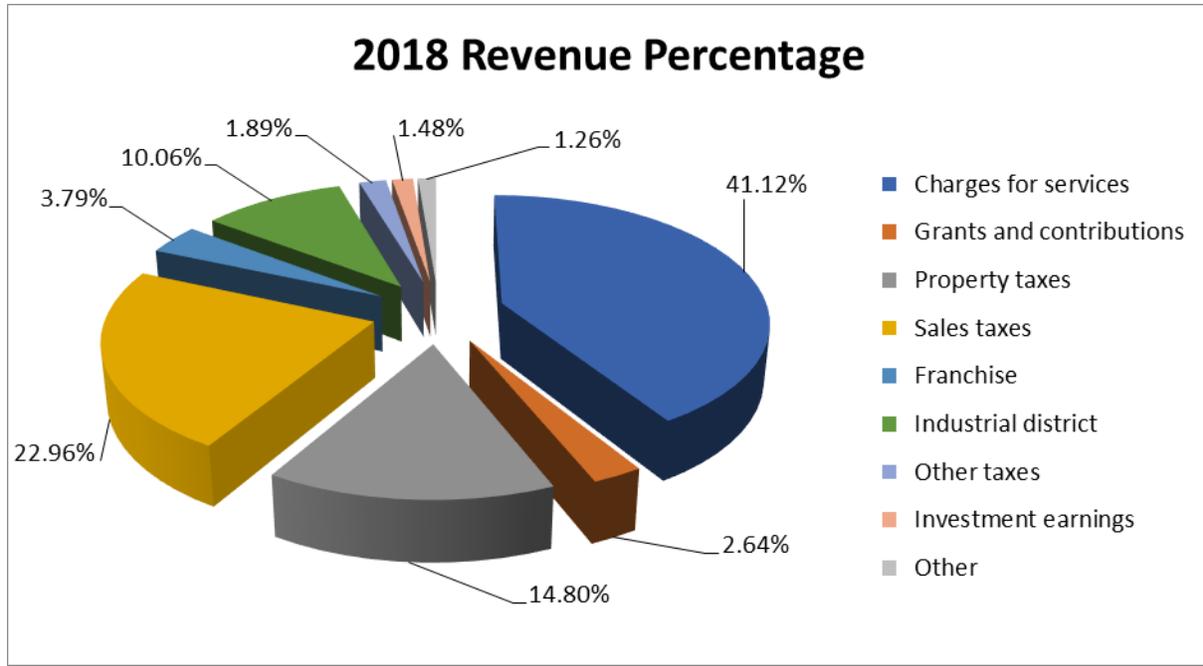
The following table provides a summary of the City's operations for the years ended September 30, 2018 and 2017.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

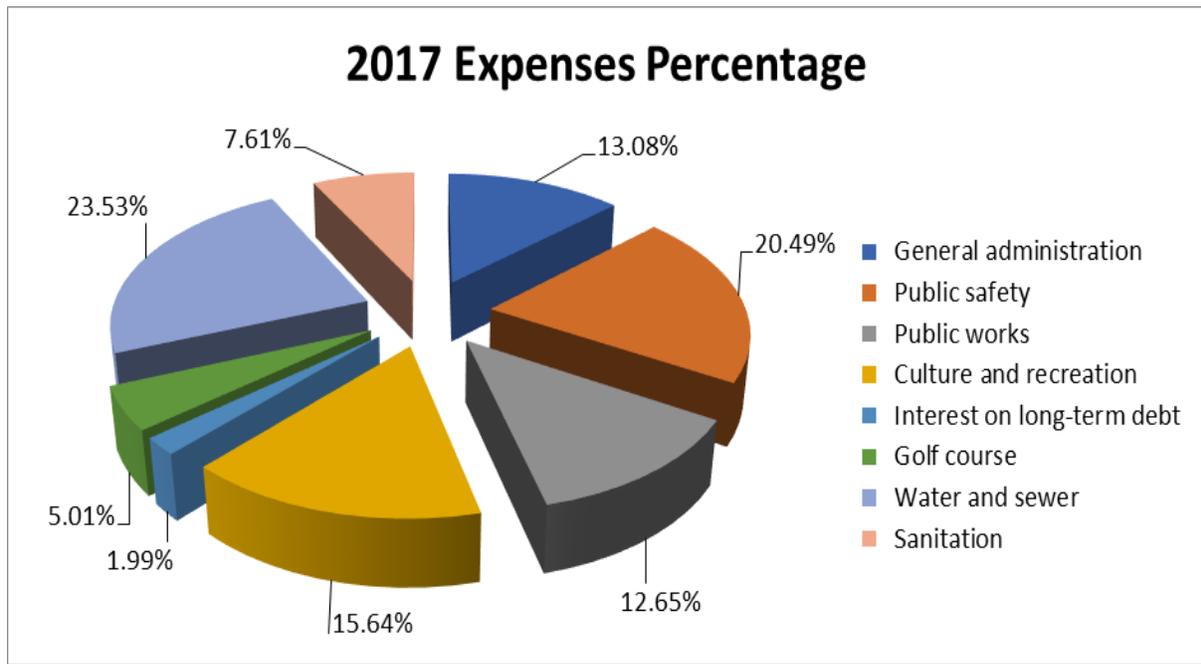
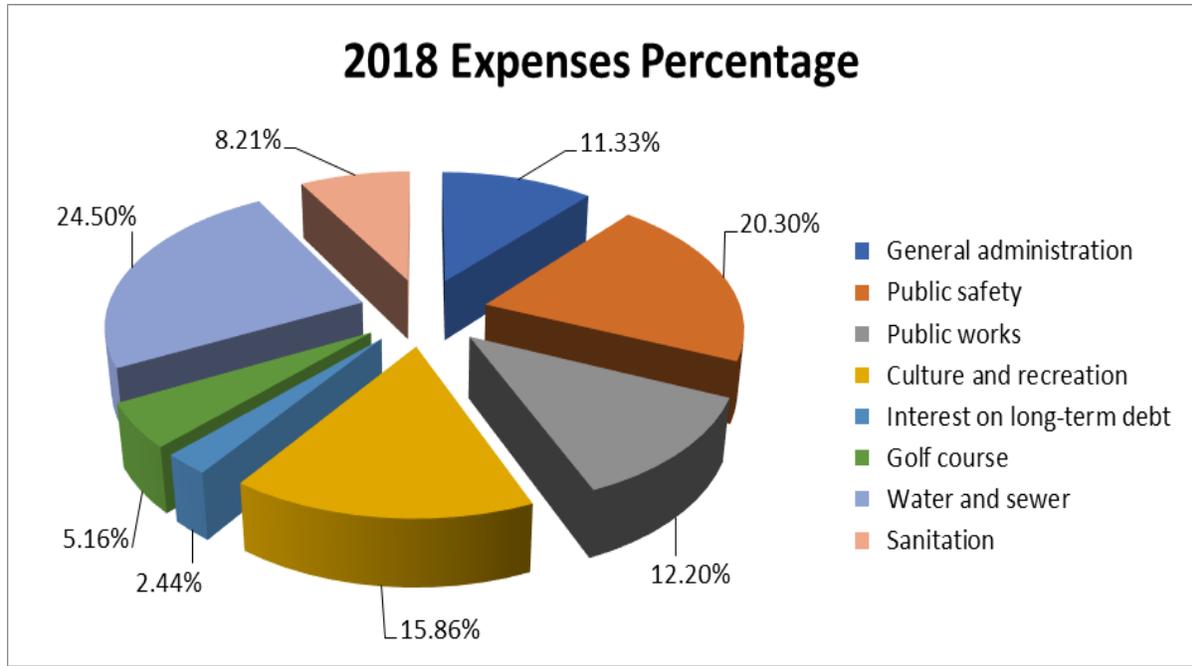
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2018	2017	September 30, 2018	2017	September 30, 2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 2,112,582	\$ 2,131,285	\$ 16,277,876	\$ 14,583,920	\$ 18,390,458	\$ 16,715,205
Operating grants and contributions	394,666	130,185			394,666	130,185
Capital grants and contributions	554,207	296,861	232,540	209,122	786,747	505,983
General Revenues:						
Property taxes	6,619,739	6,090,100			6,619,739	6,090,100
Sales taxes	10,266,971	9,489,693			10,266,971	9,489,693
Franchise taxes	1,693,598	1,687,768			1,693,598	1,687,768
Occupancy taxes	590,629	539,553			590,629	539,553
Alcoholic beverage taxes	140,129	121,918			140,129	121,918
Criminal justice taxes	32,290	21,441			32,290	21,441
Apartment inspection fees	81,736	79,084			81,736	79,084
Industrial district	4,501,353	4,394,560			4,501,353	4,394,560
Investment earnings	387,708	171,392	272,969	98,251	660,677	269,643
Miscellaneous	553,819	473,897			553,819	473,897
Gain on disposition of capital assets	10,467	1,666		8,500	10,467	10,166
Total revenues	<u>27,939,894</u>	<u>25,629,403</u>	<u>16,783,385</u>	<u>14,899,793</u>	<u>44,723,279</u>	<u>40,529,196</u>
Expenses:						
General government and administration	4,469,968	5,185,914			4,469,968	5,185,914
Public safety	8,014,355	8,116,735			8,014,355	8,116,735
Public works	4,815,157	5,013,485			4,815,157	5,013,485
Culture and recreation	6,259,805	6,197,113			6,259,805	6,197,113
Interest on long-term debt	962,144	788,505			962,144	788,505
Water and sewer			9,670,841	9,321,589	9,670,841	9,321,589
Sanitation			3,240,185	3,014,234	3,240,185	3,014,234
Golf course			2,038,347	1,985,245	2,038,347	1,985,245
Total expenses	<u>24,521,429</u>	<u>25,301,752</u>	<u>14,949,373</u>	<u>14,321,068</u>	<u>39,470,802</u>	<u>39,622,820</u>
Increase in net position before transfers	3,418,465	327,651	1,834,012	578,725	5,252,477	906,376
Transfers	(31,459)	(3,360,087)	31,459	3,360,087	-0-	-0-
Changes in net position	3,387,006	(3,032,436)	1,865,471	3,938,812	5,252,477	906,376
Net position-October 1	51,305,530	54,337,966	40,495,855	36,557,043	91,801,385	90,895,009
Prior year adjustment	(430,527)		(127,006)		(557,533)	
Net position – Sept. 30	<u>\$ 54,262,009</u>	<u>\$ 51,305,530</u>	<u>\$ 42,234,320</u>	<u>\$ 40,495,855</u>	<u>\$ 96,496,329</u>	<u>\$ 91,801,385</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

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 \$ 26,051,277. 24.5% of this total amount (\$ 6,371,628) constitutes unassigned fund balance. The remainder of the fund balance has been categorized as 1) non-spendable (\$ 117,040), 2) restricted (\$ 9,599,653), 3) committed (\$ 921,955), and 4) assigned (\$ 9,041,001).

In the General Fund, the City budgeted for a fund balance decrease of \$ 177,021. This included budgeting a \$ 687,563 transfer to Enterprise Fund. Transferring of \$ 687,563 to the Enterprise Fund reflects purchases of utility assets in the Equipment Replacement Fund. The actual fund balance change was an increase for fiscal year 2018 of \$ 1,441,389 and was \$ 1,618,410 more than the budgeted amount. This was due to expenditures in all categories being less than expectations and the increase in sales taxes.

The Economic Development fund is used to account for revenue from the half-cent sales tax. In 2018, the revenues in the Economic Development fund were more than the budget by \$ 662,491 due to the increase in intergovernmental revenue and insurance reimbursement, and total expenditures in the Economic Development fund were less than the budget by \$ 664,804. As a result, the Economic Development fund balance increased by \$ 116,195 and was \$ 1,334,540 more than the budgeted amount.

The Debt Service fund balance increased by \$ 7,859, which was consistent with the City's budget.

2016-17 Infrastructure Improvement fund balance increased by \$ 2,879,382 due to issuance of bonds.

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, 2018 amounted to \$ 6,520,045. Total net position increased \$ 1,865,471. In 2018, the increase in net position for proprietary funds was a combination of a \$ 1,600,816 increase in the Enterprise Fund and a \$ 264,655 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, 2018

General Fund Budgetary Highlights. Sales tax revenue was more than expectations by 3.27%. Property tax revenue was less than expectation by 0.78% as the result of the rate decrease. Licenses and permits was less than budgeted amounts by 27.32% as the result of the decrease in construction projects due to the Hurricane Harvey flooding.

The City's general fund expenditure budget exceeded the actual expenditures by \$ 1,543,314 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 2018, no transfer was made from the general fund 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, 2018, amounts to \$ 104,563,143 (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 \$ 1,076,495. (\$ 1,412,372 increase for governmental activities and \$ 335,877 decrease in business-type activities).

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

- Developer contributed infrastructure \$ 232,540
- South parking place street and pavilion \$ 2,145,777
- Northwest sewer expansion \$ 4,719,071
- Replaced vehicles and mobile equipment \$ 1,734,487

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

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2018	2017	September 30, 2018	2017	September 30, 2018	2017
Land	\$ 2,551,017	\$ 2,477,779	\$ 3,821,585	\$ 3,821,585	\$ 6,372,602	\$ 6,299,364
Buildings	17,344,301	17,900,674	897,140	1,090,268	18,241,441	18,990,942
Improvements other than buildings	3,430,276	3,328,190	21,759,429	17,902,452	25,189,705	21,230,642
Furniture, equipment and vehicles	5,235,996	5,310,198	2,743,947	2,646,950	7,979,943	7,957,148
Infrastructure	32,557,863	31,476,454	9,979,208	10,574,246	42,537,071	42,050,700
Construction in progress	<u>2,853,595</u>	<u>2,067,381</u>	<u>1,388,786</u>	<u>4,890,471</u>	<u>4,242,381</u>	<u>6,957,852</u>
Total	<u>\$ 63,973,048</u>	<u>\$ 62,560,676</u>	<u>\$ 40,590,095</u>	<u>\$ 40,925,972</u>	<u>\$ 104,563,143</u>	<u>\$ 103,486,648</u>

Additional information on the City's capital assets can be found in Note 6 on pages 63-66 of this report.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Debt Administration

At the end of the current fiscal year, the City had a total bonded debt of \$ 45,550,000. Of this amount, \$ 32,295,000 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 \$ 13,255,000 represents bonds secured by water and sewer revenues.

OUTSTANDING LONG-TERM BONDS AT YEAR END

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 10,465,000	\$ 11,510,000	\$	\$	\$ 10,465,000	\$ 11,510,000
Limited tax bonds	21,830,000	20,025,000			21,830,000	20,025,000
Revenue bonds			13,255,000	9,505,000	13,255,000	9,505,000
Bond premium	1,370,542	1,361,772	533,494	365,009	1,904,036	1,726,781
Net pension liability	1,620,116	4,578,934	684,563	1,481,958	2,304,679	6,060,892
Total OPEB liability	500,735	430,527	147,717	127,006	648,452	557,533
Compensated absences	<u>738,492</u>	<u>708,841</u>	<u>167,736</u>	<u>160,108</u>	<u>906,228</u>	<u>868,949</u>
Total	<u>\$ 36,524,885</u>	<u>\$ 38,615,074</u>	<u>\$ 14,788,510</u>	<u>\$ 11,639,081</u>	<u>\$ 51,313,395</u>	<u>\$ 50,254,155</u>

During the fiscal year, the City's total bonded debt increased \$ 4,510,000 or 11% due to the net of issuance of bonds and current debt payments. The underlying rating on all of such Bonds and other obligations payable from such source are "AA+" on the General Obligations and "AA" on the Revenue Bonds by S&P.

Additional information on the City's long term debt can be found in Note 8 on pages 68-74 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2018-19 budget General Fund revenues and transfers -in are budgeted to increase by 5.8% from the 2017-18 fiscal year budget or 5.6% more than 2018-19 actual revenues. Sales Tax continues to be the largest source of General Fund revenues at 32%. Property tax and Industrial District Revenue each make up 21% of General Fund Revenues. Certified assessed taxable values increased by 9.6 %. 6.1% of this was attributable to new property. The adopted tax rate was reduced from \$.3375/100 to \$.3352.

The Utility Fund 2018-19 budget is 4.7% more than the proceeding year, For the fiscal year 2018-19 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 2.3% from \$3.05 per thousand to \$3.12. We are committed to purchase 730 million gallons from them per year. Also, our disposal rate at the landfill increased slightly over 2%.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2018

The City's comparative water and sewer rates are as follows:

Water Rates	<u>Fiscal Year 2018-19</u>	<u>Fiscal Year 2017-18</u>
Residential base (2,000 gallons)	\$ 13.50	\$ 13.25
Commercial & Multi-family base	\$ 27.00	\$ 26.50
2,000 to 20,000 gallons	\$ 4.30	\$ 4.20
Over 20,000 gallons	\$ 4.80	\$ 4.70

Sewer Rates	<u>Fiscal Year 2018-19</u>	<u>Fiscal Year 2017-18</u>
Residential base (2,000 gallons)	\$ 13.65	\$ 13.40
Commercial & Multi-family base	\$ 27.45	\$ 26.80
Over 20,000 gallons	\$ 4.60	\$ 4.50

Request for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF LAKE JACKSON
Lake Jackson, Texas

STATEMENT OF NET POSITION

September 30, 2018

	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 25,434,626	\$ 7,499,264	\$ 32,933,890
Taxes receivable (net)	1,838,513		1,838,513
Accounts receivable (net)	642,698	871,801	1,514,499
Investments	301,511		301,511
Inventories	87,524	53,463	140,987
Prepaid expenses	29,516	7,674	37,190
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		10,275,461	10,275,461
Capital Assets (Net of Accumulated Depreciation):			
Land	2,551,017	3,821,585	6,372,602
Buildings	17,344,301	897,140	18,241,441
Improvements other than buildings	3,430,276	21,759,429	25,189,705
Furniture, equipment, and vehicles	5,235,996	2,743,947	7,979,943
Infrastructure	32,557,863	9,979,208	42,537,071
Construction in progress	2,853,595	1,388,786	4,242,381
Total assets	92,307,436	59,297,758	151,605,194
Deferred Outflows of Resources:			
Deferred outflows of resources - debt refunding cost	215,637	39,295	254,932
Deferred outflows of resources – pension	2,422,681	676,913	3,099,594
Deferred outflows of resources - OPEB	37,128	10,953	48,081
Total deferred outflows of resources	2,675,446	727,161	3,402,607

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2018

	Governmental Activities	Business- Type Activities	Total
Liabilities:			
Accounts payable	\$ 966,735	\$ 968,197	\$ 1,934,932
Cash bonds and taxes	115,931		115,931
Accrued wages	430,895	111,011	541,906
Accrued interest	39,348	203,890	243,238
Unearned revenue	131,676	148,815	280,491
Liabilities payable from restricted assets		829,309	829,309
Noncurrent liabilities:			
Due within one year	3,740,299	1,446,886	5,187,185
Due in more than one year	30,663,735	12,509,344	43,173,079
Net pension liability	1,620,116	684,563	2,304,679
Total OPEB liability	<u>500,735</u>	<u>147,717</u>	<u>648,452</u>
Total liabilities	<u>38,209,470</u>	<u>17,049,732</u>	<u>55,259,202</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	<u>2,511,403</u>	<u>740,867</u>	<u>3,252,270</u>
Total deferred inflows of resources	<u>2,511,403</u>	<u>740,867</u>	<u>3,252,270</u>
Net Position:			
Net investment in capital assets	36,842,141	27,429,024	64,271,165
Restricted For:			
Debt service	951,607	1,527,830	2,479,437
Economic development	1,824,256		1,824,256
Construction		6,757,421	6,757,421
Other	504,413		504,413
Unrestricted	<u>14,139,592</u>	<u>6,520,045</u>	<u>20,659,637</u>
Total net position	<u>\$ 54,262,009</u>	<u>\$ 42,234,320</u>	<u>\$ 96,496,329</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 4,469,968	\$ 627,106	\$	\$
Public safety	8,014,355		48,056	554,207
Public works	4,815,157	334,908	346,610	
Culture and recreation	6,259,805	1,150,568		
Interest on long-term debt	<u>962,144</u>			
Total governmental activities	<u>24,521,429</u>	<u>2,112,582</u>	<u>394,666</u>	<u>554,207</u>
Business-type Activities:				
Water and sewer	9,670,841	11,048,240		232,540
Sanitation	3,240,185	3,920,214		
Golf course	<u>2,038,347</u>	<u>1,309,422</u>		
Total business-type activities	<u>14,949,373</u>	<u>16,277,876</u>	<u>-0-</u>	<u>232,540</u>
Total	<u>\$ 39,470,802</u>	<u>\$ 18,390,458</u>	<u>\$ 394,666</u>	<u>\$ 786,747</u>

General Revenue:

Taxes:
Property
Sales
Franchise
Occupancy
Other
Industrial district
Investment earnings
Miscellaneous
Gain on the disposition of capital assets
Transfers
Total general revenues and transfers

Change in net position

Net position – beginning (restated)

Net position – ending

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$(3,842,862)	\$	\$(3,842,862)
(7,412,092)		(7,412,092)
(4,133,639)		(4,133,639)
(5,109,237)		(5,109,237)
<u>(962,144)</u>		<u>(962,144)</u>
<u>(21,459,974)</u>	<u>-0-</u>	<u>(21,459,974)</u>
	1,609,939	1,609,939
	680,029	680,029
	<u>(728,925)</u>	<u>(728,925)</u>
<u>-0-</u>	<u>1,561,043</u>	<u>1,561,043</u>
<u>(21,459,974)</u>	<u>1,561,043</u>	<u>(19,898,931)</u>
6,619,739		6,619,739
10,266,971		10,266,971
1,693,598		1,693,598
590,629		590,629
254,155		254,155
4,501,353		4,501,353
387,708	272,969	660,677
553,819		553,819
10,467		10,467
<u>(31,459)</u>	<u>31,459</u>	<u>-0-</u>
<u>24,846,980</u>	<u>304,428</u>	<u>25,151,408</u>
3,387,006	1,865,471	5,252,477
<u>50,875,003</u>	<u>40,368,849</u>	<u>91,243,852</u>
<u>\$ 54,262,009</u>	<u>\$ 42,234,320</u>	<u>\$ 96,496,329</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2018

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>General Debt Service Fund</u>	<u>2016-17 Infrastructure Improvement 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	\$ 14,010,996	\$ 1,317,146	\$ 749,331	\$ 5,618,868	\$ 3,738,285	\$ 25,434,626
Receivables (net of allowance for uncollectibles):						
Taxes	1,246,311	552,631	21,370		18,201	1,838,513
Accounts	52,410				12,753	65,163
Investments	301,511					301,511
Inventories	87,524					87,524
Prepaid expenditures	<u>29,516</u>					<u>29,516</u>
Total assets	<u>15,728,268</u>	<u>1,869,777</u>	<u>770,701</u>	<u>5,618,868</u>	<u>3,769,239</u>	<u>27,756,853</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>\$ 15,728,268</u>	<u>\$ 1,869,777</u>	<u>\$ 770,701</u>	<u>\$ 5,618,868</u>	<u>\$ 3,769,239</u>	<u>\$ 27,756,853</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 621,050	\$ 45,521	\$ 12,982	\$ 170,766	\$ 116,416	\$ 966,735
Cash bonds and taxes	115,931					115,931
Accrued wages	430,895					430,895
Unearned revenue	<u>85,476</u>				<u>46,200</u>	<u>131,676</u>
Total liabilities	<u>1,253,352</u>	<u>45,521</u>	<u>12,982</u>	<u>170,766</u>	<u>162,616</u>	<u>1,645,237</u>
Deferred Inflows of Resources:						
Deferred inflows of resources-property taxes	<u>38,969</u>		<u>21,370</u>			<u>60,339</u>
Total deferred inflows of resources	<u>38,969</u>	<u>-0-</u>	<u>21,370</u>	<u>-0-</u>	<u>-0-</u>	<u>60,339</u>
Fund Balances:						
Non-spendable	117,040					117,040
Restricted		1,824,256	736,349	5,448,102	1,590,946	9,599,653
Committed	921,955					921,955
Assigned	7,025,324				2,015,677	9,041,001
Unassigned	<u>6,371,628</u>					<u>6,371,628</u>
Total fund balances	<u>14,435,947</u>	<u>1,824,256</u>	<u>736,349</u>	<u>5,448,102</u>	<u>3,606,623</u>	<u>26,051,277</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,728,268</u>	<u>\$ 1,869,777</u>	<u>\$ 770,701</u>	<u>\$ 5,618,868</u>	<u>\$ 3,769,239</u>	<u>\$ 27,756,853</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, 2018

Total fund balances – governmental funds balance sheet	\$ 26,051,277
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 167,277,444 assets less \$ 103,304,396 in accumulated depreciation.	63,973,048
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 \$ 38,969 and \$ 21,370, respectively.	60,339
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 \$ 1,446,021 net of allowance for uncollectible accounts of \$ 868,486 of the general fund amounted to \$ 577,535.	577,535
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 \$ 215,637 (issuance costs of \$ 340,491 less amortization of \$ 124,854).	215,637
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 \$ 1,370,542 (premium on the sale of bonds of \$ 2,240,794 less amortization of \$ 870,252).	(1,370,542)
Pension deferred outflows of resources	2,422,681
OPEB deferred outflows of resources	37,128
Pension deferred inflows of resources	(2,511,403)
Payable for bond principal and other long-term debt are not reported in the funds.	(32,295,000)
Payable for bond interest is not reported in the funds.	(39,348)
Net pension liability is not reported in the funds.	(1,620,116)
Total OPEB liability is not reported in the funds.	(500,735)
Payable for long-term compensated absences is not reported in the funds.	(<u>738,492</u>)
Net position of governmental activities – statement of net position.	\$ <u>54,262,009</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, 2018

	General Fund	Economic Development Fund	General Debt Service Fund	2016-17 Infrastructure Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
<u>Revenues</u>						
Taxes:						
Property	\$ 4,354,049	\$	\$ 2,257,198	\$	\$	\$ 6,611,247
Sales	6,815,971	3,451,000				10,266,971
Franchise	1,619,704				73,894	1,693,598
Occupancy					590,629	590,629
Other	254,155					254,155
Industrial district	4,501,353					4,501,353
Intergovernmental	48,056	140,194			206,416	394,666
Revenue producing facilities	1,150,568					1,150,568
Fines and fees	553,806					553,806
Licenses and permits	334,908					334,908
Investment earnings	191,356	18,380	20,543	95,246	62,183	387,708
Miscellaneous	<u>95,209</u>	<u>402,417</u>			<u>56,193</u>	<u>553,819</u>
Total revenues	<u>19,919,135</u>	<u>4,011,991</u>	<u>2,277,741</u>	<u>95,246</u>	<u>989,315</u>	<u>27,293,428</u>
<u>Expenditures:</u>						
Current:						
General government and administration	3,931,224				147,241	4,078,465
Public safety	7,097,117				85,554	7,182,671
Public works	2,681,410					2,681,410
Culture and recreation	4,679,685	195,246			531,562	5,406,493
Capital outlay	1,096,831	965,711		1,215,864	2,635,289	5,913,695
Debt Service:						
Principal retirement			1,730,000		1,445,000	3,175,000
Interest and fiscal charges			<u>648,189</u>		<u>447,084</u>	<u>1,095,273</u>
Total expenditures	<u>19,486,267</u>	<u>1,160,957</u>	<u>2,378,189</u>	<u>1,215,864</u>	<u>5,291,730</u>	<u>29,533,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>432,868</u>	<u>2,851,034</u>	<u>(100,448)</u>	<u>(1,120,618)</u>	<u>(4,302,415)</u>	<u>(2,239,579)</u>
<u>Other Financing Sources (Uses):</u>						
Issuance of bonds				3,935,000		3,935,000
Bond issuance premium			108,307	65,000		173,307
Sale of capital assets	75,328					75,328
Transfers in	1,620,756				2,334,839	3,955,595
Transfers out	<u>(687,563)</u>	<u>(2,734,839)</u>			<u>(72,953)</u>	<u>(3,495,355)</u>
Total other financing sources (uses)	<u>1,008,521</u>	<u>(2,734,839)</u>	<u>108,307</u>	<u>4,000,000</u>	<u>2,261,886</u>	<u>4,643,875</u>
Net change in fund balances	1,441,389	116,195	7,859	2,879,382	(2,040,529)	2,404,296
Fund balances - beginning	<u>12,994,558</u>	<u>1,708,061</u>	<u>728,490</u>	<u>2,568,720</u>	<u>5,647,152</u>	<u>23,646,981</u>
Fund balances - ending	<u>\$ 14,435,947</u>	<u>\$ 1,824,256</u>	<u>\$ 736,349</u>	<u>\$ 5,448,102</u>	<u>\$ 3,606,623</u>	<u>\$ 26,051,277</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, 2018

Net change in fund balances – total governmental funds \$ 2,404,296

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 \$ 5,913,695 less depreciation of \$ 4,498,970 in the current period. 1,414,725

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. (491,699)

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. 554,207

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 (decreased) by \$ 6,138 and \$ 2,354, respectively. 8,492

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 increase in revenues reported in the governmental activities statement of activities. 73,300

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 \$ 3,175,000. 3,175,000

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 \$ 3,935,000. (3,935,000)

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 \$ 30,262. (30,262)

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 \$ 164,537 less current proceeds of \$ 173,307. (8,770)

(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, 2018

Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 351,455 less than the amount reported in the funds.	351,455
Governmental funds report OPEB payments as expenditures. However, in the governmental activities statement of activities, the OPEB cost is calculated by an actuary and involves multiple factors. The amount of OPEB expense reported was \$ 33,080 more than the amount reported in the funds.	(33,080)
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.	\$(1,146)
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.	(29,651)
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 \$ 64,861 (cost of \$ 1,092,532 less accumulated depreciation of \$ 1,027,671).	(<u>64,861</u>)
Change in net position of governmental activities	\$ <u><u>3,387,006</u></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, 2018

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 4,388,426	\$ 4,388,426
Sales	6,600,000	6,600,000
Franchise	1,620,000	1,620,000
Other	144,500	144,500
Industrial district	4,485,526	4,485,526
Intergovernmental		
Revenue producing facilities	1,257,630	1,257,630
Fines and fees	516,000	516,000
Licenses and permits	460,800	460,800
Investment earnings	60,000	60,000
Miscellaneous	120,300	120,300
	<u>19,653,182</u>	<u>19,653,182</u>
Total revenues		
Expenditures:		
Current:		
General government and administration	3,955,463	3,955,463
Public safety	7,347,429	7,347,429
Public works	3,274,167	3,274,167
Culture and recreation	4,958,118	4,958,118
Capital outlay	1,228,451	1,228,451
	<u>20,763,628</u>	<u>20,763,628</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	(1,110,446)	(1,110,446)
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,620,988	1,620,988
Transfer out	(687,563)	(687,563)
	<u>933,425</u>	<u>933,425</u>
Total other financing sources (uses)		
Net change in fund balance	(177,021)	(177,021)
Fund balance - beginning	12,994,558	12,994,558
Fund balance - ending	<u>\$ 12,817,537</u>	<u>\$ 12,817,537</u>

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

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 4,354,049	\$	\$ 4,354,049	\$(34,377)
6,815,971		6,815,971	215,971
1,619,704		1,619,704	(296)
254,155		254,155	109,655
4,501,353		4,501,353	15,827
48,056		48,056	48,056
1,150,568		1,150,568	(107,062)
553,806		553,806	37,806
334,908		334,908	(125,892)
191,356		191,356	131,356
95,209		95,209	(25,091)
<u>19,919,135</u>	<u>-0-</u>	<u>19,919,135</u>	<u>265,953</u>
3,931,224		3,931,224	24,239
7,097,117		7,097,117	250,312
2,681,410		2,681,410	592,757
4,679,685		4,679,685	278,433
<u>1,096,831</u>	<u>-0-</u>	<u>1,096,831</u>	<u>131,620</u>
<u>19,486,267</u>	<u>-0-</u>	<u>19,486,267</u>	<u>1,277,361</u>
<u>432,868</u>	<u>-0-</u>	<u>432,868</u>	<u>1,543,314</u>
75,328		75,328	75,328
1,620,756		1,620,756	(232)
<u>(687,563)</u>	<u>-0-</u>	<u>(687,563)</u>	<u>-0-</u>
<u>1,008,521</u>	<u>-0-</u>	<u>1,008,521</u>	<u>75,096</u>
1,441,389	-0-	1,441,389	1,618,410
<u>12,994,558</u>	<u>-0-</u>	<u>12,994,558</u>	<u>-0-</u>
<u>\$ 14,435,947</u>	<u>\$ -0-</u>	<u>\$ 14,435,947</u>	<u>\$ 1,618,410</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 3,337,500	\$ 3,337,500	\$ 3,451,000	\$ 113,500
Intergovernmental			140,194	140,194
Investment earnings	12,000	12,000	18,380	6,380
Miscellaneous			402,417	402,417
Total revenues	<u>3,349,500</u>	<u>3,349,500</u>	<u>4,011,991</u>	<u>662,491</u>
Expenditures:				
Current:				
Culture and recreation	95,000	195,000	195,246	(246)
Capital outlay	<u>985,000</u>	<u>1,630,761</u>	<u>965,711</u>	<u>665,050</u>
Total expenditures	<u>1,080,000</u>	<u>1,825,761</u>	<u>1,160,957</u>	<u>664,804</u>
Excess of revenue over expenditures	<u>2,269,500</u>	<u>1,523,739</u>	<u>2,851,034</u>	<u>1,327,295</u>
Other Financing Uses:				
Transfers out	(2,542,084)	(2,742,084)	(2,734,839)	7,245
Total other financing uses	(2,542,084)	(2,742,084)	(2,734,839)	7,245
Net change in fund balance	(272,584)	(1,218,345)	116,195	1,334,540
Fund balance - beginning	<u>1,708,061</u>	<u>1,708,061</u>	<u>1,708,061</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 1,435,477</u>	<u>\$ 489,716</u>	<u>\$ 1,824,256</u>	<u>\$ 1,334,540</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, 2018

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 7,419,383	\$ 79,881	\$ 7,499,264
Receivables (net of allowance for uncollectibles):			
Accounts	852,295	19,506	871,801
Inventories		53,463	53,463
Prepaid expenses		7,674	7,674
	<u>8,271,678</u>	<u>160,524</u>	<u>8,432,202</u>
Current Restricted Assets:			
Cash and cash equivalents	<u>7,955,613</u>		<u>7,955,613</u>
Total current restricted assets	<u>7,955,613</u>	<u>-0-</u>	<u>7,955,613</u>
Total current assets	<u>16,227,291</u>	<u>160,524</u>	<u>16,387,815</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u>2,319,848</u>		<u>2,319,848</u>
Total noncurrent restricted assets	<u>2,319,848</u>	<u>-0-</u>	<u>2,319,848</u>
Capital Assets:			
Property, plant and equipment	74,993,867	9,395,812	84,389,679
Construction in progress	1,234,583	154,203	1,388,786
Less accumulated depreciation	(41,771,448)	(3,416,922)	(45,188,370)
Total capital assets (net of accumulated depreciation)	<u>34,457,002</u>	<u>6,133,093</u>	<u>40,590,095</u>
Total noncurrent assets	<u>36,776,850</u>	<u>6,133,093</u>	<u>42,909,943</u>
Total assets	<u>53,004,141</u>	<u>6,293,617</u>	<u>59,297,758</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - debt refunding costs	39,295		39,295
Deferred outflows of resources - pension	676,913		676,913
Deferred outflows of resources - OPEB	10,953		10,953
Total deferred outflows of resources	<u>727,161</u>	<u>-0-</u>	<u>727,161</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS - Continued

September 30, 2018

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 902,306	\$ 65,891	\$ 968,197
Accrued wages	111,011		111,011
Unearned revenue		148,815	148,815
Accrued compensated absences	100,425		100,425
Revenue bonds payable	<u>758,333</u>		<u>758,333</u>
	<u>1,872,075</u>	<u>214,706</u>	<u>2,086,781</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest	203,890		203,890
Customer deposits	829,309		829,309
Revenue bonds payable	<u>588,128</u>		<u>588,128</u>
Total current liabilities payable from restricted assets	<u>1,621,327</u>	<u>-0-</u>	<u>1,621,327</u>
Total current liabilities	<u>3,493,402</u>	<u>214,706</u>	<u>3,708,108</u>
Noncurrent Liabilities:			
Revenue bonds payable	12,442,033		12,442,033
Accrued compensated absences	67,311		67,311
Net pension liability	684,563		684,563
Total OPEB liability	<u>147,717</u>		<u>147,717</u>
Total noncurrent liabilities	<u>13,341,624</u>	<u>-0-</u>	<u>13,341,624</u>
Total liabilities	<u>16,835,026</u>	<u>214,706</u>	<u>17,049,732</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	<u>740,867</u>		<u>740,867</u>
Total deferred inflows of resources	<u>740,867</u>	<u>-0-</u>	<u>740,867</u>
Net Position:			
Net investment in capital assets	21,295,931	6,133,093	27,429,024
Restricted For:			
Revenue bond retirement	1,527,830		1,527,830
Construction	6,757,421		6,757,421
Unrestricted	<u>6,574,227</u>	<u>(54,182)</u>	<u>6,520,045</u>
Total net position	<u>\$ 36,155,409</u>	<u>\$ 6,078,911</u>	<u>\$ 42,234,320</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, 2018

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 5,131,760	\$	\$ 5,131,760
Sewer service	5,410,613		5,410,613
Garbage fees	3,920,214		3,920,214
Tapping and connection fees	288,986		288,986
Golf course fees and charges		1,309,422	1,309,422
Other	216,881		216,881
Total operating revenues	14,968,454	1,309,422	16,277,876
Operating Expenses:			
Utility administration	586,934		586,934
Water production and treatment	3,527,509		3,527,509
Sewer collection	2,302,531		2,302,531
Sanitation	3,240,185		3,240,185
Golf course		1,708,028	1,708,028
Depreciation	2,625,219	330,319	2,955,538
Total operating expenses	12,282,378	2,038,347	14,320,725
Operating income (loss)	2,686,076	(728,925)	1,957,151
Non-Operating Revenues (Expenses):			
Interest revenue	271,088	1,881	272,969
Loss on disposition of capital assets	(39,095)		(39,095)
Interest expense and fiscal charges	(589,553)		(589,553)
Total non-operating revenues (expenses)	(357,560)	1,881	(355,679)
Income (loss) before contributions and transfers	2,328,516	(727,044)	1,601,472
Capital contributions	232,540	491,699	724,239
Transfers in	687,563	500,000	1,187,563
Transfers out	(1,647,803)		(1,647,803)
Change in net position	1,600,816	264,655	1,865,471
Net position at beginning of year (restated)	34,554,593	5,814,256	40,368,849
Net position at end of year	\$ 36,155,409	\$ 6,078,911	\$ 42,234,320

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, 2018

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 14,899,201	\$ 1,285,257	\$ 16,184,458
Payments to suppliers	(6,762,093)	(886,924)	(7,649,017)
Payments to employees	(2,440,666)	(884,554)	(3,325,220)
Net cash provided (used) by operating activities	5,696,442	(486,221)	5,210,221
Cash Flows from Non-Capital Financing Activities:			
Transfers in	687,563	500,000	1,187,563
Transfers out	(1,647,803)		(1,647,803)
Net cash provided (used) by non-capital and related financing activities	(960,240)	500,000	(460,240)
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(1,934,517)		(1,934,517)
Proceeds from sale of bonds	5,163,684		5,163,684
Principal and premium paid on capital debt	(1,245,199)		(1,245,199)
Interest and fiscal charges paid on capital debt	(512,863)		(512,863)
Net cash provided by capital and related financing activities	1,471,105	-0-	1,471,105
Cash Flows from Investing Activities:			
Interest received	271,088	1,881	272,969
Net cash provided by investing activities	271,088	1,881	272,969
Change in cash and cash equivalents	6,478,395	15,660	6,494,055
Cash and cash equivalents at the beginning of year	11,216,449	64,221	11,280,670
Cash and cash equivalents at the end of year	\$ 17,694,844	\$ 79,881	\$ 17,774,725

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2018

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 2,686,076	\$(728,925)	\$ 1,957,151
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,625,219	330,319	2,955,538
(Increase) decrease in:			
Accounts receivable	(85,663)	(19,229)	(104,892)
Inventories		(9,387)	(9,387)
Prepaid expenses		2,618	2,618
Increase (decrease) in:			
Accounts payable	172,132	(33,271)	138,861
Accrued wages payable	9,201	(23,410)	(14,209)
Net pension liability	(167,980)		(167,980)
Total OPEB liability	433,419		433,419
Accrued compensated absences	7,628		7,628
Deferred revenue		(4,936)	(4,936)
Customer deposits	16,410		16,410
Total adjustments	<u>3,010,366</u>	<u>242,704</u>	<u>3,253,070</u>
Net cash provided (used) by operating activities	<u>\$ 5,696,442</u>	<u>\$(486,221)</u>	<u>\$ 5,210,221</u>
Non-cash Investing, Capital, and Financing Activities:			
Capital contributions	<u>\$ 232,540</u>	<u>\$ 491,699</u>	<u>\$ 724,239</u>
Net effect of non-cash transactions	<u>\$ 232,540</u>	<u>\$ 491,699</u>	<u>\$ 724,239</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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

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, 2018

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information of the primary government and its component unit. Except for balances between governmental activities and business-type activities, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The City has two proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

The City has presented the following major governmental funds:

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

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

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

The *2016-17 Infrastructure Improvement Fund* accounts for the proceeds of the 2016 Limited Tax Bonds issue for financing the infrastructure improvements.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

New Pronouncements

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

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. This statement was implemented and did have a material effect on the City's financial statements. This statement is effective for periods beginning after June 15, 2017.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - continued

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.

GASB No. 85 “Omnibus 2017” was issued in March 2017. This statement was implemented and did not have a material effect on the City’s financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 86 “Certain Debt Extinguishment Issues” was issued in May 2017. This statement was implemented and did not have a material effect on the City’s financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 87 “Leases” was issued in June 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, 2019.

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. 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 reporting periods beginning after December 15, 2019.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. 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 reporting periods beginning after December 15, 2019.

GASB No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. 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 reporting periods beginning after December 15, 2018.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data

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

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

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

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

The following reconciles the differences between the legally enacted budget basis and the GAAP basis of accounting for the year ended September 30, 2018:

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	\$ 1,600,816
Provisions for Current Adjustments To:	
Depreciation	2,625,219
Amortization of loss on refunding debt	<u>23,022</u>
Change in net position - budgetary basis	<u>\$ 4,249,057</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - continued

Proprietary Fund Types - continued:

	<u>Golf Course Operating Fund</u>
Change in net position - GAAP basis	\$ 264,655
Provisions for Current Adjustments To:	
Depreciation	<u>330,319</u>
Change in net position - budgetary basis	<u>\$ 594,974</u>

Encumbrances

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

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the City likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period.

If the City allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate. The city canceled all the open purchase orders at the end of fiscal year, therefore, the city had no outstanding encumbrances as of September 30, 2018.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2018:

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Receivables, Payables and Transfers

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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, 2018.

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, 2018

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, 2017, upon which the levy for the 2017-18 fiscal year was based, was \$ 2,300,167,444. 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, 2018, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.230276 and \$ 0.107224 per \$ 100 valuation, respectively, for a total of \$ 0.3375 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2018, were 99.8% 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, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 38,969 and \$ 21,370 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences - Continued

As of September 30, 2018, accrued compensated absences reported in the Governmental Activities totaled \$ 738,492. Accrued compensated absences reported in the Enterprise Fund totaled \$ 167,736.

Pension Plans and OPEB Plan

For purposes of measuring the net pension liability, total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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, 2018, consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 70,407	\$
Supplies held for resale	<u>17,122</u>	<u>53,463</u>
	<u>\$ 87,524</u>	<u>\$ 53,463</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, 2018

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.

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, 2018, 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following schedule presents details of fund balance components at September 30, 2018:

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>General Debt Service Fund</u>	<u>Infrastructure Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Non-spendable:						
Inventories	\$ 87,524					\$ 87,524
Prepaid expenditures	29,516					29,516
Restricted:						
Debt service			736,349			736,349
Capital projects				5,448,102	1,086,533	6,534,635
Economic development		1,824,256				1,824,256
Program education					287,232	287,232
Encourage tourism					155,192	155,192
Law enforcement					61,989	61,989
Committed:						
Contingencies	921,955					921,955
Assigned:						
General construction					2,015,677	2,015,677
Unemployment insurance	114,181					114,181
Equipment replacement	6,831,217					6,831,217
Special events	6,468					6,468
Park improvement	73,458					73,458
Unassigned	<u>6,371,628</u>					<u>6,371,628</u>
Total fund balances	<u>\$ 14,435,947</u>	<u>\$ 1,824,256</u>	<u>\$ 736,349</u>	<u>\$ 5,448,102</u>	<u>\$ 3,606,623</u>	<u>\$ 26,051,277</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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following schedule presents details of net position balance components at September 30, 2018:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position:			
Net investment in capital assets	\$ 36,842,141	\$ 27,429,024	\$ 64,271,165
Restricted:			
Debt service	951,607		951,607
Economic development	1,824,256		1,824,256
Program education	287,232		287,232
Encourage tourism	155,192		155,192
Law enforcement	61,989		61,989
Revenue bond retirement		1,527,830	1,527,830
Construction		6,757,421	6,757,421
Unrestricted	<u>14,139,592</u>	<u>6,520,045</u>	<u>20,659,637</u>
Total net position	<u>\$ 54,262,009</u>	<u>\$ 42,234,320</u>	<u>\$ 96,496,329</u>

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2018, the City implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The following represents the retroactive restatement of net position as a result of implementation of GASB Statement No. 75 and prior period adjustment as noted above:

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
Net position, September 30, previously reported	\$ 51,305,530	\$ 40,495,855	\$ 91,801,385
Addition of total OPEB liability	<u>(430,527)</u>	<u>(127,006)</u>	<u>(557,533)</u>
Net position, September 30, restated	<u>\$ 50,875,003</u>	<u>\$ 40,368,849</u>	<u>\$ 91,243,852</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

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, 2018, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 7,107	\$	\$ 7,107
Financial Institution Deposits:			
Demand deposits	6,655,130	2,076,867	8,731,997
Local Government Investment Pools:			
Texpool	7,773,895	2,426,000	10,199,895
Lone Star Investment Pool	7,588,188	2,368,046	9,956,234
TexSTAR	<u>10,909,570</u>	<u>3,404,548</u>	<u>14,314,118</u>
	<u>\$ 32,933,890</u>	<u>\$ 10,275,461</u>	<u>\$ 43,209,351</u>
Investments:			
Financial Institution Deposits:			
Certificates of deposit	\$ <u>301,511</u>	\$ _____	\$ <u>301,511</u>
	<u>\$ 301,511</u>	<u>\$ -0-</u>	<u>\$ 301,511</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, 2018, in addition to petty cash of \$ 7,107, the carrying amount of the City's cash, savings, and time deposits was \$ 9,033,508. The financial institutions balances were \$ 9,356,463 at September 30, 2018. Bank balances of \$ 613,440 were covered by federal depository insurance, and \$ 8,743,023 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, 2018

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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

The City invests in TexPool, Lone Star Investment Pool, and TexSTAR to provide its liquidity needs. TexPool, Lone Star Investment Pool, and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Lone Star Investment Pool, and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool, Lone Star Investment Pool, and TexSTAR are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2018 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 28 days, 28 days, and 38 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 28 days, 28 days, and 38 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.

The following table includes the portfolio balances of all investment types of the City at September 30, 2018.

	<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	28	\$ 10,199,895
Lone Star Investment Pool	N/A	Varies daily	28	9,956,234
TexSTAR	N/A	Varies daily	38	<u>14,314,118</u>
Total local government investment pools			32	<u>34,470,247</u>
Certificate of deposit	06-19-19	1.00%	262	100,000
Certificate of deposit	11-30-19	0.70%	61	100,000
Certificate of deposit	02-04-19	0.65 %	127	<u>101,511</u>
Total certificates of deposit			152	<u>301,511</u>
Total investments			33	<u>\$ 34,771,758</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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, 2018, the LGIP’s (which represent approximately 99.1% of the portfolio are rated AAAM by Standard and Poor’s, while the certificates of deposits (0.9% 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 police 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.

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 City holds no investments which are measured at fair value at September 30, 2018.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES – Continued

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, 2018, and holds no direct investments in derivatives at September 30, 2018.

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, 2018, 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)	\$ 38,969	\$
Delinquent property taxes receivable (debt service fund)	21,370	
Donation received for dog park project		46,200
Recreation memberships and deposits	<u> </u>	<u>85,476</u>
Total	<u>\$ 60,339</u>	<u>\$ 131,676</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, 2018 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).

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

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

Continued

As of September 30, 2018, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
<u>Governmental Activities</u>			
Debt refunding loss	\$ 215,637	\$	\$
Pension deferred outflows and inflows of resources less amortization – TMRS	1,522,168	2,511,403	
Pension contributions subsequent to the measurement date - TMRS	772,546		
Pension deferred outflows and inflows of resources less amortization – TESRS	31,764		
Pension contributions subsequent to the measurement date - TESRS	96,203		
OPEB deferred outflows and inflows of resources less amortization	33,310		
OPEB contributions subsequent to the measurement date	3,818		
Donation received for dog park project			46,200
Recreation memberships and deposits			85,476
	<u> </u>	<u> </u>	<u> </u>
Totals	\$ <u>2,675,446</u>	\$ <u>2,511,403</u>	\$ <u>131,676</u>
<u>Business-Type Activities</u>			
Debt refunding loss	\$ 39,295	\$	\$
Pension deferred outflows and inflows of resources less amortization - TMRS	449,041	740,867	
Pension contributions subsequent to the measurement date - TMRS	227,872		
OPEB deferred outflows and inflows of resources less amortization	9,827		
OPEB contributions subsequent to the measurement date	1,126		
Golf course memberships and deposits			148,815
	<u> </u>	<u> </u>	<u> </u>
Totals	\$ <u>727,161</u>	\$ <u>740,867</u>	\$ <u>148,815</u>
Total TMRS pension deferred outflows and inflows of resources	\$ <u>2,971,627</u>	\$ <u>3,252,270</u>	
Total TESRS pension deferred outflows and inflows of resources	\$ <u>127,967</u>	\$ <u>-0-</u>	
Total OPEB deferred outflows and inflows of resources	\$ <u>48,081</u>	\$ <u>-0-</u>	

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended September 30, 2018 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	\$	\$	\$ 687,563	\$	\$ 687,563
Economic development	350,000	1,884,839		500,000	2,734,839
Non-major governmental	72,953				72,953
Proprietary Funds:					
Enterprise	<u>1,197,803</u>	<u>450,000</u>			<u>1,647,803</u>
	<u>\$ 1,620,756</u>	<u>\$ 2,334,839</u>	<u>\$ 687,563</u>	<u>\$ 500,000</u>	<u>\$ 5,143,158</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, 2018, was as follows:

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/18</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,477,779	\$ 73,238	\$	\$ 2,551,017
Construction in progress	<u>2,067,381</u>	<u>4,375,071</u>	<u>(3,588,857)</u>	<u>2,853,595</u>
Total capital assets, not being depreciated	<u>4,545,160</u>	<u>4,448,309</u>	<u>(3,588,857)</u>	<u>5,404,612</u>
Capital Assets, Being Depreciated:				
Buildings	31,806,105	306,487		32,112,592
Improvements	13,687,820	582,633	(7,817)	14,262,636
Equipment	14,123,853	1,191,523	(1,084,715)	14,230,661
Infrastructure	<u>98,230,835</u>	<u>3,036,108</u>		<u>101,266,943</u>
Total capital assets, being depreciated	<u>157,848,613</u>	<u>5,116,751</u>	<u>(1,092,532)</u>	<u>161,872,832</u>
Less Accumulated Depreciation For:				
Buildings	13,905,431	862,860		14,768,291
Improvements	10,359,630	480,547	(7,817)	10,832,360
Equipment	8,813,655	1,200,864	(1,019,854)	8,994,665
Infrastructure	<u>66,754,381</u>	<u>1,954,699</u>		<u>68,709,080</u>
Total accumulated depreciation	<u>99,833,097</u>	<u>4,498,970</u>	<u>(1,027,671)</u>	<u>103,304,396</u>
Total capital assets, being depreciated, net	<u>58,015,516</u>	<u>617,781</u>	<u>(64,861)</u>	<u>58,568,436</u>
Governmental activities capital assets, net	<u>\$ 62,560,676</u>	<u>\$ 5,066,090</u>	<u>\$ (3,653,718)</u>	<u>\$ 63,973,048</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 6 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/18</u>
Business-type Activities (Enterprise Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>4,890,471</u>	\$ <u>1,176,954</u>	\$ <u>(4,832,842)</u>	\$ <u>1,234,583</u>
Total capital assets, not being depreciated	<u>4,890,471</u>	<u>1,176,954</u>	<u>(4,832,842)</u>	<u>1,234,583</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	37,652,918	5,090,484		42,743,402
Equipment	7,956,140	696,925	(1,134,031)	7,519,034
Infrastructure	<u>19,295,948</u>	<u>35,536</u>		<u>19,331,484</u>
Total capital assets, being depreciated	<u>70,304,953</u>	<u>5,822,945</u>	<u>(1,134,031)</u>	<u>74,993,867</u>
Less Accumulated Depreciation:				
Buildings	4,703,552	132,533		4,836,085
Improvements other than buildings	21,214,970	1,310,816		22,525,786
Equipment	5,600,941	551,296	(1,094,936)	5,057,301
Infrastructure	<u>8,721,702</u>	<u>630,574</u>		<u>9,352,276</u>
Total accumulated depreciation	<u>40,241,165</u>	<u>2,625,219</u>	<u>(1,094,936)</u>	<u>41,771,448</u>
Total capital assets, being depreciated, net	<u>30,063,788</u>	<u>3,197,725</u>	<u>(39,095)</u>	<u>33,222,419</u>
Business-type activities capital assets, net	\$ <u>34,954,259</u>	\$ <u>4,374,680</u>	\$ <u>(4,871,937)</u>	\$ <u>34,457,002</u>
	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/18</u>
Business-type Activities (Golf Course Fund):				
Capital Assets, Not Being Depreciated:				
Land	\$ <u>3,821,585</u>	\$	\$	\$ <u>3,821,585</u>
Construction in progress		<u>154,203</u>		<u>154,203</u>
Total capital assets, not being depreciated	<u>3,821,585</u>	<u>154,203</u>	<u>-0-</u>	<u>3,975,788</u>
Capital Assets, Being Depreciated:				
Buildings	1,222,546			1,222,546
Improvements other than buildings	3,600,744	337,496		3,938,240
Equipment	<u>900,475</u>		(487,034)	<u>413,441</u>
Total capital assets, being depreciated	<u>5,723,765</u>	<u>337,496</u>	<u>(487,034)</u>	<u>5,574,227</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 6 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/18</u>
Less Accumulated Depreciation:				
Buildings	\$ 828,673	\$ 60,595	\$	\$ 889,268
Improvements other than buildings	2,136,240	260,187		2,396,427
Equipment	<u>608,724</u>	<u>9,537</u>	<u>(487,034)</u>	<u>131,227</u>
Total accumulated depreciation	<u>3,573,637</u>	<u>330,319</u>	<u>(487,034)</u>	<u>3,416,922</u>
Total capital assets, being depreciated, net	<u>2,150,128</u>	<u>7,177</u>	<u>-0-</u>	<u>2,157,305</u>
Business-type activities capital assets, net	<u>\$ 5,971,713</u>	<u>\$ 161,380</u>	<u>\$ -0-</u>	<u>\$ 6,133,093</u>
	<u>Balance</u> <u>10/01/17</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/18</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$	\$	\$ 3,821,585
Construction in progress	<u>4,890,471</u>	<u>1,331,157</u>	<u>(4,832,842)</u>	<u>1,388,786</u>
Total capital assets, not being depreciated	<u>8,712,056</u>	<u>1,331,157</u>	<u>(4,832,842)</u>	<u>5,210,371</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	41,253,662	5,427,980		46,681,642
Equipment	8,856,615	696,925	<u>(1,621,065)</u>	7,932,475
Infrastructure	<u>19,295,948</u>	<u>35,536</u>		<u>19,331,484</u>
Total capital assets, being depreciated	<u>76,028,718</u>	<u>6,160,441</u>	<u>(1,621,065)</u>	<u>80,568,094</u>
Less Accumulated Depreciation:				
Buildings	5,532,225	193,128		5,725,353
Improvements other than buildings	23,351,210	1,571,003		24,922,213
Equipment	6,209,665	560,833	<u>(1,581,970)</u>	5,188,528
Infrastructure	<u>8,721,702</u>	<u>630,574</u>		<u>9,352,276</u>
Total accumulated depreciation	<u>43,814,802</u>	<u>2,955,538</u>	<u>(1,581,970)</u>	<u>45,188,370</u>
Total capital assets, being depreciated, net	<u>32,213,916</u>	<u>3,204,903</u>	<u>(39,095)</u>	<u>35,379,724</u>
Business-type activities capital assets, net	<u>\$ 40,925,972</u>	<u>\$ 4,536,060</u>	<u>\$(4,871,937)</u>	<u>\$ 40,590,095</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 6 - CAPITAL ASSETS - Continued

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

Governmental Activities:

General government	\$ 445,724
Public safety	1,008,260
Public works, including depreciation of infrastructure	2,163,351
Culture and recreation	<u>881,635</u>
Total depreciation expense-governmental activities	\$ <u>4,498,970</u>

Business-type Activities:

Water and sewer	\$ 2,284,905
Sanitation	340,314
Golf course	<u>330,319</u>
Total depreciation expense-business-type activities	\$ <u>2,955,538</u>

During the year ended September 30, 2018, the City received contributed capital in the amount of \$ 786,747 of which \$ 554,207 was reported in governmental activities and \$ 232,540 was reported in business-type activities as construction in progress.

The City has entered into contracts for construction as of September 30, 2018, as follows:

Governmental Fund Construction Commitments

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Oak Drive South pavement	\$ 165,473	\$ 159,041	\$ 6,432
Dog park	650,281	15,094	635,187
Circle Way / Oak traffic light	208,055	189,141	18,914
Bastrop Bayou study	230,000	79,237	150,763
Downtown	936,000	42,758	893,242
East side drainage study	<u>559,894</u>	<u>89,969</u>	<u>469,925</u>
Total	\$ <u>2,749,703</u>	\$ <u>575,240</u>	\$ <u>2,174,463</u>

Proprietary Fund Construction Commitments

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Cart barn	\$ 404,085	\$	\$ 404,085
12 inch waterline Dow Tower	182,774	91,112	91,662
Design and management of above	41,160	37,839	3,321
Water tower design and management	27,000	15,000	12,000
Oak tower	49,600	43,380	6,220
Water tower rehab	249,500	142,600	106,900
Sub basin 6A	<u>127,000</u>	<u>96,400</u>	<u>30,600</u>
Total	\$ <u>1,081,119</u>	\$ <u>426,331</u>	\$ <u>654,788</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

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	\$ 65,722	\$	\$ 38,012	\$	\$ 103,734
Sales	1,105,262	552,631			1,657,893
Franchise	102,080			18,201	120,281
Allowance for uncollectible	<u>(26,753)</u>	<u> </u>	<u>(16,642)</u>	<u> </u>	<u>(43,395)</u>
Net taxes	<u>1,246,311</u>	<u>552,631</u>	<u>21,370</u>	<u>18,201</u>	<u>1,838,513</u>
Accounts	102,100			81,918	184,018
Allowance for uncollectible	<u>(49,690)</u>	<u> </u>	<u> </u>	<u>(69,165)</u>	<u>(118,855)</u>
Net account	<u>52,410</u>	<u>-0-</u>	<u>-0-</u>	<u>12,753</u>	<u>65,163</u>
Net total receivable	<u>\$ 1,298,721</u>	<u>\$ 552,631</u>	<u>\$ 21,370</u>	<u>\$ 30,954</u>	<u>\$ 1,903,676</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	\$ 897,666	\$ 24,826	\$ 922,492
Allowance for uncollectible	<u>(45,371)</u>	<u>(5,320)</u>	<u>(50,691)</u>
Net total receivable	<u>\$ 852,295</u>	<u>\$ 19,506</u>	<u>\$ 871,801</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

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, 2018, were \$ 1,446,021 and \$ 868,486, 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, 2018

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.

On December 7, 2016, the City issued City of Lake Jackson, Texas Certificates of Obligation, Series 2016 in the amount of \$ 3,855,000 and Limited Tax General Obligation Bonds, Series 2016 in the amount of \$ 2,965,000 to finance Force Main Lift station #25; sewer service extension; street and bridge; drainage; traffic signals; streets and sidewalks; and Downtown Area improvements.

On November 14, 2017, the City issued City of Lake Jackson, Texas Limited Tax Bonds, Series 2017 in the amount of \$ 3,935,000 to finance the downtown revitalization proposition, the plantation bridge proposition, the residential streets proposition, the drainage proposition, and the traffic proposition.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2018, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/18
		Issued	Maturity	Callable	
Limited Tax Bond					
Series 2009	3.75-5.25	2009	2029	2018	\$ 240,000
Limited Tax Refunding					
Series 2009	3.875-4.00	2009	2019	N/A	60,000
Certificates of Obligation					
Series 2009	3.50-5.00	2010	2030	2019	500,000
Limited Tax					
Series 2010	3.50-5.00	2010	2030	2020	1,800,000
Limited Tax Refunding					
Series 2011	2.00-4.00	2011	2023	2020	3,160,000
Limited Tax Refunding					
Series 2013	1.50-3.00	2013	2033	2023	3,000,000
Certificate of Obligation					
Series 2013	2.00-3.00	2013	2033	2023	1,500,000
Certificate of Obligation					
Series 2013A	2.00-3.00	2013	2023	2021	750,000
Certificates of Obligation					
Series 2014	2.00-3.00	2014	2034	2022	4,400,000
Limited Tax Refunding					
Series 2015	2.00-4.00	2015	2030	2026	6,820,000
Limited Tax Refunding					
Series 2016	2.00-3.00	2016	2037	2025	3,315,000
Certificates of Obligation					
Series 2016	2.00-3.00	2016	2036	2025	2,815,000
Limited Tax					
Series 2017	3.00-4.00	2017	2038	2026	<u>3,935,000</u>
Total					<u>\$ 32,295,000</u>

General obligation bond transactions for the year ended September 30, 2018, were as follows:

Bonds outstanding, October 1	\$ 31,535,000
Issued	3,935,000
Maturities	<u>(3,175,000)</u>
Bonds outstanding, September 30	<u>\$ 32,295,000</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 8 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

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, 2018, the amount of ad valorem taxes collected for interest and sinking was \$ 2,257,198. The debt service requirements for principal and interest were \$ 4,270,273. In addition, \$ 1,884,839 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, 2018:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 3,135,000	\$ 905,529	\$ 4,040,529
2020	3,070,000	809,429	3,879,429
2021	3,060,000	715,866	3,775,866
2022	2,870,000	626,079	3,496,079
2023	2,680,000	542,317	3,222,317
2024-2028	9,340,000	1,803,874	11,143,874
2029-2033	5,965,000	731,940	6,696,940
2034-2038	<u>2,175,000</u>	<u>129,067</u>	<u>2,304,067</u>
Total	<u>\$ 32,295,000</u>	<u>\$ 6,264,101</u>	<u>\$ 38,559,101</u>

Revenue Bonds Payable

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 8 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

On December 7, 2016, the City issued City of Lake Jackson, Waterworks and Sewer System Revenue Refunding Bonds, Series 2016 in the amount of \$ 970,000 and Waterworks and Sewer System Revenue Bonds, Series 2016 in the amount of \$ 2,915,000 to refund \$ 1,000,000 of Waterworks and Sewer System Revenue Bonds, Series 2007 and finance various Utility Construction projects. This refunding was undertaken to reduce total debt services payment over the next ten years by \$ 102,153 and to obtain an economic gain (difference between the present value of one debt service payment of the refunded and refunding bonds) of \$ 89,874.

On November 17, 2017, the City issued City of Lake Jackson, Waterworks and Sewer System Revenue Bonds, Series 2017 in the amount of \$ 4,950,000 to finance various utility construction projects.

Revenue bonds payable for business-type activities at September 30, 2018, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/18
		Issued	Maturity	Callable	
Revenue Bonds - Series 2009	3.50-4.50	2009	2030	2018	\$ 1,010,000
Revenue Bonds Refunding - Series 2010	2.00-4.00	2010	2021	N/A	2,280,000
Revenue Bonds - Series 2013	3.50-3.00	2013	2033	2022	1,500,000
Revenue Bonds Refunding- Series 2016	3.00	2016	2033	2025	3,515,000
Revenue Bonds - Series 2017	3.00-4.00	2017	2038	2026	<u>4,950,000</u>
Total					<u>\$ 13,255,000</u>

Revenue bond transactions for the year ended September 30, 2018 were as follows:

Bonds outstanding, October 1	\$ 9,505,000
Issued	4,950,000
Maturities	<u>(1,200,000)</u>
Bonds outstanding, September 30	<u>\$ 13,255,000</u>

The bond ordinances require that amounts sufficient to pay the next scheduled principal and interest payment be paid into a sinking account in equal monthly installments. At September 30, 2018, the required balance in the sinking fund was \$ 726,240. 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, 2018, the required balance in the reserve fund was \$ 1,505,415. At September 30, 2018, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 726,240; and the designated amount for the reserve totaled \$ 1,593,608. The total account balance of \$ 2,319,848 is sufficient to cover the combined reserve and sinking requirement of \$ 2,231,655.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 8 - LONG-TERM DEBT - Continued

Revenue Bonds Payable – Continued

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

The following is a summary of revenue bond requirements for business-type activities by year as of September 30, 2018:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 1,300,000	\$ 442,975	\$ 1,742,975
2020	1,295,000	395,975	1,690,975
2021	1,290,000	348,925	1,638,925
2022	710,000	302,075	1,012,075
2023	705,000	280,175	985,175
2024-2028	3,410,000	1,031,825	4,441,825
2029-2033	2,760,000	515,925	3,275,925
2034-2038	<u>1,785,000</u>	<u>150,638</u>	<u>1,935,638</u>
Total	<u>\$ 13,255,000</u>	<u>\$ 3,468,513</u>	<u>\$ 16,723,513</u>

Transactions for the year ended September 30, 2018, are summarized as follows:

	<u>Balance 10-01-17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09-30-18</u>	<u>Due Within One Year</u>
Governmental Type Activities:					
Certificates of obligation bonds	\$ 11,510,000	\$	\$ 1,045,000	\$ 10,465,000	\$ 1,045,000
Limited tax bonds	20,025,000	3,935,000	2,130,000	21,830,000	2,090,000
Premiums on bonds	1,361,772	173,307	164,537	1,370,542	157,249
Net pension liability	4,578,934	4,663,776	7,622,594	1,620,116	
Total OPEB liability	430,527	74,629	4,421	500,735	
Compensated absences	<u>708,841</u>	<u>500,260</u>	<u>470,609</u>	<u>738,492</u>	<u>448,050</u>
Total governmental activities	<u>38,615,074</u>	<u>9,346,972</u>	<u>11,437,161</u>	<u>36,524,885</u>	<u>3,740,299</u>
Business-Type Activities:					
Revenue bonds	9,505,000	4,950,000	1,200,000	13,255,000	1,300,000
Premium on bonds	365,009	213,684	45,199	533,494	46,461
Net pension liability	1,481,958	1,357,770	2,155,165	684,563	
Total OPEB liability	127,006	22,016	1,305	147,717	
Compensated absences	<u>160,108</u>	<u>111,800</u>	<u>104,172</u>	<u>167,736</u>	<u>100,425</u>
Total business-type activities	11,639,081	6,655,270	3,505,841	14,788,510	1,446,886

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 8 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

	<u>Balance</u> <u>10-01-17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09-30-18</u>	<u>Due Within</u> <u>One Year</u>
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	\$ 500,000	\$ 541,667	\$ 500,000	\$ 541,667	\$ 541,667
Premium on bonds	<u>35,996</u>	<u>55,664</u>	<u>45,199</u>	<u>46,461</u>	<u>46,461</u>
Net business-type activities	<u>11,103,085</u>	<u>6,057,939</u>	<u>2,960,642</u>	<u>14,200,382</u>	<u>858,758</u>
Total government (net)	<u>\$ 49,718,159</u>	<u>\$ 15,404,911</u>	<u>\$ 14,397,803</u>	<u>\$ 50,725,267</u>	<u>\$ 4,599,057</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 and total OPEB Liability

General fund and water and sewer enterprise fund have been used to liquidate the net pension liability and total OPEB liability. Total aggregate expenses/expenditures were \$ 1,391,910 and \$ 53,508 for the period associated with the net pension liability and total OPEB liability, respectively. See Note 10 and Note 11 for net pension liability and note 12 for total OPEB liability information.

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, 2018. Minimum future rentals to be received on noncancelable leases, as of September 30, 2018, for each of the next five years and in the aggregate are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2019	\$ 167,879
2020	172,775
2021	177,702
2022	182,834
2023	188,120
2024-2028	951,595
2029-2033	774,557
2034-2038	<u>115,925</u>
	<u>\$ 2,731,387</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 9 - LEASING OPERATIONS - Continued

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, 2018, for each of the next five years and in the aggregate are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2019	\$ 152,037
2020	152,037
2021	55,145
2022	<u>1,342</u>
	<u>\$ 360,561</u>

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City participates as one of 883 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 publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plans also provide death benefits and disability benefits. Effective January 1, 2002, members are vested after 5 years. 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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	126
Inactive employees entitled to but not yet receiving benefits	162
Active employees	<u>216</u>
	504

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 were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.84% and 12.14 % in the calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$ 1,357,569, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

<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%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	<u>5.0%</u>	7.50%
Total	100%	

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at 12/31/2016	\$ 59,546,391	\$ 53,900,866	\$ 5,645,525
Changes for the Year:			
Service cost	1,625,159		1,625,159
Interest	3,989,640		3,989,640
Difference between expected and actual experience	223,108		223,108
Contributions – employer		1,356,015	(1,356,015)
Contributions – employee		687,171	(687,171)
Net investment income		7,467,864	(7,467,864)
Benefit payment, including refunds of employee contributions	(2,506,390)	(2,506,390)	
Administrative expense		(38,715)	38,715
Other changes		(1,962)	1,962
Net changes	<u>3,331,517</u>	<u>6,963,983</u>	<u>(3,632,466)</u>
Balance at 12/31/2017	\$ <u>62,877,908</u>	\$ <u>60,864,849</u>	\$ <u>2,013,059</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

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 (Assets)	\$ 10,863,410	\$ 2,013,059	\$(5,232,387)

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.tmr.com.

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

For the year ended September 30, 2018, the City recognized pension expense of \$ 1,330,722.

At September 30, 2018, 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	\$ 374,498	\$ 186,640
Difference between projected and actual earnings	1,530,581	3,065,630
Differences in assumption changes	66,130	
Contributions subsequent to the measurement date	<u>1,000,418</u>	
 Total	 <u>\$ 2,971,627</u>	 <u>\$ 3,252,270</u>

\$ 1,000,418 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, 2019. 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, 2018

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

<u>Year Ended</u> <u>September 30,</u>		
2019	\$	124,969
2020		85,722
2021	(725,841)
2022	(765,911)

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.

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, 2017, there were 235 contributing fire and/or emergency services department members participating in TESRS. 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.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

C. 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 every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

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.

D. 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, 2017, total contributions of \$ 5,012,131 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$ 1,583,825 for the fiscal year ending August 31, 2017.

The City is not an employer of the members under the TESRS Plan. However, the City makes contributions directly to the TESRS Plan for members of the participating fire or emergency services departments in the City. During the measurement period of 2017 for fiscal 2018 reporting, the amount of the City's contributions recognized by the plan was \$ 58,775.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

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 below.

The most recently completed biennial actuarial valuation as of August 31, 2016 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 \$ 725,000 each year to pay for part of the System's administrative expenses.

E. Net Pension Liability

The System's net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016 and rolled forward to August 31, 2017. The City's proportionate share of net pension liability was \$ 291,620.

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
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 2024 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 4.97%) and by adding expected inflation (3.0%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflected a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Large cap domestic	32%	5.72%
Small cap domestic	10	5.96
Development international	21	6.21
Emerging markets	6	7.18
Master limited partnership	5	7.61
Fixed Income:		
Domestic	21	1.61
International	5	1.81
Cash	<u>0</u>	0.00
Total	100%	
Weighted average		4.97%

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, 2016 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. Because of the 30-year amortization period with the conservative amortization method, 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	\$ 544,578	\$ 291,620	\$ 132,042

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

F. Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 309	\$
Differences between projected and actual earnings	27,195	
Differences in assumption changes	4,260	
Contributions subsequent to the measurement date	<u>96,203</u>	
 Total	 <u>\$ 127,967</u>	 <u>\$ -0-</u>

\$ 96,203 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, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>		
2019	\$	13,722
2020		25,172
2021	(1,208)
2022	(5,922)

For the year ended September 30 2018, the City recognized pension expense of \$ 61,188

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION PLAN

A. Plan Description

The City also participates in the 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 SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b and there are no assets accumulated for OPEB. As such the SDBF is considered to be a single employer unfunded OPEB plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION PLAN - Continued

B. Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$ 7,500.

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	94
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>216</u>
	343

C. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.20% and 0.22% in the calendar years 2017 and 2018, of which 0.05% and 0.06% represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for the year ended September 30, 2018 was \$ 24,162 representing contributions for both active and retiree coverage which equaled the required contributions. The City's contribution for retiree portion as of September 30, 2018 was \$ 6,521.

D. Total OPEB Liability

The City's total OPEB liability of \$ 648,452 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.5% including inflation
Discount rate	3.31%
Investment Rate of Return	A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION PLAN - Continued

Salary increases were based on a service-related table. Mortality rates for service retirees 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 retirees, 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. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period from December 31, 2010 to December 31, 2014.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2016	\$ 557,533
Changes for the Year:	
Service cost	21,760
Interest	21,378
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes in assumption or other inputs	53,507
Benefit payments	<u>(5,726)</u>
Net changes	<u>90,919</u>
Balance at 12/31/2017	\$ <u>648,452</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what's the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease In Discount Rate <u>(2.31%)</u>	Discount Rate <u>(3.31%)</u>	1% Increase In Discount Rate <u>(4.31%)</u>
City's Total OPEB Liability	\$ 786,854	\$ 648,452	\$ 542,241

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION PLAN - Continued

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$ 53,508.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in assumption changes	\$ 43,137	\$
Contributions subsequent to the measurement date	<u>4,944</u>	<u> </u>
Total	\$ <u>48,081</u>	\$ <u> 0</u>

\$ 4,944 reported as deferred outflows of resources related to OPEB relating from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>		
2019	\$	10,370
2020		10,370
2021		10,370
2022		10,370
2023		1,657

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, 2018

NOTE 14 - CONTINGENT LIABILITIES

The City is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the City at September 30, 2018.

A large number of Brazoria County residents have filed a lawsuit claiming the City and the drainage district are liable in tort and inverse condemnation for the flooding of their property during Hurricane Harvey. The City is contesting the case through litigation and expects to prevail.

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 15 year contract set a floor payment of \$ 9 million. The floor payment stayed in place for the first two years of the contract. Since 2013, the payment has been 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 2018 payment of \$ 9,880,055 is split as follows:

Clute	\$ 1,536,349
Freeport	3,842,353
Lake Jackson	<u>4,501,353</u>
Total	<u>\$ 9,880,055</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 16 - INDUSTRIAL DISTRICT CONTRACT - Continued

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, 2018 amounted to \$ 4,501,353.

NOTE 17 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2018, 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>Economic Development Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<u>Federal:</u>				
U.S. Department of Housing and Urban Development:				
Passed Through Brazoria County				
Community Development Block Grant	\$	\$	\$ 137,235	\$ 137,235
U.S. Department of Justice:				
Direct: - Bulletproof Vest Partnership Program	1,608			1,608
Passed Through Office of the Governor:				
Bulletproof Vest Partnership Program	18,090			18,090
U.S. Department of Homeland Security:				
Passed Through FEMA:				
Public Assistance Grants			69,181	69,181
Passed Through Texas DPS:				
Public Assistance Grants		140,194		140,194
<u>State:</u>				
Comptroller of the State of Texas:				
Texas Commission on Environmental				
Quality (TCEQ)	10,000			10,000
Light Duty Motor Vehicle Purchase Program	15,000			15,000
Law Enforcement Officer Standards and				
Education (LEOSE)	<u>3,358</u>			<u>3,358</u>
Total	<u>\$ 48,056</u>	<u>\$ 140,194</u>	<u>\$ 206,416</u>	<u>\$ 394,666</u>

As of September 30, 2018, all cash and in-kind matching requirements had been met for those grants requiring local matching.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

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, 2018, the City paid the Shelter \$ 158,461 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 was expected to expend up to \$ 2,500,000 on infrastructure cost related to a project in the City and the City would reimburse them. Total reimbursable infrastructure costs were \$ 2,344,103. 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, 2018, the City made a rebate payment of \$ 415,875 under this agreement, all of which was paid during the fiscal year 2018.

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. As of September 30, 2018, the City paid a total of \$ 286,840 under this agreement and \$ 70,059 was paid during the fiscal year 2018.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

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 constructed a HEB store and retail center in the City and the City reimbursed HEB 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. \$ 3,000,000 reimbursement was paid in 2018. As of September 30, 2018, the City paid a total of \$ 179,512 under this agreement, and all of which was paid during the fiscal year 2018.

On August 3, 2015 the city entered into a hotel occupancy tax (HOT) agreement with Omkar Enterprise Management LLC. The terms of the agreement are for 15 years or a maximum total hotel occupancy tax reimbursements of \$ 2,750,000, whichever is reached first. The maximum HOT reimbursed for any year is 75% of the total of the city's assessed HOT collected and remitted to the city by Courtyard by Marriott. Under the agreement Omkar agreed to build a Courtyard by Marriott with a minimum investment of \$ 12 million. Omkar agreed to employ a minimum of 25 employees and build the Courtyard by Marriott to include at least 108 guest rooms, 18 of which will be executive suites. At least 6 of the executive suites that are a minimum of 450 sq. ft. and at least 12 executive suites that are a minimum of 550 sq.ft. All guest rooms shall have a refrigerator and microwave and 5% of all guest rooms shall have a separate shower and jacuzzi type bath tub. The hotel shall have a minimum 6,500 sq. ft. meeting space inclusive of pre-event areas, restrooms, catering/serving kitchen, main meeting room and at least one boardroom or break out room. The hotel shall also have a bar/lounge; sit down restaurant/room service; full kitchen, minimum 600 sq. ft. workout room; guest laundry; home theatre area in lobby, business area with computer access; and, swimming pool. The hotel formally opened in January 2018, As of September 30, 2018, the City paid a total of \$ 107,722 under this agreement and all of which was paid during the fiscal year 2018.

On November 16, 2015 the City entered into a hotel occupancy tax (HOT) agreement with Vighnershwerll, llc (Staybridge). The term of the agreement is 15 years or when the HOT reimbursement reaches \$1,500,000, whichever is first. The first day of the term is May 14th, 2018, the day Staybridge received their Certificate of Occupancy. The maximum hotel tax reimbursed for any quarter is 65% of the City HOT collected and remitted to the City by Staybridge. The reimbursement will be for Staybridge's marketing expenses that meet the guidelines established by the Texas Tax Code section 351.101(a)(3), which are advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity. As of September 30, 2018, \$ 12,097 rebates have been accrued.

NOTE 20 - TAX ABATEMENTS

The City has not entered into any property tax abatement agreements with local businesses. The City has worked with local businesses through their Industrial District Contracts (see Note 16) and Economic Development Agreements (see Note 19).

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 21 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 26, 2019, the date which the financial statements were available to be issued.

On December 26, 2018, the City issued City of Lake Jackson, Texas Limited Tax Bonds, Series 2018, in the amount of \$ 8,800,000. The purpose of the bonds is for making permanent public improvements in the downtown area.

NOTE 22 - EXCESS OF EXPENDITURES OVER APROPRIATIONS

During the year ended September 30, 2018, expenditures exceeded appropriations in the funds as follows:

Police Seizure Fund	\$	35,148
General Debt Service Fund	\$	92,992

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

SEPTEMBER 30, 2018 WITH MEASUREMENT DATE OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 1,625,159	\$ 1,470,736	\$ 1,395,740	\$ 1,235,156
Interest (on the Total Pension Liability)	3,989,640	3,770,178	3,720,766	3,586,517
Difference between expected and actual experience	223,108	458,906	(455,995)	(864,997)
Changes in assumptions			268,564	
Benefit payments, including refunds of employee contributions	<u>(2,506,390)</u>	<u>(2,545,111)</u>	<u>(1,986,637)</u>	<u>(2,251,635)</u>
Net Change in Total Pension Liability	3,331,517	3,154,709	2,942,438	1,705,041
Total Pension Liability – Beginning	<u>59,546,391</u>	<u>56,391,682</u>	<u>53,449,244</u>	<u>51,744,203</u>
Total Pension Liability – Ending (a)	<u>\$ 62,877,908</u>	<u>\$ 59,546,391</u>	<u>\$ 56,391,682</u>	<u>\$ 53,449,244</u>
Plan Fiduciary Net Position				
Contributions – Employer	\$ 1,356,015	\$ 1,213,201	\$ 1,274,547	\$ 1,276,545
Contributions – Employee	687,171	620,564	606,865	557,850
Net Investment Income	7,467,864	3,458,936	75,651	2,798,520
Benefit payments, including refunds of employee contributions	(2,506,390)	(2,545,111)	(1,986,637)	(2,251,635)
Administrative expense	(38,715)	(39,074)	(46,082)	(29,219)
Other	<u>(1,962)</u>	<u>(2,105)</u>	<u>(2,275)</u>	<u>(2,402)</u>
Net Change in Plan Fiduciary Net Position	6,963,983	2,706,411	(77,931)	2,349,659
Plan Fiduciary Net Position – Beginning	<u>53,900,866</u>	<u>51,194,455</u>	<u>51,272,386</u>	<u>48,922,727</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 60,864,849</u>	<u>\$ 53,900,866</u>	<u>\$ 51,194,455</u>	<u>\$ 51,272,386</u>
Net Pension Liability (a-b)	<u>\$ 2,013,059</u>	<u>\$ 5,645,525</u>	<u>\$ 5,197,227</u>	<u>\$ 2,176,858</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>96.80%</u>	<u>90.52%</u>	<u>90.78%</u>	<u>95.93%</u>
Covered Payroll	<u>\$ 11,452,850</u>	<u>\$ 10,342,727</u>	<u>\$ 10,099,421</u>	<u>\$ 9,297,496</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>17.58%</u>	<u>54.58%</u>	<u>51.46%</u>	<u>23.41%</u>

Notes to Schedule:

N/A

⁽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.

CITY OF LAKE JACKSON
Lake Jackson, Texas

**TMRS SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN YEARS ⁽¹⁾
SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,357,569	\$ 1,336,648	\$ 1,224,103	\$ 1,226,556
Contributions in relation to the actuarially determined contribution	<u>1,357,569</u>	<u>1,336,648</u>	<u>1,224,103</u>	<u>1,226,556</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	<u>\$11,257,155</u>	<u>\$ 11,316,010</u>	<u>\$ 10,226,026</u>	<u>\$ 9,526,517</u>
Contributions as a percentage of covered payroll	<u>12.06%</u>	<u>11.81%</u>	<u>11.97%</u>	<u>12.88%</u>

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	29 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.

⁽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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

TESRS SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS

THE CITY AS NON-EMPLOYER CONTRIBUTION ENTITY
FOR THE LAST TEN YEARS ⁽¹⁾

SEPTEMBER 30, 2018 WITH MEASUREMENT DATE OF AUGUST 31, 2017

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	1.215%	1.426%	1.491%	1.287%
City' proportionate share of the net pension liability	\$ 291,620	\$ 415,367	\$ 397,986	\$ 233,869
Plan fiduciary position as a percentage of total pension liability	81.40%	76.30%	76.90%	83.50%

Notes to Schedule:

N/A

⁽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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

**TESRS SCHEDULE OF REQUIRED CONTRIBUTIONS
THE CITY AS NON-EMPLOYER CONTRIBUTION ENTITY
FOR THE LAST TEN YEARS ⁽¹⁾
SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 96,681	\$ 77,681	\$ 82,103	\$ 78,528
Contributions in relation to the contractually required contribution	<u>96,681</u>	<u>77,681</u>	<u>82,103</u>	<u>78,528</u>
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

Notes to Schedule:

N/A

⁽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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS⁽¹⁾**

SEPTEMBER 30, 2018 WITH MEASUREMENT DATE OF DECEMBER 31, 2017

	<u>2018</u>
Service cost	\$ 21,760
Interest	21,378
Changes in assumptions or other input	53,507
Benefit payments	<u>(5,726)</u>
Net Change in Total OPEB Liability	90,919
Total OPEB Liability – Beginning	<u>557,533</u>
Total OPEB Liability – Ending	<u>\$ 648,452</u>
Covered Payroll	<u>\$ 11,452,850</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>5.66%</u>

Notes to Schedule:

The Supplemental Death Benefits Fund (SDBF) covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b and there are no assets accumulated for OPEB.

Changes in assumptions or other inputs reflect the effects of changes in the discount rates each period. The following are the discount rates used in each period:

2018	3.31%
2017	3.78%

⁽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

**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.

2014 Economic Incentive Fund This 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.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2018

	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	\$ 199,082	\$ 61,989	\$ 269,031	\$
Receivables (net of allowance for uncollectibles):				
Taxes			18,201	
Accounts				
Total assets	<u>199,082</u>	<u>61,989</u>	<u>287,232</u>	<u>-0-</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>\$ 199,082</u>	<u>\$ 61,989</u>	<u>\$ 287,232</u>	<u>\$ -0-</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 43,890	\$	\$	\$
Unearned revenue				
Total liabilities	<u>43,890</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Deferred Inflows of Resources:				
Deferred inflows of resources				
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Restricted:				
Capital projects				
Program education			287,232	
Encourage tourism	155,192			
Law enforcement		61,989		
Assigned				
Total fund balances	<u>155,192</u>	<u>61,989</u>	<u>287,232</u>	<u>-0-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 199,082</u>	<u>\$ 61,989</u>	<u>\$ 287,232</u>	<u>\$ -0-</u>

Service Funds	Capital Projects Funds				
Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2013 Infrastructure	2010 Drainage infrastructure	2014 Economic Incentive
\$	\$ 2,121,650	\$ 16,385	\$ 997	\$ 943,792	\$ 90,144
	12,753				
<u>-0-</u>	<u>2,134,403</u>	<u>16,385</u>	<u>997</u>	<u>943,792</u>	<u>90,144</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 2,134,403</u>	<u>\$ 16,385</u>	<u>\$ 997</u>	<u>\$ 943,792</u>	<u>\$ 90,144</u>
\$	\$ 72,526	\$	\$	\$	\$
	46,200				
<u>-0-</u>	<u>118,726</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>
		16,385	997	943,792	90,144
	2,015,677				
<u>-0-</u>	<u>2,015,677</u>	<u>16,385</u>	<u>997</u>	<u>943,792</u>	<u>90,144</u>
<u>\$ -0-</u>	<u>\$ 2,134,403</u>	<u>\$ 16,385</u>	<u>\$ 997</u>	<u>\$ 943,792</u>	<u>\$ 90,144</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS - Continued

September 30, 2018

	<u>Capital Projects Funds</u>	<u>Total Non-major Governmental Funds</u>
	2013 Downtown Improvement	
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 35,215	\$ 3,738,285
Receivables (net of allowance for uncollectibles):		
Taxes		18,201
Accounts		<u>12,753</u>
Total assets	<u>35,215</u>	<u>3,769,239</u>
Deferred Outflows of Resources:		
Deferred outflows of resources		<u>-0-</u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 35,215</u>	<u>\$ 3,769,239</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$	\$ 116,416
Unearned revenue		<u>46,200</u>
Total liabilities	<u>-0-</u>	<u>162,616</u>
Deferred Inflows of Resources:		
Deferred inflows of resources		<u>-0-</u>
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Fund Balances:		
Restricted:		
Capital projects	35,215	1,086,533
Program education		287,232
Encourage tourism		155,192
Law enforcement		61,989
Assigned		<u>2,015,677</u>
Total fund balances	<u>35,215</u>	<u>3,606,623</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,215</u>	<u>\$ 3,769,239</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2018

	Special Revenue Funds			Debt
	Motel Occupancy Tax	Police Seizure	Program Education	Economic Development
Revenues:				
Franchise tax	\$	\$	\$ 73,894	\$
Motel occupancy tax	590,629			
Intergovernmental				
Investment earnings	2,653	109	4,137	
Miscellaneous	<u> </u>	<u>36,103</u>	<u> </u>	<u> </u>
Total revenues	<u>593,282</u>	<u>36,212</u>	<u>78,031</u>	<u>-0-</u>
Expenditures:				
Current:				
General government and administration				
Public safety		63,648		
Cultural and Recreation:				
Contribution to Fine Arts Council	72,953			
Contribution to Museum of Natural Science	109,429			
Contribution to Chamber of Commerce	151,117			
Contribution to Historical Museum	109,429			
Other			75,001	
Capital outlay				
Debt Service:				
Principal retirement				1,045,000
Interest and fiscal charges				358,284
Total expenditures	<u>442,928</u>	<u>63,648</u>	<u>75,001</u>	<u>1,403,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>150,354</u>	<u>(27,436)</u>	<u>3,030</u>	<u>(1,403,284)</u>
Other Financing Sources (Uses):				
Transfers in				1,396,039
Transfers out	<u>(72,953)</u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>(72,953)</u>	<u>-0-</u>	<u>-0-</u>	<u>1,396,039</u>
Net change in fund balances	77,401	(27,436)	3,030	(7,245)
Fund balances – beginning	<u>77,791</u>	<u>89,425</u>	<u>284,202</u>	<u>7,245</u>
Fund balances – ending	<u>\$ 155,192</u>	<u>\$ 61,989</u>	<u>\$ 287,232</u>	<u>\$ -0-</u>

Service Funds	Capital Projects Funds				
Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2013 Infrastructure	2010 Drainage infrastructure	2014 Economic Incentive
\$	\$	\$	\$	\$	\$
	206,416				
	26,345		14	13,186	1,608
	<u>20,090</u>				
<u>-0-</u>	<u>252,851</u>	<u>-0-</u>	<u>14</u>	<u>13,186</u>	<u>1,608</u>
	147,241				
	21,906				
	13,633				
	1,149,171	5,997		13,775	33,446
400,000					
<u>88,800</u>					
<u>488,800</u>	<u>1,331,951</u>	<u>5,997</u>	<u>-0-</u>	<u>13,775</u>	<u>33,446</u>
<u>(488,800)</u>	<u>(1,079,100)</u>	<u>(5,997)</u>	<u>14</u>	<u>(589)</u>	<u>(31,838)</u>
488,800	450,000				
<u>488,800</u>	<u>450,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
-0-	(629,100)	(5,997)	14	(589)	(31,838)
	<u>2,644,777</u>	<u>22,382</u>	<u>983</u>	<u>944,381</u>	<u>121,982</u>
<u>\$ -0-</u>	<u>\$ 2,015,677</u>	<u>\$ 16,385</u>	<u>\$ 997</u>	<u>\$ 943,792</u>	<u>\$ 90,144</u>

(continued)

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, 2018

	<u>Capital Projects Funds</u>	<u>Total Non-major Governmental Funds</u>
	2013 Downtown Improvement	
Revenues:		
Franchise Tax	\$	\$ 73,894
Motel occupancy tax		590,629
Intergovernmental		206,416
Investment earnings	14,131	62,183
Miscellaneous		<u>56,193</u>
Total revenues	<u>14,131</u>	<u>989,315</u>
Expenditures:		
Current:		
General government and administration		147,241
Public safety		85,554
Cultural and Recreation:		
Contribution to Fine Arts Council		72,953
Contribution to Museum of Natural Science		109,429
Contribution to Chamber of Commerce		151,117
Contribution to Historical Museum		109,429
Other		88,634
Capital outlay	1,432,900	2,635,289
Debit Service:		
Principal		1,445,000
Interest and fiscal charges		<u>447,084</u>
Total expenditures	<u>1,432,900</u>	<u>5,291,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,418,769)</u>	<u>(4,302,415)</u>
Other Financing Sources (Uses):		
Transfers in		2,334,839
Transfers out		<u>(72,953)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>2,261,886</u>
Net change in fund balances	<u>(1,418,769)</u>	<u>(2,040,529)</u>
Fund balances – beginning	<u>1,453,984</u>	<u>5,647,152</u>
Fund balances – ending	<u>\$ 35,215</u>	<u>\$ 3,606,623</u>

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

Special Revenue and Debt Service Funds

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2018
With Comparative Actual Totals for 2017

	2018			Variance with Final Budget- Positive (Negative)	2017
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Motel occupancy tax	\$ 590,102	\$ 590,102	\$ 590,629	\$ 527	\$ 539,553
Investment earnings		-0-	2,653	2,653	280
Total revenues	<u>590,102</u>	<u>590,102</u>	<u>593,282</u>	<u>3,180</u>	<u>539,833</u>
Expenditures:					
Current:					
Culture and recreation	<u>516,917</u>	<u>516,917</u>	<u>442,928</u>	<u>73,989</u>	<u>435,625</u>
Total expenditures	<u>516,917</u>	<u>519,917</u>	<u>442,928</u>	<u>73,989</u>	<u>435,625</u>
Excess of revenues over expenditures	<u>73,185</u>	<u>73,185</u>	<u>150,354</u>	<u>77,169</u>	<u>104,208</u>
Other Financing Uses:					
Transfers out	(<u>73,185</u>)	(<u>73,185</u>)	(<u>72,953</u>)	<u>232</u>	(<u>71,750</u>)
Total other financing uses	(<u>73,185</u>)	(<u>73,185</u>)	(<u>72,953</u>)	<u>232</u>	(<u>71,750</u>)
Net changes in fund balance	-0-	-0-	77,401	77,401	32,458
Fund balance – beginning	<u>77,791</u>	<u>77,791</u>	<u>77,791</u>	<u>-0-</u>	<u>45,333</u>
Fund balance – ending	<u>\$ 77,791</u>	<u>\$ 77,791</u>	<u>\$ 155,192</u>	<u>\$ 77,401</u>	<u>\$ 77,791</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, 2018
With Comparative Actual Totals for 2017

	2018			Variance with Final Budget- Positive (Negative)	2017
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment earnings	\$ 250	\$ 250	\$ 109	\$ (141)	\$ 90
Other	<u>37,500</u>	<u>37,500</u>	<u>36,103</u>	<u>(1,397)</u>	<u>19,457</u>
Total revenues	<u>37,750</u>	<u>37,750</u>	<u>36,212</u>	<u>(1,538)</u>	<u>19,547</u>
Expenditures:					
Current:					
Public Safety:					
Seizures administration	<u>28,500</u>	<u>28,500</u>	<u>63,648</u>	<u>(35,148)</u>	<u>26,919</u>
Total expenditures	<u>28,500</u>	<u>28,500</u>	<u>63,648</u>	<u>(35,148)</u>	<u>26,919</u>
Net changes in fund balance	<u>9,250</u>	<u>9,250</u>	<u>(27,436)</u>	<u>(36,686)</u>	<u>(7,372)</u>
Fund balance – beginning	<u>89,425</u>	<u>89,425</u>	<u>89,425</u>	<u>-0-</u>	<u>96,797</u>
Fund balance – ending	<u>\$ 98,675</u>	<u>\$ 98,675</u>	<u>\$ 61,989</u>	<u>\$ (36,686)</u>	<u>\$ 89,425</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2018
With Comparative Actual Totals for 2017

	2018			Variance with Final Budget- Positive (Negative)	2017
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Franchise tax	\$ 88,000	\$ 88,000	\$ 73,894	\$ (14,106)	\$ 81,920
Investment earnings	<u>1,800</u>	<u>1,800</u>	<u>4,137</u>	<u>2,337</u>	<u>2,084</u>
Total revenues	<u>89,800</u>	<u>89,800</u>	<u>78,031</u>	<u>(11,769)</u>	<u>84,004</u>
Expenditures:					
Current:					
General government and administration	<u>4,728</u>	<u>78,783</u>	<u>75,001</u>	<u>3,782</u>	<u>166,073</u>
Total expenditures	<u>4,728</u>	<u>78,783</u>	<u>75,001</u>	<u>3,782</u>	<u>166,073</u>
Net changes in fund balance	<u>85,072</u>	<u>11,017</u>	<u>3,030</u>	<u>(7,987)</u>	<u>(82,069)</u>
Fund balance – beginning	<u>284,202</u>	<u>284,202</u>	<u>284,202</u>	<u>-0-</u>	<u>366,271</u>
Fund balance – ending	<u>\$ 369,274</u>	<u>\$ 295,219</u>	<u>\$ 287,232</u>	<u>\$ (7,987)</u>	<u>\$ 284,202</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, 2018
With Comparative Actual Total for 2017

	2018			Variance with Final Budget- Positive (Negative)	2017
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal retirement	1,045,000	1,045,000	1,045,000	-0-	1,390,407
Interest and fiscal charges	<u>358,284</u>	<u>358,284</u>	<u>358,284</u>	<u>-0-</u>	<u>468,598</u>
Total expenditures	<u>1,403,284</u>	<u>1,403,284</u>	<u>1,403,284</u>	<u>-0-</u>	<u>1,859,005</u>
Deficiency of revenues over expenditures	<u>(1,403,284)</u>	<u>(1,403,284)</u>	<u>(1,403,284)</u>	<u>-0-</u>	<u>(1,859,005)</u>
Other Financing Sources (Uses):					
Issuance of bonds				-0-	3,855,000
Bond issuance premium				-0-	150,357
Transfers in	1,403,284	1,403,284	1,396,039	(7,245)	1,751,590
Transfers out	<u> </u>	<u> </u>	<u> </u>	<u>-0-</u>	<u>(3,900,000)</u>
Total other financing sources (uses)	<u>1,403,284</u>	<u>1,403,284</u>	<u>1,396,039</u>	<u>(7,245)</u>	<u>1,856,947</u>
Net changes in fund balance	-0-	-0-	(7,245)	(7,245)	(2,058)
Fund balance – beginning	<u>7,245</u>	<u>7,245</u>	<u>7,245</u>	<u>-0-</u>	<u>9,303</u>
Fund balance – ending	<u>\$ 7,245</u>	<u>\$ 7,245</u>	<u>\$ -0-</u>	<u>\$ (7,245)</u>	<u>\$ 7,245</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, 2018
With Comparative Actual Totals for 2017

	2018			Variance with Final Budget- Positive (Negative)	2017
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal retirement	400,000	400,000	400,000	-0-	390,000
Interest and fiscal charges	<u>88,800</u>	<u>88,800</u>	<u>88,800</u>	<u>-0-</u>	<u>118,100</u>
Total expenditures	<u>488,800</u>	<u>488,800</u>	<u>488,800</u>	<u>-0-</u>	<u>494,600</u>
Deficiency of revenues over expenditures	<u>(488,800)</u>	<u>(488,800)</u>	<u>(488,800)</u>	<u>-0-</u>	<u>(494,600)</u>
Other Financing Sources:					
Transfers in	<u>488,800</u>	<u>488,800</u>	<u>488,800</u>	<u>-0-</u>	<u>494,600</u>
Total other financing sources	<u>488,800</u>	<u>488,800</u>	<u>488,800</u>	<u>-0-</u>	<u>494,600</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning	_____	_____	_____	-0-	_____
Fund balance – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

General Fund

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

**COMPARATIVE BALANCE SHEETS -
General Fund**

September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 14,010,996	\$ 12,818,063
Receivable (net of allowance for uncollectibles):		
Taxes	1,246,311	1,176,107
Accounts	52,410	50,049
Grants		19,586
Investments	301,511	300,000
Inventories	87,524	74,665
Prepaid expenditures	<u>29,516</u>	<u>173,676</u>
 Total assets	 <u>15,728,268</u>	 <u>14,612,146</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>\$ 15,728,268</u>	 <u>\$ 14,612,146</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 621,050	\$ 778,717
Cash bonds and taxes	115,931	318,750
Accrued wages	430,895	404,154
Unearned revenue	<u>85,476</u>	<u>83,136</u>
Total liabilities	<u>1,253,352</u>	<u>1,584,757</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>38,969</u>	<u>32,831</u>
Total deferred inflows of resources	<u>38,969</u>	<u>32,831</u>
Fund Balance:		
Non-spendable:		
Inventories	87,524	74,665
Prepaid expenditures	29,516	173,676
Committed:		
General contingencies	921,955	910,307
Assigned:		
Unemployment insurance	114,181	116,289
Equipment replacement	6,831,217	6,648,936
Special events	6,468	64,943
Park improvement	73,458	87,573
Unassigned	<u>6,371,628</u>	<u>4,918,169</u>
Total fund balance	<u>14,435,947</u>	<u>12,994,558</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 15,728,268</u>	<u>\$ 14,612,146</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, 2018

With Comparative Actual Totals for 2017

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 4,388,426	\$ 4,388,426
Sales	6,600,000	6,600,000
Franchise	1,620,000	1,620,000
Other	144,500	144,500
Industrial district	4,485,526	4,485,526
Intergovernmental		
Revenue producing facilities	1,257,630	1,257,630
Fines and fees	516,000	516,000
Licenses and permits	460,800	460,800
Investment earnings	60,000	60,000
Miscellaneous	120,300	120,300
Total revenues	<u>19,653,182</u>	<u>19,653,182</u>
Expenditures:		
Current:		
General government and administration	3,955,463	3,955,463
Public safety	7,347,429	7,347,429
Public works	3,274,167	3,274,167
Culture and recreation	4,958,118	4,958,118
Capital outlay	1,228,451	1,228,451
Total expenditures	<u>20,763,628</u>	<u>20,763,628</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,110,446)</u>	<u>(1,110,446)</u>
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,620,988	1,620,988
Transfers out	<u>(687,563)</u>	<u>(687,563)</u>
Total other financing sources (uses)	<u>933,425</u>	<u>933,425</u>
Net change in fund balance	<u>(177,021)</u>	<u>(177,021)</u>
Fund balance - beginning	<u>12,994,558</u>	<u>12,994,558</u>
Fund balance - ending	<u>\$ 12,817,537</u>	<u>\$ 12,817,537</u>

2018		2017		
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 4,354,049	\$	\$ 4,354,049	\$(34,377)	\$ 3,976,175
6,815,971		6,815,971	215,971	6,300,735
1,619,704		1,619,704	(296)	1,605,848
254,155		254,155	109,655	222,443
4,501,353		4,501,353	15,827	4,394,560
48,056		48,056	48,056	52,627
1,150,568		1,150,568	(107,062)	1,236,652
553,806		553,806	37,806	535,164
334,908		334,908	(125,892)	341,122
191,356		191,356	131,356	83,172
95,209		95,209	(25,091)	151,692
<u>19,919,135</u>	<u>-0-</u>	<u>19,919,135</u>	<u>265,953</u>	<u>18,900,190</u>
3,931,224		3,931,224	24,239	4,581,629
7,097,117		7,097,117	250,312	7,002,139
2,681,410		2,681,410	592,757	2,771,772
4,679,685		4,679,685	278,433	4,600,638
1,096,831		1,096,831	131,620	1,353,929
<u>19,486,267</u>	<u>-0-</u>	<u>19,486,267</u>	<u>1,277,361</u>	<u>20,310,107</u>
<u>432,868</u>	<u>-0-</u>	<u>432,868</u>	<u>1,543,314</u>	<u>(1,409,917)</u>
75,328		75,328	75,328	30,142
1,620,756		1,620,756	(232)	1,616,604
(687,563)		(687,563)	-0-	(1,599,776)
<u>1,008,521</u>	<u>-0-</u>	<u>1,008,521</u>	<u>75,096</u>	<u>46,970</u>
1,441,389	-0-	1,441,389	1,618,410	(1,362,947)
<u>12,994,558</u>		<u>12,994,558</u>	<u>-0-</u>	<u>14,357,505</u>
<u>\$ 14,435,947</u>	<u>\$ -0-</u>	<u>\$ 14,435,947</u>	<u>\$ 1,618,410</u>	<u>\$ 12,994,558</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 1,317,146	\$ 1,194,742
Receivable (net of allowance for uncollectibles):		
Taxes	<u>552,631</u>	<u>517,609</u>
Total assets	<u>1,869,777</u>	<u>1,712,351</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>\$ 1,869,777</u>	<u>\$ 1,712,351</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	<u>\$ 45,521</u>	<u>\$ 4,290</u>
Total liabilities	<u>45,521</u>	<u>4,290</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>1,824,256</u>	<u>1,708,061</u>
Total fund balances	<u>1,824,256</u>	<u>1,708,061</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,869,777</u>	<u>\$ 1,712,351</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, 2018
With Comparative Actual Totals for 2017

	2018			Variance with Final Budget- Positive (Negative)	2017
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 3,337,500	\$ 3,337,500	\$ 3,451,000	\$ 113,500	\$ 3,189,958
Intergovernmental			140,194	140,194	-0-
Investment earnings	12,000	12,000	18,380	6,380	19,133
Miscellaneous			402,417	402,417	59,712
Total revenues	<u>3,349,500</u>	<u>3,349,500</u>	<u>4,011,991</u>	<u>662,491</u>	<u>3,267,803</u>
Expenditures:					
Current:					
Culture and recreation	95,000	195,000	195,246	(246)	50,336
Capital outlay	<u>985,000</u>	<u>1,630,761</u>	<u>965,711</u>	<u>665,050</u>	<u>515,132</u>
Total expenditures	<u>1,080,000</u>	<u>1,825,761</u>	<u>1,160,957</u>	<u>664,804</u>	<u>565,468</u>
Excess of revenues over expenditures	<u>2,269,500</u>	<u>1,523,739</u>	<u>2,851,034</u>	<u>1,327,295</u>	<u>2,702,335</u>
Other Financing Uses:					
Transfers out	(2,542,084)	(2,742,084)	(2,734,839)	7,245	(2,896,190)
Total other financing uses	<u>(2,542,084)</u>	<u>(2,742,084)</u>	<u>(2,734,839)</u>	<u>7,245</u>	<u>(2,896,190)</u>
Net changes in fund balance	(272,584)	(1,218,345)	116,195	1,334,540	(193,855)
Fund balances – beginning	<u>1,708,061</u>	<u>1,708,061</u>	<u>1,708,061</u>	<u>-0-</u>	<u>1,901,916</u>
Fund balances – ending	<u>\$ 1,435,477</u>	<u>\$ 489,716</u>	<u>\$ 1,824,256</u>	<u>\$ 1,334,540</u>	<u>\$ 1,708,061</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 749,331	\$ 728,509
Receivable (net of allowance for uncollectibles):		
Taxes	<u>21,370</u>	<u>19,016</u>
Total assets	<u>770,701</u>	<u>747,525</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>\$ 770,701</u>	<u>\$ 747,525</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accrued interest	<u>\$ 12,982</u>	<u>\$ 19</u>
Total liabilities	<u>12,982</u>	<u>19</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>21,370</u>	<u>19,016</u>
Total deferred inflows of resources	<u>21,370</u>	<u>19,016</u>
Fund Balance:		
Restricted For:		
Debt service	<u>736,349</u>	<u>728,490</u>
Total fund balance	<u>736,349</u>	<u>728,490</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 770,701</u>	<u>\$ 747,525</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, 2018
With Comparative Actual Totals for 2017

	2018			Variance with Final Budget- Positive (Negative)	2017
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Property taxes	\$ 2,276,697	\$ 2,276,697	\$ 2,257,198	\$ (19,499)	\$ 2,111,644
Investment earnings	<u>8,500</u>	<u>8,500</u>	<u>20,543</u>	<u>12,043</u>	<u>19,199</u>
Total revenues	<u>2,285,197</u>	<u>2,285,197</u>	<u>2,277,741</u>	<u>(7,456)</u>	<u>2,130,843</u>
Expenditures:					
Debt Service:					
Principal retirement	1,730,000	1,730,000	1,730,000		1,614,593
Interest and fiscal charges	<u>555,197</u>	<u>555,197</u>	<u>648,189</u>	<u>(92,992)</u>	<u>555,095</u>
Total expenditures	<u>2,285,197</u>	<u>2,285,197</u>	<u>2,378,189</u>	<u>(92,992)</u>	<u>2,169,688</u>
Deficiency of revenue over expenditures	<u>-0-</u>	<u>-0-</u>	<u>(100,448)</u>	<u>(100,448)</u>	<u>(38,845)</u>
Other Financing Sources (Uses):					
Bond issuance premium			<u>108,307</u>	<u>108,307</u>	<u>83,171</u>
Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>108,307</u>	<u>108,307</u>	<u>83,171</u>
Net changes in fund balances			7,859	7,859	44,326
Fund balance – beginning	<u>728,490</u>	<u>728,490</u>	<u>728,490</u>	<u>-0-</u>	<u>684,164</u>
Fund balance – ending	<u>\$ 728,490</u>	<u>\$ 728,490</u>	<u>\$ 736,349</u>	<u>\$ 7,859</u>	<u>\$ 728,490</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, 2018 and 2017

	<u>2018</u>	<u>(Restated) 2017</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 7,419,383	\$ 5,365,892
Receivables (net of allowance for uncollectibles):		
Accounts	<u>852,295</u>	<u>761,314</u>
	<u>8,271,678</u>	<u>6,127,206</u>
Current Restricted Assets:		
Cash and cash equivalents	7,955,613	3,574,802
Due from other governments		<u>5,318</u>
	<u>7,955,613</u>	<u>3,580,120</u>
Total current restricted assets	<u>7,955,613</u>	<u>3,580,120</u>
Total current assets	<u>16,227,291</u>	<u>9,707,326</u>
Noncurrent Assets:		
Restricted Cash and Cas Equivalents:		
Revenue bond covenant accounts	<u>2,319,848</u>	<u>2,275,755</u>
	<u>2,319,848</u>	<u>2,275,755</u>
Total noncurrent restricted assets	<u>2,319,848</u>	<u>2,275,755</u>
Capital Assets:		
Property, plant and equipment	74,993,867	70,304,952
Construction in process	1,234,583	4,890,471
Less accumulated depreciation	<u>(41,771,448)</u>	<u>(40,241,164)</u>
	<u>34,457,002</u>	<u>34,954,259</u>
Total capital assets (net of accumulated depreciation)	<u>34,457,002</u>	<u>34,954,259</u>
Total noncurrent assets	<u>36,776,850</u>	<u>37,230,014</u>
Total assets	<u>53,004,141</u>	<u>46,937,340</u>
Deferred Outflows of Resources:		
Deferred outflows of resources – bond refunding	39,295	62,317
Deferred outflows of resources – pension	676,913	1,100,574
Deferred outflows of resources - OPEB	<u>10,953</u>	<u></u>
	<u>727,161</u>	<u>1,162,891</u>
Total deferred outflows of resources	<u>727,161</u>	<u>1,162,891</u>

(continued)

CITY OF LAKE JACKSON
Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Enterprise Fund - Continued

September 30, 2018 and 2017

	<u>2018</u>	<u>(Restated)</u> <u>2017</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 902,306	\$ 730,174
Accrued wages	111,011	101,810
Accrued compensated absences	100,425	97,500
Revenue bonds payable	<u>758,333</u>	<u>700,000</u>
	<u>1,872,075</u>	<u>1,629,484</u>
Current Liabilities Payable from Restricted Assets:		
Accrued interest	203,890	150,222
Customer deposits	829,309	812,899
Revenue bonds payable	<u>588,128</u>	<u>535,996</u>
Total current liabilities payable from restricted assets	<u>1,621,327</u>	<u>1,499,117</u>
Total current liabilities	<u>3,493,402</u>	<u>3,128,601</u>
Noncurrent Liabilities:		
Revenue bonds payable	12,442,033	8,634,013
Accrued compensated absences	67,311	62,608
Net pension liability	684,563	1,481,958
Total OPEB liability	<u>147,717</u>	<u>127,006</u>
Total noncurrent liabilities	<u>13,341,624</u>	<u>10,305,585</u>
Total liabilities	<u>16,835,026</u>	<u>13,434,186</u>
Deferred Inflows of Resources:		
Deferred inflows of resources - pension	<u>740,867</u>	<u>111,452</u>
Total deferred inflows of resources	<u>740,867</u>	<u>111,452</u>
Net Position:		
Net investment in capital assets	21,295,931	25,682,563
Restricted For:		
Revenue bond retirement	1,527,830	1,589,537
Construction	6,757,421	2,566,556
Unrestricted	<u>6,574,227</u>	<u>4,715,937</u>
Total net position	<u>\$ 36,155,409</u>	<u>\$ 34,554,593</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Water service	\$ 5,131,760	\$ 4,589,691
Sewer service	5,410,613	4,365,801
Garbage fees	3,920,214	3,849,309
Tapping and connection fees	288,986	280,557
Other	<u>216,881</u>	<u>212,438</u>
Total operating revenues	<u>14,968,454</u>	<u>13,297,796</u>
Operating Expenses:		
Utility administration	586,934	571,646
Water production and treatment	3,527,509	3,584,521
Sewer collection	2,302,531	2,432,267
Sanitation	3,240,185	3,014,234
Depreciation	<u>2,625,219</u>	<u>2,286,699</u>
Total operating expenses	<u>12,282,378</u>	<u>11,889,367</u>
Operating income	<u>2,686,076</u>	<u>1,408,429</u>
Non-Operating Revenues (Expenses):		
Interest revenue	271,088	97,499
Gain (loss) on disposal of capital assets	(39,095)	8,500
Interest expense and fiscal charges	<u>(589,553)</u>	<u>(446,456)</u>
Total non-operating revenues (expenses)	<u>(357,560)</u>	<u>(340,457)</u>
Income before contributions and transfers	2,328,516	1,067,972
Capital contributions	232,540	209,122
Transfers in	687,563	4,199,776
Transfers out	<u>(1,647,803)</u>	<u>(1,194,854)</u>
Change in net position	1,600,816	4,282,016
Net position at beginning of year	34,681,599	30,399,583
Prior year adjustment	<u>(127,006)</u>	<u> </u>
Net position at end of year	<u>\$ 36,155,409</u>	<u>\$ 34,681,599</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 14,899,201	\$ 13,234,627
Payments to suppliers	(6,762,093)	(6,975,279)
Payments to employees	(2,440,666)	(2,504,657)
Net cash provided by operating activities	<u>5,696,442</u>	<u>3,754,691</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	687,563	4,199,776
Transfers out	(1,647,803)	(1,194,854)
Net cash provided (used) by non-capital financing activities	<u>(960,240)</u>	<u>3,004,922</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(1,934,517)	(5,710,514)
Proceeds from sale of capital assets		8,500
Proceeds from sale of bonds	5,163,684	3,885,000
Principal and premium paid on capital debt	(1,245,199)	(1,956,324)
Interest and fiscal charges paid on capital debt	(512,863)	(404,850)
Net cash provided (used) by capital and related financing activities	<u>1,471,105</u>	<u>(4,178,188)</u>
Cash Flows from Investing Activities:		
Interest received	<u>271,088</u>	<u>97,499</u>
Net cash provided by investing activities	<u>271,088</u>	<u>97,499</u>
Change in cash and cash equivalents	6,478,395	2,678,924
Cash and cash equivalents at the beginning of year	<u>11,216,449</u>	<u>8,537,525</u>
Cash and cash equivalents at the end of year	<u>\$ 17,694,844</u>	<u>\$ 11,216,449</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ <u>2,686,076</u>	\$ <u>1,408,429</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	2,625,219	2,286,699
(Increase) decrease in:		
Accounts receivable	(85,663)	(97,913)
Increase (decrease) in:		
Accounts payable	172,132	(56,629)
Accrued wages payable	9,201	24,121
Net pension liability	(167,980)	136,098
Total OPEB liability	433,419	
Accrued compensated absences	7,628	19,142
Customer deposits	<u>16,410</u>	<u>34,744</u>
Total adjustments	<u>3,010,366</u>	<u>2,346,262</u>
Net cash provided by operating activities	\$ <u>5,696,442</u>	\$ <u>3,754,691</u>
Non-cash Investing, Capital, and Financing Activities:		
Capital contributions	\$ <u>232,540</u>	\$ <u>209,122</u>
Net effect of non-cash transactions	\$ <u>232,540</u>	\$ <u>209,122</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, 2018
With Comparative Actual Totals for 2017

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 4,554,482	\$ 4,554,482
Sewer service	4,165,177	4,165,177
Garbage fees	4,035,033	4,035,033
Tapping and connection fees	245,500	245,500
Other	143,586	143,586
Total revenues	13,143,778	13,143,778
Operating Expenses:		
Utility administration	600,829	600,829
Water production, treatment and distribution	3,924,454	3,915,054
Sewer collection and treatment	2,513,142	2,477,607
Sanitation	3,058,205	3,058,205
Depreciation		
Total operating expenses	10,096,630	10,051,695
Operating income	3,047,148	3,092,083
Non-Operating Revenues (Expenses):		
Interest revenue	23,080	23,080
Gain (loss) on disposal of capital assets		
Interest expense and fiscal charge	(400,819)	(400,819)
Total non-operating revenues (expenses)	(377,739)	(377,739)
Income before contributions and transfers	2,669,409	2,714,344
Contributions		
Transfers in		
Transfers out	(1,197,813)	(1,647,813)
Change in net position	1,471,596	1,066,531
Net position – beginning (restated)	34,554,593	34,554,593
Prior year adjustment		
Net position - ending	\$ 36,026,189	\$ 36,026,189

2018			2017	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 5,131,760	\$	\$ 5,131,760	\$ 577,278	\$ 4,589,691
5,410,613		5,410,613	1,245,436	4,365,801
3,920,214		3,920,214	(114,819)	3,849,309
288,986		288,986	43,486	280,557
<u>216,881</u>		<u>216,881</u>	<u>73,295</u>	<u>212,438</u>
<u>14,968,454</u>	<u>-0-</u>	<u>14,968,454</u>	<u>1,824,676</u>	<u>13,297,796</u>
586,934		586,934	13,895	571,646
3,527,509		3,527,509	387,545	3,584,521
2,302,531		2,302,531	175,076	2,432,267
3,240,185		3,240,185	(181,980)	3,014,234
<u>2,625,219</u>	<u>(2,625,219)</u>			<u>2,286,699</u>
<u>12,282,378</u>	<u>(2,625,219)</u>	<u>9,657,159</u>	<u>394,536</u>	<u>11,889,367</u>
<u>2,686,076</u>	<u>2,625,219</u>	<u>5,311,295</u>	<u>2,219,212</u>	<u>1,408,429</u>
271,088		271,088	248,008	97,499
(39,095)		(39,095)	(39,095)	8,500
<u>(589,553)</u>	<u>23,022</u>	<u>(566,531)</u>	<u>(165,712)</u>	<u>(446,456)</u>
<u>(357,560)</u>	<u>23,022</u>	<u>(334,538)</u>	<u>43,201</u>	<u>(340,457)</u>
2,328,516	2,648,241	4,976,757	2,262,413	1,067,972
232,540		232,540	232,540	209,122
687,563		687,563	687,563	4,199,776
<u>(1,647,803)</u>		<u>(1,647,803)</u>	<u>10</u>	<u>(1,194,854)</u>
1,600,816	2,648,241	4,249,057	3,182,526	4,282,016
34,554,593		34,554,593	-0-	30,399,583
				<u>(127,006)</u>
<u>\$ 36,155,409</u>	<u>\$ 2,648,241</u>	<u>\$ 38,803,650</u>	<u>\$ 3,182,526</u>	<u>\$ 34,554,593</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Golf Course Operating Fund

September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 79,881	\$ 64,221
Receivables (net of allowance for uncollectibles):		
Accounts	19,506	277
Inventory	53,463	44,076
Prepaid expenses	<u>7,674</u>	<u>10,292</u>
Total current assets	<u>160,524</u>	<u>118,866</u>
Capital Assets:		
Property, plant and equipment	9,395,812	9,545,350
Construction in progress	154,203	
Less accumulated depreciation	<u>(3,416,922)</u>	<u>(3,573,637)</u>
Total capital assets (net of accumulated depreciation)	<u>6,133,093</u>	<u>5,971,713</u>
Total noncurrent assets	<u>6,133,093</u>	<u>5,971,713</u>
Total assets	<u>6,293,617</u>	<u>6,090,579</u>
Deferred Outflows of Resources:		
Deferred outflows of resources	<u> </u>	<u> </u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Golf Course Operating Fund - Continued

September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 65,891	\$ 99,162
Accrued wages		23,410
Unearned revenues	<u>148,815</u>	<u>153,751</u>
Total current liabilities	214,706	276,323
Noncurrent Liabilities:		
Total noncurrent liabilities	<u> </u>	<u> </u>
Total liabilities	<u>214,706</u>	<u>276,323</u>
Deferred Inflows of Resources:		
Deferred inflows of resources	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Net Position:		
Net investment in capital assets	6,133,093	5,971,713
Unrestricted	<u>(54,182)</u>	<u>(157,457)</u>
Total net position	<u>\$ 6,078,911</u>	<u>\$ 5,814,256</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Course and ground	\$ 760,667	\$ 731,092
Cart	133,584	148,987
Pro shop	141,598	132,680
Range	51,953	45,086
Food and beverage	<u>221,620</u>	<u>228,279</u>
Total operating revenues	<u>1,309,422</u>	<u>1,286,124</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	93,815	83,820
Food and beverage	89,442	90,258
Payroll and related benefits	847,367	850,468
Other expenses	586,864	598,532
Management fee	90,540	87,834
Depreciation	<u>330,319</u>	<u>274,333</u>
Total operating expenses	<u>2,038,347</u>	<u>1,985,245</u>
Operating loss	<u>(728,925)</u>	<u>(699,121)</u>
Non-Operating Revenues :		
Interest revenue	<u>1,881</u>	<u>752</u>
Total non-operating revenues	<u>1,881</u>	<u>752</u>
Loss before contributions and transfers	<u>(727,044)</u>	<u>(698,369)</u>
Capital contributions	491,699	55,165
Transfers in	<u>500,000</u>	<u>300,000</u>
Change in net position	264,655	<u>(343,204)</u>
Net position at beginning of year	<u>5,814,256</u>	<u>6,157,460</u>
Net position at end of year	<u>\$ 6,078,911</u>	<u>\$ 5,814,256</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,285,257	\$ 1,327,834
Payments to suppliers	(886,924)	(806,842)
Payments to employees	(884,554)	(852,769)
Net cash used by operating activities	<u>(486,221)</u>	<u>(331,777)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	<u>500,000</u>	<u>300,000</u>
Net cash provided by non-capital financing activities	<u>500,000</u>	<u>300,000</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 received	<u>1,881</u>	<u>752</u>
Net cash provided by investing activities	<u>1,881</u>	<u>752</u>
Change in cash and cash equivalents	15,660	(31,025)
Cash and cash equivalents at the beginning of year	<u>64,221</u>	<u>95,246</u>
Cash and cash equivalents at the end of year	<u>\$ 79,881</u>	<u>\$ 64,221</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$(<u>728,925</u>)	\$(<u>699,121</u>)
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	330,319	274,333
(Increase) decrease in:		
Accounts receivable	(19,229)	38,164
Inventory	(9,387)	(6,574)
Prepaid expenses	2,618	(568)
Increase (decrease) in:		
Accounts payable	(33,271)	60,744
Accrued wages payable	(23,410)	(2,301)
Unearned revenues	<u>4,936</u>	<u>3,546</u>
Total adjustments	<u>242,704</u>	<u>367,344</u>
Net cash used by operating activities	\$(<u><u>486,221</u></u>)	\$(<u><u>331,777</u></u>)
Noncash Investing, Capital, and Financing Activities:		
Capital contributions	\$ <u>491,699</u>	\$ <u>55,165</u>
Net effect of noncash transactions	\$ <u><u>491,699</u></u>	\$ <u><u>55,165</u></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, 2018
With Comparative Actual Totals for 2017

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 834,797	\$ 834,797
Cart	207,148	207,148
Pro shop	139,351	139,351
Range	63,323	63,323
Food and beverage	256,207	256,207
Total operating revenues	1,500,826	1,500,826
Operating Expenses:		
Cost of Sales:		
Pro shop	87,554	87,554
Food and beverage	101,464	101,464
Payroll and related benefits	890,017	890,017
Other expenses	623,042	623,042
Management fee	89,952	89,952
Depreciation		
Total operating expenses	1,792,029	1,792,029
Operating loss	(291,203)	(291,203)
Non-Operating Revenues:		
Interest revenue		
Total non-operating revenues	-0-	-0-
Loss before contributions and transfers	(291,203)	(291,203)
Capital contributions		
Transfers in	300,000	500,000
Change in net position	8,797	8,797
Fund balances - beginning	5,814,256	5,814,256
Fund balances - ending	\$ 5,823,053	\$ 5,823,053

2018			2017	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 760,667	\$	\$ 760,667	\$ (74,130)	\$ 731,092
133,584		133,584	(73,564)	148,987
141,598		141,598	2,247	132,680
51,953		51,953	(11,370)	45,086
<u>221,620</u>		<u>221,620</u>	<u>(34,587)</u>	<u>228,279</u>
<u>1,309,422</u>	<u>-0-</u>	<u>1,309,422</u>	<u>(191,404)</u>	<u>1,286,124</u>
93,815		93,815	(6,261)	83,820
89,442		89,442	12,022	90,258
847,367		847,367	42,650	850,468
586,864		586,864	36,178	598,532
90,540		90,540	(588)	87,834
<u>330,319</u>	<u>(330,319)</u>		<u>-0-</u>	<u>274,333</u>
<u>2,038,347</u>	<u>(330,319)</u>	<u>1,708,028</u>	<u>84,001</u>	<u>1,985,245</u>
<u>(728,925)</u>	<u>330,319</u>	<u>(398,606)</u>	<u>(107,403)</u>	<u>(699,121)</u>
<u>1,881</u>		<u>1,881</u>	<u>1,881</u>	<u>752</u>
<u>1,881</u>	<u>-0-</u>	<u>1,881</u>	<u>1,881</u>	<u>752</u>
<u>(727,044)</u>	<u>330,319</u>	<u>(396,725)</u>	<u>(105,522)</u>	<u>(698,369)</u>
491,699		491,699	491,699	55,165
<u>500,000</u>		<u>500,000</u>	<u>-0-</u>	<u>300,000</u>
264,655	330,319	594,974	386,177	(343,204)
<u>5,814,256</u>		<u>5,814,256</u>	<u>-0-</u>	<u>6,157,460</u>
<u>\$ 6,078,911</u>	<u>\$ 330,319</u>	<u>\$ 6,409,230</u>	<u>\$ 386,177</u>	<u>\$ 5,814,256</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Governmental Activities Capital Assets:		
Land	\$ 2,551,017	\$ 2,477,779
Buildings	32,112,592	31,806,105
Improvements other than buildings	14,262,636	13,687,820
Machinery and equipment	14,230,661	14,123,853
Infrastructure	101,266,943	98,230,835
Construction in progress	<u>2,853,595</u>	<u>2,067,381</u>
Total governmental activities capital assets	<u>\$ 167,277,444</u>	<u>\$ 162,393,773</u>
Investments in Governmental Activities Capital Assets by Source:		
General fund	\$ 13,047,458	\$ 13,290,508
Special revenue fund	17,318,994	16,747,982
Capital projects fund	105,896,497	102,093,111
Contributed	<u>31,014,495</u>	<u>30,262,172</u>
Total governmental activities capital assets	<u>\$ 167,277,444</u>	<u>\$ 162,393,773</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, 2018**

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government	\$ 1,094,732	\$ 7,577,506	\$ 1,446,370
Public safety		7,628,855	626,608
Public works		1,977,771	734,663
Culture and recreation	<u>1,456,285</u>	<u>14,928,460</u>	<u>11,454,995</u>
 Total governmental activities capital assets	 <u>\$ 2,551,017</u>	 <u>\$ 32,112,592</u>	 <u>\$ 14,262,636</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>
\$ 1,202,113	\$ 1,340,048	\$ 386,689	\$ 13,047,458
8,844,586	218,945		17,318,994
2,518,269	98,278,967	2,386,827	105,896,497
<u>1,665,693</u>	<u>1,428,983</u>	<u>80,079</u>	<u>31,014,495</u>
<u>\$ 14,230,661</u>	<u>\$ 101,266,943</u>	<u>\$ 2,853,595</u>	<u>\$ 167,277,444</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, 2018**

<u>Function</u>	<u>Governmental Activities Capital Assets 10/01/17</u>	<u>Additions</u>	<u>Deductions/ Transfers</u>	<u>Governmental Activities Capital Assets 09/30/18</u>
General government	\$ 13,290,508	\$ 239,809	\$ 482,859	\$ 13,047,458
Public safety	16,747,982	957,902	386,890	17,318,994
Public works	102,093,111	3,953,011	149,625	105,896,497
Culture and recreation	<u>30,262,172</u>	<u>825,481</u>	<u>73,158</u>	<u>31,014,495</u>
Total governmental activities capital assets	<u>\$ 162,393,773</u>	<u>\$ 5,976,203</u>	<u>\$ 1,092,532</u>	<u>\$ 167,277,444</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, 2018

	<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	\$ 4,530	\$ 14,006,466	\$	\$
Receivables (net of allowance for uncollectibles):				
Property tax	38,969			
Accounts	52,410			
Sales tax	1,105,262			
Franchise tax	102,080			
Due from clearing fund	6,304,387	24,516		921,955
Investments		301,511		
Inventories:				
Resale items	17,122			
Supplies	70,402			
Prepaid expenditures			29,516	
	<u>7,695,162</u>	<u>14,332,493</u>	<u>29,516</u>	<u>921,955</u>
Total assets				
	<u>7,695,162</u>	<u>14,332,493</u>	<u>29,516</u>	<u>921,955</u>
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				
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 7,695,162</u>	<u>\$ 14,332,493</u>	<u>\$ 29,516</u>	<u>\$ 921,955</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 14,010,996
					38,969
					52,410
					1,105,262
					102,080
6,899,248	115,653	6,468	81,782	(14,354,009)	-0-
					301,511
					17,122
					70,402
					<u>29,516</u>
<u>6,899,248</u>	<u>115,653</u>	<u>6,468</u>	<u>81,782</u>	<u>(14,354,009)</u>	<u>15,728,268</u>
					-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 6,899,248</u>	<u>\$ 115,653</u>	<u>\$ 6,468</u>	<u>\$ 81,782</u>	<u>\$(14,354,009)</u>	<u>\$ 15,728,268</u>

(continued)

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, 2018

	<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	\$ 543,223	\$	\$	\$
Cash bonds and taxes	115,931			
Accrued wages	430,895			
Unearned revenue	82,476	3,000		
Due to other funds		<u>14,329,493</u>	<u>24,516</u>	
Total liabilities	<u>1,172,525</u>	<u>14,332,493</u>	<u>24,516</u>	<u>-0-</u>
Deferred Inflows of Resources:				
Deferred inflows of resources – property taxes	<u>38,969</u>			
Total deferred inflows of resources	<u>38,969</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Non-spendable:				
Inventory	87,524			
Prepaid expenditures			29,516	
Committed:				
Contingencies				921,955
Assigned:				
Unemployment insurance				
Equipment replacement				
Special events				
Park improvement				
Unassigned	<u>6,396,144</u>		<u>(24,516)</u>	
Total fund balances	<u>6,483,668</u>	<u>-0-</u>	<u>5,000</u>	<u>921,955</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,695,162</u>	<u>\$ 14,332,493</u>	<u>\$ 29,516</u>	<u>\$ 921,955</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$ 68,031	\$ 1,472	\$	\$ 8,324	\$	\$ 621,050
					115,931
					430,895
					85,476
				(14,354,009)	-0-
<u>68,031</u>	<u>1,472</u>	<u>-0-</u>	<u>8,324</u>	<u>(14,354,009)</u>	<u>1,253,352</u>
					38,969
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>38,969</u>
					87,524
					29,516
					921,955
	114,181				114,181
6,831,217					6,831,217
		6,468			6,468
			73,458		73,458
					<u>6,371,628</u>
<u>6,831,217</u>	<u>114,181</u>	<u>6,468</u>	<u>73,458</u>	<u>-0-</u>	<u>14,435,947</u>
<u>\$ 6,899,248</u>	<u>\$ 115,653</u>	<u>\$ 6,468</u>	<u>\$ 81,782</u>	<u>\$(14,354,009)</u>	<u>\$ 15,728,268</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, 2018

	General	Clearing	Payroll	General Contingencies
Revenues:				
Taxes:				
Property	\$ 4,354,049	\$	\$	\$
Sales	6,815,971			
Franchise	1,619,704			
Other	254,155			
Industrial district	4,501,353			
Intergovernmental	14,966			
Revenue producing facilities	1,150,568			
Fines and fees	553,806			
Licenses and permits	334,908			
Investment earnings	87,846			11,648
Miscellaneous	52,767			
Total revenues	19,740,093	-0-	-0-	11,648
Expenditures:				
Current:				
General government and administration				
General administration	1,604,995			
Finance	1,078,407			
Elections	4,685			
Legal	205,406			
Municipal court	385,741			
Engineering	486,185			
Flood Related Expenditures	127,100			
Public Safety:				
Police	5,676,628			
Fire	701,311			
EMS department	382,673			
Humane	334,045			
Public works:				
Garage	684,118			
Street	738,720			
Drainage	658,490			
Building inspection	595,912			
Culture and recreation:				
Parks	1,167,203			
Recreation	2,284,842			
Civic Center & Jasmine Hall	677,021			
Commissions and Boards	326,369			
Special event				
Capital outlay	49,906			
Total expenditures	18,169,757	-0-	-0-	-0-

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 4,354,049
					6,815,971
					1,619,704
					254,155
					4,501,353
33,090					48,056
					1,150,568
					553,806
					334,908
89,131	1,466	174	1,091		191,356
		42,117	325		95,209
<u>122,221</u>	<u>1,468</u>	<u>42,291</u>	<u>1,416</u>	<u>-0-</u>	<u>19,919,135</u>
35,131	3,574				1,643,700
					1,078,407
					4,685
					205,406
					385,741
					486,185
					127,100
					5,676,628
2,460					703,771
					382,673
					334,045
					684,118
					738,720
					658,490
4,170					600,082
			15,531		1,182,734
					2,284,842
					677,021
					326,369
		208,719			208,719
<u>1,046,925</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>1,096,831</u>
<u>1,088,686</u>	<u>3,574</u>	<u>208,719</u>	<u>15,531</u>	<u>-0-</u>	<u>19,486,267</u>

(continued)

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, 2018

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>1,570,336</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>11,648</u>
Other Financing Sources (Uses):				
Sale of capital assets	72,088			
Transfers in	890,390			
Transfers out	<u>(1,210,656)</u>			
Total other financing sources (uses)	<u>(248,178)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net changes in fund balances	1,322,158	-0-	-0-	11,648
Fund balances - beginning	<u>5,161,510</u>		<u>5,000</u>	<u>910,307</u>
Fund balances - ending	<u>\$ 6,483,668</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 921,955</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
<u>\$ (966,465)</u>	<u>\$ (2,108)</u>	<u>\$ (166,428)</u>	<u>\$ (14,115)</u>	<u>\$ -0-</u>	<u>\$ 432,868</u>
3,240					75,328
1,833,069		107,953		(1,210,656)	1,620,756
<u>(687,563)</u>				<u>1,210,656</u>	<u>(687,563)</u>
<u>1,148,746</u>	<u>-0-</u>	<u>107,953</u>	<u>-0-</u>	<u>-0-</u>	<u>1,008,521</u>
182,281	(2,108)	(58,475)	(14,115)	-0-	1,441,389
<u>6,648,936</u>	<u>116,289</u>	<u>64,943</u>	<u>87,573</u>		<u>12,994,558</u>
<u>\$ 6,831,217</u>	<u>\$ 114,181</u>	<u>\$ 6,468</u>	<u>\$ 73,458</u>	<u>\$ -0-</u>	<u>\$ 14,435,947</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2018

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 4,961,571	\$ 407,984	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	<u>849,702</u>	<u> </u>	<u> </u>
	<u>5,811,273</u>	<u>407,984</u>	<u>-0-</u>
Current Restricted Assets:			
Cash and cash equivalents	<u>829,309</u>	<u> </u>	<u> </u>
Total current restricted assets	<u>829,309</u>	<u>-0-</u>	<u>-0-</u>
Total current assets	<u>6,640,582</u>	<u>407,984</u>	<u>-0-</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u> </u>	<u> </u>	<u>2,319,848</u>
Total noncurrent restricted assets	<u>-0-</u>	<u>-0-</u>	<u>2,319,848</u>
Capital Assets:			
Property, plant and equipment	74,993,867		
Construction in progress			
Less accumulated depreciation	<u>(41,771,448)</u>	<u> </u>	<u> </u>
Total capital assets (net of accumulated depreciation)	<u>33,222,419</u>	<u>-0-</u>	<u>-0-</u>
Total noncurrent assets	<u>33,222,419</u>	<u>-0-</u>	<u>2,319,848</u>
Total assets	<u>39,863,001</u>	<u>407,984</u>	<u>2,319,848</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - debt refunding cost			39,295
Deferred outflows of resources - pension	676,913		
Deferred outflows of resources - OPEB	<u>10,953</u>	<u> </u>	<u> </u>
Total deferred outflows of resources	<u>687,866</u>	<u>-0-</u>	<u>39,295</u>

<u>Utility Construction</u>	<u>2007 Utility Bond</u>	<u>2013 Revenue Bond</u>	<u>North Sewer Extension</u>	<u>2017 Utility Bond</u>	<u>Total</u>
\$ 2,049,828	\$	\$	\$	\$	\$ 7,419,383
<u>2,593</u>					<u>852,295</u>
<u>2,052,421</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,271,678</u>
		<u>232,469</u>	<u>2,166,503</u>	<u>4,727,332</u>	<u>7,955,613</u>
<u>-0-</u>	<u>-0-</u>	<u>232,469</u>	<u>2,166,503</u>	<u>4,727,332</u>	<u>7,955,613</u>
<u>2,052,421</u>	<u>-0-</u>	<u>232,469</u>	<u>2,166,503</u>	<u>4,727,332</u>	<u>16,227,291</u>
					<u>2,319,848</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,319,848</u>
					74,993,867
<u>277,471</u>		<u>140,306</u>	<u>217,005</u>	<u>599,801</u>	1,234,583
					(41,771,448)
<u>277,471</u>	<u>-0-</u>	<u>140,306</u>	<u>217,005</u>	<u>599,801</u>	<u>34,457,002</u>
<u>277,471</u>	<u>-0-</u>	<u>140,306</u>	<u>217,005</u>	<u>599,801</u>	<u>36,776,850</u>
<u>2,329,892</u>	<u>-0-</u>	<u>372,775</u>	<u>2,383,508</u>	<u>5,327,133</u>	<u>53,004,141</u>
					39,295
					676,913
					10,953
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>727,161</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2018

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 473,731	\$	\$
Accrued wages	111,011		
Accrued compensated absences	100,425		
Revenue bonds payable	<u>758,333</u>		
	<u>1,443,500</u>	<u>-0-</u>	<u>-0-</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest			203,890
Customer deposits	829,309		
Revenue bonds payable			<u>588,128</u>
Total current liabilities payable from restricted assets	<u>829,309</u>	<u>-0-</u>	<u>792,018</u>
Total current liabilities	<u>2,272,809</u>	<u>-0-</u>	<u>792,018</u>
Noncurrent Liabilities:			
Revenue bonds payable	11,955,000		487,033
Accrued compensated absences	67,311		
Net pension liabilities	684,563		
Total OPEB liabilities	<u>147,717</u>		
Total noncurrent liabilities	<u>12,854,591</u>	<u>-0-</u>	<u>487,033</u>
Total liabilities	<u>15,127,400</u>	<u>-0-</u>	<u>1,279,051</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	<u>740,867</u>		
Total deferred inflows of resources	<u>740,867</u>	<u>-0-</u>	<u>-0-</u>
Net Position:			
Net investment in capital assets	20,509,086		(447,738)
Restricted For:			
Revenue bond retirement			1,527,830
Construction			
Unrestricted	<u>4,173,514</u>	<u>407,984</u>	
Total net position	<u>\$ 24,682,600</u>	<u>\$ 407,984</u>	<u>\$ 1,080,092</u>

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	2017 Utility Bond	Total
\$ 59,692	\$	\$	\$ 112,715	\$ 256,168	\$ 902,306
					111,011
					100,425
					758,333
<u>59,692</u>	<u>-0-</u>	<u>-0-</u>	<u>112,715</u>	<u>256,168</u>	<u>1,872,075</u>
					203,890
					829,309
					588,128
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,621,327</u>
<u>59,692</u>	<u>-0-</u>	<u>-0-</u>	<u>112,715</u>	<u>256,168</u>	<u>3,493,402</u>
					12,442,033
					67,311
					684,563
					147,717
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>13,341,624</u>
<u>59,692</u>	<u>-0-</u>	<u>-0-</u>	<u>112,715</u>	<u>256,168</u>	<u>16,835,026</u>
					740,867
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>740,867</u>
277,471		140,306	217,005	599,801	21,295,931
					1,527,830
		232,469	2,053,788	4,471,164	6,757,421
<u>1,992,729</u>					<u>6,574,227</u>
<u>\$ 2,270,200</u>	<u>\$ -0-</u>	<u>\$ 372,775</u>	<u>\$ 2,270,793</u>	<u>\$ 5,070,965</u>	<u>\$ 36,155,409</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, 2018

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 5,131,760	\$	\$
Sewer service	5,410,613		
Garbage fees	3,920,214		
Tapping and connection fees	288,986		
Other	<u>216,881</u>		
Total operating revenues	<u>14,968,454</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	586,934		
Water production and treatment	3,527,509		
Sewer collection	2,302,531		
Sanitation	3,240,185		
Depreciation	<u>2,625,219</u>		
Total operating expenses	<u>12,282,378</u>	<u>-0-</u>	<u>-0-</u>
Operating income	<u>2,686,076</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	106,876	5,154	19,136
Loss on disposition of capital assets	(39,095)		
Interest expense and fiscal charges			<u>(589,553)</u>
Total non-operating revenues (expenses)	<u>67,781</u>	<u>5,154</u>	<u>(570,417)</u>
Income (loss) before contributions and transfers	2,753,857	5,154	(570,417)
Capital Contributions	232,540		
Transfers in (out):			
Transfers in	687,563		
Transfers out	(1,647,803)		
Intrafund transfers	<u>(1,339,725)</u>		<u>327,668</u>
Change in net position	686,432	5,154	(242,749)
Net position at beginning of year (restated)	<u>23,996,168</u>	<u>402,830</u>	<u>1,322,841</u>
Net position at end of year	<u>\$ 24,682,600</u>	<u>\$ 407,984</u>	<u>\$ 1,080,092</u>

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	Bond Utility Bond	Total
\$	\$	\$	\$	\$	\$ 5,131,760
					5,410,613
					3,920,214
					288,986
					<u>216,881</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>14,968,454</u>
					586,934
					3,527,509
					2,302,531
					3,240,185
					<u>2,625,219</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,282,378</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,686,076</u>
17,400		5,029	46,528	70,965	271,088
					(39,095)
					<u>(589,553)</u>
<u>17,400</u>	<u>-0-</u>	<u>5,029</u>	<u>46,528</u>	<u>70,965</u>	<u>(357,560)</u>
17,400	-0-	5,029	46,528	70,965	2,328,516
					232,540
					687,563
					(1,647,803)
<u>731,128</u>			<u>(4,719,071)</u>	<u>5,000,000</u>	<u>-0-</u>
748,528		5,029	(4,672,543)	5,070,965	1,600,816
<u>1,521,672</u>	<u>-0-</u>	<u>367,746</u>	<u>6,943,336</u>	<u>-0-</u>	<u>34,554,593</u>
<u>\$ 2,270,200</u>	<u>\$ -0-</u>	<u>\$ 372,775</u>	<u>\$ 2,270,793</u>	<u>\$ 5,070,965</u>	<u>\$ 36,155,409</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

CONSOLIDATED SCHEDULE OF CASH FLOWS
ENTERPRISE FUND - SUB-FUNDS

For the Year Ended September 30, 2018

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 14,899,201	\$	\$
Payments to suppliers	(6,948,522)		
Payments to employees	(2,440,666)		
Net cash provided (used) by operating activities	5,510,013	-0-	-0-
Cash Flows from Non-Capital Financing Activities:			
Transfers in	687,563		
Transfers out	(1,647,803)		
Intrafund transfers	(1,345,043)		327,668
Net cash provided (used) by non-capital financing activities	(2,305,283)	-0-	327,668
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(5,590,405)		
Proceeds from sale of revenue bonds and premium	4,408,333		755,351
Principal and premium paid on capital debt	(700,000)		(545,199)
Interest and fiscal charges paid on capital debt			(512,863)
Net cash provided (used) by capital and related financing activities	(1,882,072)	-0-	(302,711)
Cash Flows from Investing Activities:			
Interest received	106,876	5,154	19,136
Net cash provided by investing activities	106,8876	5,154	19,136
Change in cash and cash equivalents	1,429,534	5,154	44,093
Cash and cash equivalents at the beginning of year	4,361,346	402,830	2,275,755
Cash and cash equivalents at the end of year	\$ 5,790,880	\$ 407,984	\$ 2,319,848
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:			
Operating income	\$ 2,686,076	\$ -0-	\$ -0-
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,625,219		
(Increase) decrease in accounts receivable	(85,663)		
Increase (decrease) in accounts payable	(14,297)		
Increase (decrease) in accrued wages payable	9,201		
Increase (decrease) in net pension liability	(167,980)		
Increase (decrease) in total OPEB liability	433,419		
Increase (decrease) in accrued compensated absences	7,628		
Increase (decrease) in customer deposits	16,410		
Total adjustments	2,823,937	-0-	-0-
Net cash provided (used) by operating activities	\$ 5,510,013	\$ -0-	\$ -0-
Non-cash Investing, Capital, and Financing Activities:			
Capital contributions	\$ 232,540	\$	\$
Net effect of non-cash transactions	\$ 232,540	\$ -0-	\$ -0-

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	2017 Utility Bond	Total
\$ 18,211	\$	\$	\$ (87,950)	\$ 256,168	\$ 14,899,201
					(6,762,093)
					(2,440,666)
<u>18,211</u>	<u>-0-</u>	<u>-0-</u>	<u>(87,950)</u>	<u>256,168</u>	<u>5,696,442</u>
					687,563
					(1,647,803)
<u>731,128</u>	<u>5,318</u>		<u>(4,719,071)</u>	<u>5,000,000</u>	<u>-0-</u>
<u>731,128</u>	<u>5,318</u>	<u>-0-</u>	<u>(4,719,071)</u>	<u>5,000,000</u>	<u>(960,240)</u>
(131,526)		(100,452)	4,487,667	(599,801)	(1,934,517)
					5,163,684
					(1,245,199)
					(512,863)
<u>(131,526)</u>	<u>-0-</u>	<u>(100,452)</u>	<u>4,487,667</u>	<u>(599,801)</u>	<u>1,471,105</u>
<u>17,400</u>		<u>5,029</u>	<u>46,528</u>	<u>70,965</u>	<u>271,088</u>
<u>17,400</u>	<u>-0-</u>	<u>5,029</u>	<u>46,528</u>	<u>70,965</u>	<u>271,088</u>
635,213	5,318	(95,423)	(272,826)	4,727,332	6,478,395
<u>1,414,615</u>	<u>(5,318)</u>	<u>327,892</u>	<u>2,439,329</u>	<u>-0-</u>	<u>11,216,449</u>
<u>\$ 2,049,828</u>	<u>\$ -0-</u>	<u>\$ 232,469</u>	<u>\$ 2,166,503</u>	<u>\$ 4,727,332</u>	<u>\$ 17,694,844</u>
\$	\$	\$	\$	\$	\$ 2,686,076
					2,625,219
18,211			(87,950)	256,168	(85,663)
					172,132
					9,201
					(167,980)
					433,419
					7,628
					16,410
<u>18,211</u>	<u>-0-</u>	<u>-0-</u>	<u>(87,950)</u>	<u>256,168</u>	<u>3,010,366</u>
<u>\$ 18,211</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (87,950)</u>	<u>\$ 256,168</u>	<u>\$ 5,696,442</u>
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 232,540
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 232,540</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS
DEBT SERVICE SCHEDULE**

September 30, 2018

<u>Year Ending</u> <u>09/30</u>	<u>Series 2009</u>		<u>Series 2009 Refunding</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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				
2035				
2036				
2037				
2038				
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	\$ <u>240,000</u>	\$ <u>9,000</u>	\$ <u>60,000</u>	\$ <u>1,088</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2018

Year Ending 09/30	Series 2013 LTB		Series 2013 Certificate	
	Principal	Interest	Principal	Interest
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				
2035				
2036				
2037				
2038				
TOTAL	<u>\$ 3,000,000</u>	<u>\$ 588,000</u>	<u>\$ 1,500,000</u>	<u>\$ 316,375</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	\$ 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		
<hr/>		<hr/>		<hr/>	
<u>\$ 750,000</u>	<u>\$ 52,875</u>	<u>\$ 4,400,000</u>	<u>\$ 1,051,875</u>	<u>\$ 6,820,000</u>	<u>\$ 1,035,431</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2018

Year Ending	<u>Series 2016 LT Refunding Bonds</u>		<u>Series 2016 LT Certificate</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>09/30</u>				
2019	\$ 150,000	\$ 71,825	\$ 270,000	\$ 75,900
2020	150,000	67,326	270,000	70,500
2021	150,000	62,824	270,000	65,100
2022	150,000	58,326	270,000	59,700
2023	150,000	53,825	270,000	54,300
2024	150,000	49,325	270,000	47,550
2025	150,000	44,825	270,000	39,450
2026	150,000	41,074	270,000	32,700
2027	150,000	38,075	120,000	28,800
2028	150,000	35,075	115,000	26,450
2029	150,000	32,075	115,000	24,150
2030	150,000	28,700	115,000	21,563
2031	145,000	25,012	115,000	18,687
2032	145,000	21,388	115,000	15,525
2033	145,000	17,762	115,000	12,075
2034	145,000	13,956	115,000	8,625
2035	145,000	9,969	115,000	5,175
2036	145,000	5,981	115,000	1,725
2037	145,000	1,994		
2038				
TOTAL	\$ <u>2,815,000</u>	\$ <u>679,337</u>	\$ <u>3,315,000</u>	\$ <u>607,975</u>

(continued)

<u>Series 2017 LT Tax Bonds</u>		<u>Totals</u>		
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 200,000	\$ 119,685	\$ 3,135,000	\$ 905,529	\$ 4,040,529
200,000	113,685	3,070,000	809,429	3,879,429
200,000	107,685	3,060,000	715,866	3,775,866
200,000	100,685	2,870,000	626,079	3,496,079
200,000	92,685	2,680,000	542,317	3,222,317
200,000	84,685	2,145,000	470,384	2,615,384
200,000	77,685	1,960,000	410,185	2,370,185
195,000	71,760	1,945,000	356,091	2,301,091
195,000	65,910	1,785,000	306,045	2,091,045
195,000	60,060	1,505,000	261,169	1,766,169
195,000	54,210	1,500,000	219,459	1,719,459
195,000	48,360	1,375,000	177,424	1,552,424
195,000	42,900	1,030,000	141,755	1,171,755
195,000	37,830	1,030,000	111,962	1,141,962
195,000	32,565	1,030,000	81,340	1,111,340
195,000	27,105	730,000	54,498	784,498
195,000	21,450	455,000	36,594	491,594
195,000	15,600	455,000	23,306	478,306
195,000	9,506	340,000	11,500	351,500
<u>195,000</u>	<u>3,169</u>	<u>195,000</u>	<u>3,169</u>	<u>198,169</u>
<u>\$ 3,935,000</u>	<u>\$ 1,187,220</u>	<u>\$ 32,295,000</u>	<u>\$ 6,264,101</u>	<u>\$ 38,559,101</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2018

Year Ending 09/30	Series 2009 Refunding		Series 2010 Refunding		Series 2016 Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 85,000	\$ 42,900	\$ 765,000	\$ 91,200	\$ 100,000	\$ 43,250
2020	85,000	39,500	760,000	60,600	100,000	40,750
2021	85,000	36,100	755,000	30,200	100,000	38,000
2022	85,000	32,700			100,000	35,250
2023	85,000	29,300			100,000	32,500
2024	85,000	25,688			100,000	29,750
2025	85,000	22,075			100,000	27,000
2026	85,000	18,462			100,000	24,000
2027	85,000	14,850			100,000	21,000
2028	85,000	11,025			100,000	18,000
2029	80,000	7,200			100,000	15,000
2030	80,000	3,600			100,000	12,000
2031					100,000	9,000
2032					100,000	6,000
2033					100,000	3,000
2034						
2035						
2036						
2037						
2038						
TOTAL	<u>\$ 1,010,000</u>	<u>\$ 283,400</u>	<u>\$ 2,280,000</u>	<u>\$ 182,000</u>	<u>\$ 1,500,000</u>	<u>\$ 354,500</u>

<u>Series 2016 Refunding</u>		<u>Series 2017 Revenue Bonds</u>		<u>Totals</u>		
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 250,000	\$ 105,450	\$ 100,000	\$ 160,175	\$ 1,300,000	\$ 442,975	\$ 1,742,975
250,000	97,950	100,000	157,175	1,295,000	395,975	1,690,975
250,000	90,450	100,000	154,175	1,290,000	348,925	1,638,925
250,000	82,950	275,000	151,175	710,000	302,075	1,012,075
245,000	75,450	275,000	142,925	705,000	280,175	985,175
245,000	68,100	275,000	131,925	705,000	255,463	960,463
245,000	60,750	275,000	120,925	705,000	230,750	935,750
240,000	53,400	275,000	109,925	700,000	205,787	905,787
235,000	46,200	275,000	98,925	695,000	180,975	875,975
145,000	39,150	275,000	90,675	605,000	158,850	763,850
145,000	34,800	275,000	82,425	600,000	139,425	739,425
145,000	30,450	275,000	74,175	600,000	120,225	720,225
145,000	26,100	275,000	65,925	520,000	101,025	621,025
145,000	21,750	275,000	57,675	520,000	85,425	605,425
145,000	17,400	275,000	49,425	520,000	69,825	589,825
145,000	13,050	270,000	41,175	415,000	54,225	469,225
145,000	8,700	270,000	33,075	415,000	41,775	456,775
145,000	4,350	270,000	24,975	415,000	29,325	444,325
		270,000	16,875	270,000	16,875	286,875
		<u>270,000</u>	<u>8,438</u>	<u>270,000</u>	<u>8,438</u>	<u>278,438</u>
<u>\$ 3,515,000</u>	<u>\$ 876,450</u>	<u>\$ 4,950,000</u>	<u>\$ 1,772,163</u>	<u>\$ 13,255,000</u>	<u>\$ 3,468,513</u>	<u>\$ 16,723,513</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

INSURANCE COVERAGE

September 30, 2018

<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	10/01/19
Automobile liability	5,000,000	10/01/19
Other Liability:		
Law enforcement liability	5,000,000	10/01/19
Errors and omissions	2,000,000	10/01/19
Property coverage	54,760,896	10/01/19
Mobil equipment	2,596,390	10/01/19
Boiler and machinery	8,000,000	10/01/19
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	55,485,425	01/26/20
Pollution liability insurance	2,000,000	10/01/19

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

(Restated) 2014	2015	2016	(Restated) 2017	2018
\$ 32,216,296	\$ 33,568,778	\$ 36,518,760	\$ 34,776,336	\$ 36,842,141
3,555,361	3,770,121	3,156,731	3,135,742	3,280,276
<u>13,914,437</u>	<u>15,824,959</u>	<u>14,662,475</u>	<u>12,962,925</u>	<u>14,139,592</u>
<u>\$ 49,686,094</u>	<u>\$ 53,163,858</u>	<u>\$ 54,337,966</u>	<u>\$ 50,875,003</u>	<u>\$ 54,262,009</u>
\$ 25,271,709	\$ 25,797,977	\$ 30,118,830	\$ 31,654,276	\$ 27,429,024
5,098,779	4,277,148	2,315,334	4,156,093	8,285,251
<u>2,667,740</u>	<u>2,789,247</u>	<u>4,122,879</u>	<u>4,558,480</u>	<u>6,520,045</u>
<u>\$ 33,038,228</u>	<u>\$ 32,864,372</u>	<u>\$ 36,557,043</u>	<u>\$ 40,368,849</u>	<u>\$ 42,234,320</u>
\$ 57,488,005	\$ 59,366,755	\$ 66,637,590	\$ 66,430,612	\$ 64,271,165
8,654,140	8,047,269	5,472,065	7,291,835	11,565,527
<u>16,582,177</u>	<u>18,614,206</u>	<u>18,785,354</u>	<u>17,521,405</u>	<u>20,659,637</u>
<u>\$ 82,724,322</u>	<u>\$ 86,028,230</u>	<u>\$ 90,895,009</u>	<u>\$ 91,243,852</u>	<u>\$ 96,496,329</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>(Restated)</u> <u>2012</u>	<u>2013</u>
Expenses					
Governmental Activities:					
General government and administration	\$ 3,075,201	\$ 3,222,710	\$ 3,079,021	\$ 3,338,677	\$ 3,644,824
Public safety	5,739,091	6,046,380	6,140,172	6,146,043	6,260,664
Public works	5,758,443	5,694,647	4,288,666	4,378,048	4,827,784
Culture and recreation	4,885,568	5,037,305	4,961,616	4,896,044	4,501,507
Interest on long-term debt	<u>1,180,102</u>	<u>1,233,922</u>	<u>1,293,892</u>	<u>1,629,413</u>	<u>1,258,756</u>
Total governmental activities expenses	<u>20,638,405</u>	<u>21,234,964</u>	<u>19,763,367</u>	<u>20,388,225</u>	<u>20,493,538</u>
Business-type Activities:					
Water and sewer	6,913,963	7,013,299	7,410,839	7,811,698	7,774,236
Sanitation	2,718,214	2,747,149	2,432,879	2,219,316	2,278,112
Golf Course	<u>2,167,996</u>	<u>2,197,021</u>	<u>2,060,021</u>	<u>1,922,542</u>	<u>1,972,608</u>
Total business-type activities expenses	<u>11,800,173</u>	<u>11,957,469</u>	<u>11,903,739</u>	<u>11,953,556</u>	<u>12,024,956</u>
Total primary government expenses	<u>\$ 32,438,578</u>	<u>\$ 33,492,433</u>	<u>\$ 31,667,106</u>	<u>\$ 32,341,781</u>	<u>\$ 32,518,494</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General government and administration	\$ 447,112	\$ 410,235	\$ 459,598	\$ 550,251	\$ 657,598
Public safety					
Public works	186,017	237,964	213,772	227,672	587,897
Culture and recreation	931,477	1,035,350	1,005,931	1,042,830	1,043,331
Operating grants and contributions	1,566,242	1,025,417	405,794	131,528	304,854
Capital grants and contributions				<u>100,168</u>	
Total governmental activities program revenues	<u>3,130,848</u>	<u>2,708,966</u>	<u>2,085,095</u>	<u>2,052,449</u>	<u>2,251,680</u>
Business-type Activities:					
Charges for Services:					
Water and sewer	7,003,764	6,807,782	7,784,450	7,362,306	7,393,568
Sanitation	3,038,754	3,015,623	3,036,999	3,052,811	3,161,165
Golf	1,869,731	1,550,705	1,571,415	1,519,738	1,608,396
Operating grants and contributions	53,182	99,687		143,858	
Capital grants and contributions			<u>14,445</u>	<u>28,969</u>	<u>36,214</u>
Total business-type activities program revenues	<u>11,965,431</u>	<u>11,473,797</u>	<u>12,407,309</u>	<u>12,107,682</u>	<u>12,199,343</u>
Total primary government program revenues	<u>\$ 15,096,279</u>	<u>\$ 14,182,763</u>	<u>\$ 14,492,404</u>	<u>\$ 14,160,131</u>	<u>\$ 14,451,023</u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 3,963,493	\$ 3,976,659	\$ 4,637,221	\$ 5,185,914	\$ 4,469,968
6,391,647	6,364,951	6,996,740	8,116,735	8,014,355
4,467,635	4,466,925	4,800,673	5,013,485	4,815,157
5,173,328	5,561,349	5,934,908	6,197,113	6,259,805
<u>985,786</u>	<u>1,071,742</u>	<u>1,177,942</u>	<u>788,505</u>	<u>962,144</u>
<u>20,981,889</u>	<u>21,441,626</u>	<u>23,547,484</u>	<u>25,301,752</u>	<u>24,521,429</u>
7,775,096	8,122,897	8,717,505	9,321,589	9,670,841
2,442,771	2,551,608	2,864,997	3,014,234	3,240,185
<u>1,951,623</u>	<u>1,952,353</u>	<u>1,895,258</u>	<u>1,985,245</u>	<u>2,038,347</u>
<u>12,169,490</u>	<u>12,636,858</u>	<u>13,477,760</u>	<u>14,321,068</u>	<u>14,949,373</u>
\$ <u>33,151,379</u>	\$ <u>34,078,484</u>	\$ <u>37,025,244</u>	\$ <u>39,622,820</u>	\$ <u>39,470,802</u>
\$ 678,652	\$ 584,423	\$ 444,607	\$ 553,511	\$ 627,106
501,138	666,610	496,068	341,122	334,908
1,135,711	1,186,243	1,263,879	1,236,652	1,150,568
6,613	111,615	254,433	130,185	394,666
<u> </u>	<u> </u>	<u>2,011,011</u>	<u>296,861</u>	<u>554,207</u>
<u>2,322,114</u>	<u>2,548,891</u>	<u>4,469,998</u>	<u>2,558,331</u>	<u>3,061,455</u>
7,303,337	8,060,180	8,610,062	9,448,487	11,048,240
3,163,629	3,287,706	3,765,504	3,849,309	3,920,214
1,446,320	1,386,531	1,276,932	1,286,124	1,309,422
<u>133,195</u>	<u>38,897</u>	<u>945,311</u>	<u>209,122</u>	<u>232,540</u>
<u>12,046,481</u>	<u>12,773,314</u>	<u>14,597,809</u>	<u>14,793,042</u>	<u>16,510,416</u>
\$ <u>14,368,595</u>	\$ <u>15,322,205</u>	\$ <u>19,067,807</u>	\$ <u>17,351,373</u>	\$ <u>19,571,871</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

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

Source: Comprehensive Annual Financial Report

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$(18,659,775)	\$(18,892,735)	\$(19,077,486)	\$(22,743,421)	\$(21,459,974)
<u>(123,009)</u>	<u>136,456</u>	<u>1,120,049</u>	<u>471,974</u>	<u>1,561,043</u>
<u>(18,782,784)</u>	<u>(18,756,279)</u>	<u>(17,957,437)</u>	<u>(22,271,447)</u>	<u>(19,898,931)</u>
5,687,918	5,827,889	5,879,917	6,090,100	6,619,739
7,978,873	9,129,362	9,417,731	9,489,693	10,266,971
311,774	498,844	526,662	539,553	590,629
1,657,659	1,734,149	1,720,294	1,687,768	1,693,598
4,186,100	4,249,304	4,317,295	4,394,560	4,501,353
164,284	206,901	217,926	222,443	254,155
61,941	57,363	96,689	171,392	387,708
142,508	333,321	613,002	473,897	553,819
29,403	7,314		1,666	10,467
<u>(623,332)</u>	<u>326,052</u>	<u>(2,537,922)</u>	<u>(3,360,087)</u>	<u>(31,459)</u>
<u>19,597,128</u>	<u>22,370,499</u>	<u>20,251,594</u>	<u>19,710,985</u>	<u>24,846,980</u>
14,192	15,740	34,700	98,251	272,969
			8,500	
<u>623,332</u>	<u>(326,052)</u>	<u>2,537,922</u>	<u>3,360,087</u>	<u>31,459</u>
<u>637,524</u>	<u>(310,312)</u>	<u>2,572,622</u>	<u>3,466,838</u>	<u>304,428</u>
<u>20,234,552</u>	<u>22,060,187</u>	<u>22,824,216</u>	<u>23,177,823</u>	<u>25,151,406</u>
937,353	3,477,764	1,174,108	(3,032,436)	3,387,006
514,515	(173,856)	3,692,671	3,938,812	1,865,471
<u>(1,258,463)</u>	<u> </u>	<u> </u>	<u>(557,533)</u>	<u> </u>
<u>\$ 193,405</u>	<u>\$ 3,303,908</u>	<u>\$ 4,866,779</u>	<u>\$ 348,843</u>	<u>\$ 5,252,477</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2009	2010	2011	2012	2013
General Fund:					
Reserved for other/non-spendable*	\$ 331,434	\$ 262,501	\$ 179,575	\$ 135,790	\$ 88,399
Committed:					
General contingencies			1,032,819	1,037,756	800,085
Assigned:					
Unemployment insurance			203,627	194,179	176,847
Equipment replacement			4,033,149	4,909,100	5,544,711
Special events			6,660	31,881	12,308
Parks			336,842	284,576	245,889
Unreserved/unassigned*	<u>9,290,235</u>	<u>70,273,711</u>	<u>5,503,023</u>	<u>5,636,513</u>	<u>6,240,900</u>
Total general fund	<u>\$ 9,621,669</u>	<u>\$ 10,536,212</u>	<u>\$ 11,295,695</u>	<u>\$ 12,229,795</u>	<u>\$ 13,109,139</u>
 All Other Governmental Funds:					
Reserved For:					
Debt service	\$ 719,637	\$ 705,816			
Capital projects	4,838,804	9,470,729			
Unreserved, Reported In:					
Special Revenue	2,578,102	2,784,937			
Capital projects	<u>1,612,184</u>	<u>1,378,000</u>			
Total all other governmental funds	<u>\$ 6,748,727</u>	<u>\$ 14,339,482</u>			
 Restricted:					
Debt Service			\$ 671,628	\$ 608,056	\$ 707,536
Capital Projects			5,562,372	3,321,850	7,526,486
Economic Development			2,526,505	2,207,924	2,292,698
Encourage tourism			60,661	39,718	42,375
Law enforcement			121,667	142,911	122,313
Traffic safety			131,313	48,533	26,738
Contributor purpose			4,157		
Program education				75,138	124,901
Assigned:					
General construction			<u>1,353,206</u>	<u>1,475,196</u>	<u>1,370,332</u>
Total all other governmental funds			<u>\$ 10,431,509</u>	<u>\$ 7,919,326</u>	<u>\$ 12,313,379</u>

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 90,320	\$ 100,472	\$ 80,608	\$ 248,341	\$ 117,040
801,448	903,264	906,260	910,307	921,955
165,785	144,302	125,052	116,289	114,181
5,813,661	6,193,352	6,284,423	6,648,936	6,831,217
12,937	32,652	50,934	64,943	6,468
295,836	172,762	146,532	87,573	73,458
<u>6,644,409</u>	<u>7,480,835</u>	<u>6,763,696</u>	<u>4,918,169</u>	<u>6,371,628</u>
<u>\$ 13,824,396</u>	<u>\$ 15,027,639</u>	<u>\$ 14,357,505</u>	<u>\$ 12,994,558</u>	<u>\$ 14,435,947</u>

\$ 717,734	\$ 714,676	\$ 693,467	\$ 3,304,455	\$ 736,349
5,112,819	9,510,524	3,126,573	2,543,712	6,534,635
2,412,766	2,519,353	1,901,916	1,708,061	1,824,256
45,523	49,798	45,333	77,791	155,192
108,418	70,847	96,797	89,425	61,989
23,492				
196,245	281,104	366,271	284,202	287,232
<u>1,903,546</u>	<u>2,102,001</u>	<u>2,044,549</u>	<u>2,644,777</u>	<u>2,015,677</u>
<u>\$ 10,520,543</u>	<u>\$ 15,248,303</u>	<u>\$ 8,274,906</u>	<u>\$ 10,652,423</u>	<u>\$ 11,615,330</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues:					
Taxes and industrial district	\$ 18,612,438	\$ 18,187,067	\$ 18,526,662	\$ 18,824,139	\$ 19,468,703
Intergovernmental	1,566,242	1,025,417	405,794	131,528	304,854
Charges for services	931,477	1,035,350	1,005,931	1,042,830	1,043,331
Fines and fees	425,746	383,023	418,536	504,603	569,700
Licenses and permits	186,017	237,964	213,772	227,672	245,897
Special assessment	655	2,349	4,712		
Investment earnings	191,524	99,729	100,646	106,725	107,960
Contributions				100,168	
Miscellaneous	<u>140,307</u>	<u>282,518</u>	<u>160,567</u>	<u>290,564</u>	<u>191,495</u>
Total revenues	<u>22,054,406</u>	<u>21,253,417</u>	<u>20,836,620</u>	<u>21,228,229</u>	<u>21,931,940</u>
Expenditures:					
General government administration	2,874,769	2,984,712	2,862,240	3,068,045	3,478,670
Public safety	5,189,939	5,410,431	5,559,479	5,600,724	5,686,957
Public works	3,679,429	3,637,437	2,671,957	2,717,025	2,618,713
Culture and recreation	4,102,208	4,199,311	4,067,243	4,105,287	4,101,500
Capital outlay	6,007,292	4,615,889	5,355,135	4,181,783	3,736,077
Debt Service:					
Principal retirement	2,260,000	2,530,000	2,715,000	2,830,000	2,785,000
Interest and fiscal charges	<u>1,273,840</u>	<u>1,318,896</u>	<u>1,272,263</u>	<u>1,187,465</u>	<u>1,068,892</u>
Total expenditures	<u>25,387,477</u>	<u>24,696,676</u>	<u>24,503,317</u>	<u>23,690,329</u>	<u>23,475,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,333,071)</u>	<u>(3,443,259)</u>	<u>(3,666,697)</u>	<u>(2,462,100)</u>	<u>(1,543,869)</u>
Other Financing Sources (Uses):					
Issuance of bonds	9,245,000	8,000,000		7,360,000	6,000,000
Discount on bonds issued					
Bond issuance premium	144,553	133,249		810,870	106,996
Sale of capital assets	386,858	70,055	28,330	73,120	14,745
Payment to bond refunding escrow agent	(6,894,852)			(8,113,305)	
Transfers in	3,608,298	4,172,617	4,058,123	4,071,614	3,929,614
Transfers out	<u>(3,053,092)</u>	<u>(3,427,364)</u>	<u>(3,638,009)</u>	<u>(3,318,282)</u>	<u>(3,334,089)</u>
Total other financing sources (uses)	<u>3,436,765</u>	<u>8,948,557</u>	<u>448,444</u>	<u>884,017</u>	<u>6,717,266</u>
Net change in fund balances	<u>\$ 103,694</u>	<u>\$ 5,505,298</u>	<u>\$(3,218,253)</u>	<u>\$(1,578,083)</u>	<u>\$ 5,173,397</u>
Debt Service as a percentage of noncapital Expenditures	18.2%	19.2%	20.8%	20.6%	19.5%

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 19,985,385	\$ 21,636,472	\$ 22,073,188	\$ 22,421,836	\$ 23,917,953
6,613	111,615	254,433	130,185	394,666
1,135,711	1,186,243	1,263,879	1,236,652	1,150,568
625,201	573,801	472,117	535,164	553,806
501,138	666,610	496,068	341,122	334,908
61,941	57,363	96,689	171,392	387,708
<u>142,508</u>	<u>333,321</u>	<u>613,002</u>	<u>473,897</u>	<u>553,819</u>
<u>22,458,497</u>	<u>24,565,425</u>	<u>25,269,376</u>	<u>25,310,248</u>	<u>27,293,428</u>
3,762,435	3,787,952	4,039,007	4,645,330	4,078,465
5,751,812	5,966,657	6,038,765	7,005,479	7,182,671
2,697,647	2,578,564	2,837,563	2,795,351	2,681,410
4,236,809	4,812,107	5,068,207	5,318,988	5,406,493
4,111,550	3,166,664	10,051,261	3,820,985	5,913,695
2,805,000	3,150,000	3,210,000	3,395,000	3,175,000
<u>1,115,999</u>	<u>1,163,523</u>	<u>1,000,440</u>	<u>1,128,293</u>	<u>1,095,273</u>
<u>24,481,252</u>	<u>24,625,467</u>	<u>32,245,243</u>	<u>28,109,426</u>	<u>29,533,007</u>
<u>(2,022,755)</u>	<u>(60,042)</u>	<u>(6,975,867)</u>	<u>(2,799,178)</u>	<u>(2,239,579)</u>
1,500,000	5,500,000	7,870,000	6,820,000	3,935,000
40,920	83,600	537,550	268,528	173,307
127,588	81,393	41,105	30,142	75,328
		(8,300,732)		
4,315,121	4,646,206	4,930,442	5,162,794	3,955,595
<u>(4,938,453)</u>	<u>(4,320,154)</u>	<u>(5,829,749)</u>	<u>(8,467,716)</u>	<u>(3,495,355)</u>
<u>1,045,176</u>	<u>5,991,045</u>	<u>(751,384)</u>	<u>3,813,748</u>	<u>4,643,875</u>
<u>\$(977,579)</u>	<u>\$ 5,931,003</u>	<u>\$(7,727,251)</u>	<u>\$ 1,014,570</u>	<u>\$ 2,404,296</u>
19.2%	20.1%	19.0%	18.60%	18.1%

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
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
2017	2,181,716,658	148,736,930	431,167,524	1,899,286,064	0.33750
2018	2,523,703,493	229,016,290	452,552,339	2,300,167,444	0.33520

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
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
2017	0.2251	0.1124	0.3375	0.4574	1.2553	0.0401	0.3032	0.0850
2018	0.2295	0.1080	0.3375	0.4402	1.2553	0.0401	0.3032	0.0850

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

2018			2009		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
DOW Chemical Company	\$ 85,545,630	3.5%	Brazos Outlets (Mall)	\$ 24,074,630	1.71%
Lex Lake Jackson LP	66,321,990	2.7%	Wal-Mart Stores, Inc.	15,920,980	1.13%
Cole Ofc Lake Jackson	36,428,430	1.5%	Edgewater Apts.	11,174,120	0.79%
Brazos Mall Partners LLC	23,200,610	.95%	Fazio Peter & Shari (Lowe's)	10,942,780	0.78%
PP 2014 CC	22,451,780	.92%	Home Depot	10,489,930	0.75%
Partners of Lake Jackson	17,570,670	.72%	Dow Chemical Company	9,671,350	0.69%
Redwood Edgewater DST	17,464,170	.72%	Texas Dow Employees C.U.	9,244,780	0.66%
Napa Ventures Oyster Creek LLC	16,603,340	.68%	Centerpoint Energy Inc.	9,120,310	0.65%
HEB Grocery Companyt	12,383,230	.51%	Ling Villages of Lake Jackson.	8,365,940	0.59%
DCM Lake Jackson Property LLC	<u>12,100,000</u>	<u>.50%</u>	Buc-ee's LTD	<u>6,644,340</u>	<u>0.47%</u>
Total	<u>\$ 310,069,850</u>	<u>12.70%</u>	Total	<u>\$ 115,649,160</u>	<u>8.22%</u>

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 8
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	46,166	5,652,530	99.1%
2011	5,599,633	5,545,788	99.0%	40,204	5,585,981	99.8%
2012	5,506,055	5,468,387	99.3%	32,611	5,500,891	99.9%
2013	5,581,007	5,546,523	99.4%	27,429	5,573,552	99.9%
2014	5,652,730	5,617,595	99.4%	24,495	5,641,246	99.8%
2015	5,800,884	5,762,010	99.3%	22,840	5,783,391	99.7%
2016	5,897,602	5,852,979	99.2%	26,377	5,854,771	99.3%
2017	6,339,467	6,300,623	99.4%	17,986	6,300,623	99.4%
2018	7,071,936	7,032,982	99.5%		7,032,983	99.5%

Source: Brazoria County Tax Office

¹ Adjusted Tax Levy

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 9
Sales Tax Analysis
Last Ten Fiscal Years

Fiscal Year	General Fund Sales Tax Collections ³	Half-Cent Sales Tax Collections ¹	Total Sales Tax Collections	Percentage Growth	Sales Tax as a % of Total Revenues	Per Capita ²
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%	37.1%	328.75
2016	6,190,272	3,227,460	9,417,732	3.2%	37.3%	337.24
2017	6,377,917	3,188,958	9,566,875	1.6%	37.8%	343.97
2018	6,815,971	3,451,000	10,266,971	7.3%	42.5%	373.71

Source: Finance Department

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

² See Table 14 for population data.

³ Net of Sales Tax Rebate agreements.

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			
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%	1,377
2013	24,090,000	6,250,000	11,345,000	-0-	41,685,000	4.39%	1,508
2014	21,785,000	7,250,000	10,145,000	-0-	39,180,000	4.15%	1,414
2015	19,410,000	11,975,000	8,960,000	-0-	40,345,000	4.18%	1,453
2016	19,410,000	8,700,000	7,795,000	-0-	35,905,000	3.44%	1,286
2017	20,025,000	11,510,000	9,505,000	-0-	41,040,000	3.73%	1,476
2018	21,830,000	10,465,000	13,255,000	-0-	45,550,000	4.00%	1,658

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 ¹	Less: Amounts Available in Debt Service Fund	Net Bonded Debt	Percentage of Actual Taxable Value of Property ²	Per Capita ³
2009	\$ 27,570,000	\$ 719,582	\$ 26,850,418	1.87%	998
2010	33,040,000	679,125	32,360,875	2.22%	1,230
2011	30,325,000	648,230	29,676,770	2.06%	1,129
2012	27,395,000	608,056	26,786,944	1.90%	994
2013	30,340,000	707,537	29,632,463	2.16%	1,098
2014	29,035,000	715,235	28,319,765	1.95%	1,048
2015	31,385,000	705,319	30,679,681	2.05%	1,130
2016	28,110,000	685,096	27,424,904	1.67%	1,007
2017	31,535,000	728,509	30,806,491	1.62%	1,134
2018	32,295,000	749,331	31,545,669	1.37%	1,176

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

⁰ Does not include Revenue Bonds

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

² See Table 5 for property value data.

³ See Table 14 for population data

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 12
Direct and Overlapping Governmental Activities Debt
As of September 30, 2017

Governmental Unit	Debt Outstanding	As of	Estimated Percentage Applicable**	Estimated Share of Overlapping Debt
Debt repaid with property taxes:				
Angleton Danbury Medical	\$ 6,625,000	09/30/18	0.01%	\$ 663
Angleton ISD	119,175,000	09/30/18	0.01%	11,918
Brazoria County	76,230,000	09/30/18	5.79%	4,413,717
Brazoria County Roll Road Authority	83,538,313	09/30/18	7.56%	6,315,496
Brazosport College District	53,760,000	09/30/18	15.10%	8,117,760
Brazosport ISD	213,844,985	09/30/18	15.10%	32,290,592
Columbia-Brazoria ISD	34,779,998	09/30/18	0.95%	311,410
Port Freeport	1,145,000	09/30/18	10.00%	114,500
Velasco DD	5,235,000	09/30/18	15.09%	<u>789,962</u>
Subtotal, overlapping debt				52,366,018
City of Lack Jackson (direct debt)	32,295,000	* 09/30/18	100.00%	<u>32,295,000</u>
Total direct and overlapping debt				<u>\$ 84,661,018</u>

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

* Gross Debt

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 13
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer System Revenue Bonds						
	Utility Revenue and Other ⁰	Less: Operating Expenses ¹	Net Available Revenue	Average Annual Requirement	Average Coverage	Maximum Annual Requirements	Maximum Coverage
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
2017	9,554,486	6,694,433	2,860,053	872,517	3.28	1,742,975	1.64
2018	11,319,328	6,416,974	4,902,354	836,176	5.86	1,742,975	2.81

Source: Lake Jackson Finance Department

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

¹ Excludes sanitation, interest, depreciation, and debt service charges.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 14
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Estimated Population	Estimated Personal Income	Per Capita Personal Income	Median Age ¹	School Enrollment	Unemploy- ment Rate	Labor Force
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	36.9	6,300	4.5%	14,080
2017	27,813	1,099,114,134	39,518	-	6,125	3.2%	15,149
2018	27,473	1,138,591,012	41,444	38.0	6,053	4.2%	16,092

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

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

School enrollment provided by Brazosport Independent School District.

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

¹ Median age only available in Census Years, otherwise it is estimated.

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table 15
Principal Employers
Current Year and Ten Years Ago

2018			2009		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
Various Industrial Contractors	4,843	2.70%	The Dow Chemical Company	4,300	4.4%
The Dow Chemical Company	3,900	2.2%	Various Contractors	4,170	4.3%
Texas Dept of Criminal Justice	2,409	1.4%	Texas Dept of Criminal Justice	2,461	2.5%
The Infinity Group	2,231	1.25%	The Infinity Group	1,957	2.0%
Olin Corporation	1,200	.67%	Wal-Mart Associates	1,757	1.8%
Phillips 66	1,035	.58%	Buc-ees	1,015	1.0%
BASF Corporation	922	.52%	ConocoPhillips	940	.96%
Brock Group	792	.44%	Kroger Food Stores	903	.92%
TDECU	737	.41%	Miken Specialties	825	.84%
CHI St. Luke's Health Brazosport	<u>650</u>	<u>.36%</u>	BASF	<u>675</u>	<u>.69%</u>
Total	<u><u>18,719</u></u>	<u><u>10.53%</u></u>	Total	<u><u>19,003</u></u>	<u><u>19.41%</u></u>

Source: Economic Development Alliance for Brazoria County

Note: 2008 data and City wide employer information not readily available.

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

<u>Function/Program</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>	<u>2017</u>	<u>2018</u>
General Government and Administration	35	35	35	35	35	35	35	35	36	37
Public Safety:										
Police	59	61	60	60	60	60	60	60	62	62
Fire	1	1	1	1	1	1	1	2	2	2
Humane	3	3	3	3	3	3	1	3	3	3
Culture and Recreation	27	27	27	27	27	27	27	28	29	29
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	8	8	8	8	8	8	8	8	8	8
Garage	9	9	9	9	9	9	9	6	9	9
Water and Sewer	37	37	37	37	37	37	37	37	40	40
Sanitation	<u>25</u>									
	<u>226</u>	<u>228</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>222</u>	<u>229</u>	<u>236</u>	<u>237</u>

Source: City Budget

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety:										
Police:										
% Criminal Offenses ³										
Cleared	57%	43%	41%	39%	40% ²	45% ²	30%	49%	75%	58%
Traffic contacts ³	13,515	15,169	22,500	18,523	16,074	16,000	14,599	9,204	16,137	16,894
Fire:										
Fire calls	520	520	502	441	525	688	688	650	517	578
EMS calls	2,448	2,730	2,811	2,907	2,958	3,719	3,719	3,904	4,177	4,662
Inspections	319	257	341	289	247	436	425	450	343	322
Public Works:										
Streets:										
Potholes repaired ⁴	223	469	665	301	436	547	852	660	550	269
Gutter sweeping (cu yd) ⁵	1,570	1,864	2,178	1,820	1,759	1,520	100%	100%	100%	100%
Culture and Recreation:										
Recreation Center members	5,738	4,926	3,861	4,434	4,600	4,327	4,900	5,889	8,388	7,250
Recreation Center Attendance	251,750	229,059	207,189	175,528	187,990	205,762	197,838	211,676	211,884	212,840
Water and Sewer:										
Number of sewer leaks Repaired ⁶	8	3	6	1	4	9	3	N/A	N/A	9
Linear feet of sewer mains cleaned	29,430	20,232	25,000	67,726	7,188	9,205	4,820	30,565	19,054	56,283
Millions of gallons of wastewater treated							845	950	915	1,213
Sanitation:										
Refuse Collected:⁶										
Residential garbage (cu yd)	24,070	22,214	24,000	20,331	20,120	22,000	N/A	N/A	N/A	N/A
Commercial garbage ⁶ (cu yd)	36,106	22,898	36,000	33,389	35,027	35,500	N/A	N/A	N/A	N/A
Garbage collected (compacted yd ³)							61,000	65,888	65,584	69,696
Large trash to landfill (non-compacted yd ³)							36,183	60,530	55,515	44,011

Source: City Departments

² Represents actual percentage; not estimate

³ Uniform Crime Report (Beginning 2017)

⁴ Man Hours (Beginning 2015)

⁵ Swept 4 times a year (Beginning 2015)

⁶ Operating indicator no longer recorded in this format

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Culture and Recreation:										
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Community Center	2	2	2	2	2	2	2	2	2	2
Recreation Center	1	1	1	1	1	1	1	1	1	1
Parks Acreage ¹	1,306	1,306	1,306	1,306	1,306	1,306	1,306	1,306	1,643	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
Water:										
Water mains (miles)	130	130	130	130	130	130	130	130	134	140
Fire Hydrants	917	917	917	917	1,000	1,000	1,000	1,015	1,015	1020
Wastewater²										
Maximum daily treatment capacity (thousands of gallons)	5,890	5,890	5,890	5,890	5,890	5,890	5,890	5,890	5,890	5,890

Source: Various City departments

¹ In 2007 Dow donated 9.86 acres of land.

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

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CONTINUING FINANCIAL DISCLOSURES

As of 02/28/19

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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 2/28/19)

Summary of Bonds Outstanding

General Obligation Bonds and Certificates of Obligation

2009 Limited Tax Bonds	\$ 240,000
2009 Limited Tax Refunding Bonds	60,000
2009 Certificates of Obligation (downtown)*	500,000
2010 Limited Tax Bonds	1,800,000
2011 Limited Tax Refunding Bonds (\$ 2,020,000)*	3,160,000
2013 Limited Tax Bonds	3,000,000
2013 Certificates of Obligation (downtown)*	1,500,000
2013A Certificates of Obligation *	750,000
2014 Certificates of Obligation*	4,400,000
2015 Limited Tax Refunding Bonds (\$ 2,332,087)*	6,820,000
2016 Limited Tax General Obligation Bonds	2,815,000
2016 Certificates of Obligation *	3,315,000
2017 Limited Tax General Obligation Bonds	3,935,000
2018 Limited Tax General Obligation Bonds	<u>8,800,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>41,095,000</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	\$ 1,010,000
2010 Waterworks and Sewer System Refunding Bonds	2,280,000
2013 Waterworks and Sewer System Bonds	1,500,000
2016 Waterworks and Sewer System Bonds	3,515,000
2017 Waterworks and Sewer System Bonds	<u>4,950,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>13,255,000</u>

General Obligation Bonds Authorized but not Issued as of 02/28/19

None.

Waterworks and Sewer System Bonds Authorized but not Issued as of 02/28/19

None.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-2 Financial Information (As of 2/28/2019)

2018 (fiscal year 18-19) Assessed Valuation (100% of Actual) ¹	\$ <u>2,300,167,444</u>
<u>General Obligation Bonds Outstanding²</u>	
Presently outstanding (02/28/19)	\$ 41,095,000
Other Bonds issued to date	<u>-0-</u>
Gross debt	41,095,000
Less: Amounts payable from ½ Cent Optional Tax	14,817,087
Less: Debt Service Cash Balance	<u>3,015,065</u>
Net Debt	\$ <u>23,262,848</u>
Ratio of Net Debt to 2018 Assessed Valuation	1.01%
2018 Estimated Population	27,473
2018 Assessed Valuation per Capita	\$ 83,725
Net Debt per Capita	\$ 847
Area of the City	18 square miles

¹ Tax Year; Net of exemptions in the amount of \$ 438,685,773.

² Excludes the Waterworks and Sewer System Revenue Bonds outstanding.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-3
Estimated Direct & Overlapping Debt Statement

Political Subdivision	Net Debt		Estimated Percent Overlapping	Amount Overlapping
	Amount	As of		
Angleton-Danbury Hospital District	\$ 119,175,000	09/30/18	0.01%	\$ 663
Angleton ISD	6,625,000	09/30/18	0.01%	11,918
Brazoria County	76,230,000	09/30/18	5.79%	4,413,717
Brazoria County Toll Road Authority	83,538,313	09/30/18	7.56%	6,315,496
Brazosport College	53,760,000	09/30/18	15.10%	8,117,760
Brazosport ISD.	213,844,985	09/30/18	15.10%	32,290,593
Columbia-Brazoria ISD	32,779,988	09/30/18	0.95%	311,410
Brazos River Harbor Navigation District	1,145,000	09/30/18	10.00%	114,500
Velasco Drainage District	5,235,000	09/30/18	15.09%	<u>789,963</u>
Total Overlapping Debt				52,366,020
City of Lake Jackson				<u>41,095,000</u>
Total Direct and Overlapping Debt				<u>\$ 93,461,020</u>
Ratio of Total Direct and Overlapping Debt to 2017 Assessed Valuation				4.06%
Per Capita Total Direct and Overlapping Debt				\$ 3,402
Assessed Valuation per Capita				\$ 83,725

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 February 28, 2019
General Obligation Debt

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2019	\$ 3,135,000	\$ 1,176,588	\$ 4,311,588
2020	3,455,000	1,145,329	4,600,329
2021	3,535,000	1,032,191	4,567,191
2022	3,315,000	919,405	4,234,405
2023	3,125,000	815,616	3,940,616
2024	2,590,000	725,885	3,315,885
2025	2,405,000	647,885	3,052,885
2026	2,385,000	576,091	2,961,091
2027	2,225,000	508,444	2,733,444
2028	1,945,000	447,069	2,392,069
2029	1,940,000	389,960	2,329,960
2030	1,815,000	332,523	2,147,523
2031	1,470,000	281,456	1,751,456
2032	1,470,000	235,711	1,705,711
2033	1,470,000	188,590	1,658,590
2034	1,170,000	145,249	1,315,249
2035	895,000	110,844	1,005,844
2036	895,000	81,056	976,056
2037	780,000	52,750	832,750
2037	635,000	27,919	662,919
2038	<u>440,000</u>	<u>8,250</u>	<u>448,250</u>
	<u>\$ 41,095,000</u>	<u>\$ 9,818,811</u>	<u>\$ 50,943,811</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-5 Water and Sewer System As of February 28, 2019 Revenue Bonds Debt Service Schedule

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2019	\$ 1,300,000	\$ 442,975	\$ 1,742,975
2020	1,295,000	395,975	1,690,975
2021	1,290,000	348,925	1,638,925
2022	710,000	302,075	1,012,075
2023	705,000	280,175	985,175
2024	705,000	255,463	960,463
2025	705,000	230,750	935,750
2026	700,000	205,788	905,788
2027	695,000	180,975	875,975
2028	605,000	158,850	763,850
2029	600,000	139,425	739,425
2030	600,000	120,225	720,225
2031	520,000	101,025	621,025
2032	520,000	85,425	605,425
2033	520,000	69,825	589,825
2034	415,000	54,225	469,225
2035	415,000	41,775	456,775
2036	415,000	29,325	444,325
2037	270,000	16,875	286,875
2036	<u>270,000</u>	<u>8,437</u>	<u>278,437</u>
	<u>\$ 13,255,000</u>	<u>\$ 3,468,512</u>	<u>\$ 16,723,512</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 9/30/18, nor any of the debt to be repaid from the half-cent sales tax as indicated on CD-1.

	<u>Average Requirements (2019-2039)</u>	<u>Maximum Requirement 2021</u>
General Obligation Debt Service Requirements	\$ 1,570,553	\$ 2,781,517
Debt Service Fund tax rate required on 2018 Assessed Taxable Valuation @ 98% collection	\$ 0.06967	\$ 0.12339

Including the Certificates of Obligation and the General Obligation bond amounts to be repaid from the half cent sales tax, the calculation is as follows:

	<u>Average Requirements (2019-2039)</u>	<u>Maximum Requirement 2021</u>
General Obligation Debt Service Requirements	\$ 2,398,828	\$ 4,600,329
Debt Service Fund tax rate required on 2018 Assessed Taxable Valuation @ 98% collection	\$ 0.10642	\$ 0.20408

CITY OF LAKE JACKSON

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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	
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%	99.7%	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%	99.7%	09/30/16
2016	2017	1,878,358,842	0.3375	99.4%	99.6%	09/30/17
2017	2018	2,095,371,788	0.3375	99.4%	99.5%	09/30/18
2018	2019	2,300,167,444	0.3352	92.5%		thru 02/28/19

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	2018	2017	2016	2015	2014
General Fund	\$ 0.2280	\$ 0.2295	\$ 0.2255	\$ 0.2323	\$ 0.2408
Debt Service Fund	<u>0.1072</u>	<u>0.1080</u>	<u>0.1120</u>	<u>0.1277</u>	<u>0.1467</u>
Total Tax Rate	<u>\$ 0.3352</u>	<u>\$ 0.3375</u>	<u>\$ 0.3375</u>	<u>\$ 0.3600</u>	<u>\$ 0.3875</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

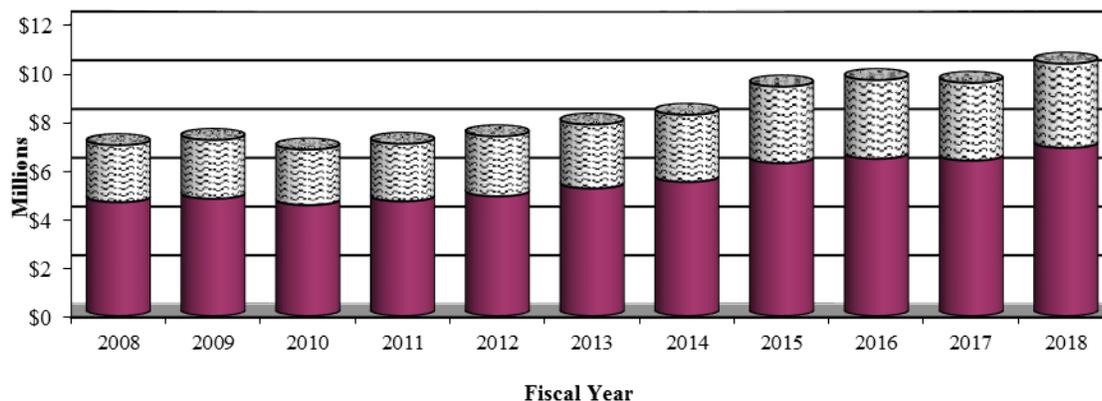
Table CD-8
Sales Tax Collection History

City Sales Tax Collection

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

Sales Tax Collection History

Fiscal Year	One Cent Sales Tax	Optional Half Cent Sales Tax ¹
2008	\$ 4,674,104	\$ 2,337,052
2009	4,817,376	2,408,688
2010	4,554,392	2,277,196
2011	4,711,554	2,355,777
2012	4,915,980	2,457,990
2013	5,238,624	2,619,312
2014	5,504,474	2,752,237
2015	6,276,466	3,138,233
2016	6,454,920	3,227,460
2017	6,377,916	3,188,958
2018	6,902,000	3,451,000
2019	2,933,303	1,466,651



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

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CITY OF LAKE JACKSON

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Table CD-9
Economic Development Fund

<u>Resources</u>	<u>ACTUAL 2015-16</u>	<u>ACTUAL 2016-17</u>	<u>ACTUAL 2017-18</u>	<u>AMENDED 2018-19</u>
Fund Balance	<u>\$ 2,519,354</u>	<u>\$ 1,901,916</u>	<u>\$ 1,708,061</u>	<u>\$ 1,842,635</u>
Revenues:				
FEMA 2016 Flood			140,194	
Insurance reimbursements – cart barn			396,817	
Interest income	12,077	19,133	18,380	12,000
Miscellaneous	9,599	59,711	23,980	
Half Cent sales tax	<u>3,227,460</u>	<u>3,188,958</u>	<u>3,451,000</u>	<u>3,480,000</u>
	<u>3,249,136</u>	<u>3,267,802</u>	<u>4,030,370</u>	<u>3,492,000</u>
Total Resources	<u>\$ 5,768,490</u>	<u>\$ 5,169,718</u>	<u>\$ 5,738,432</u>	<u>\$ 5,334,635</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-9
Economic Development Fund - Continued

Expenditures	ACTUAL 2015-16	ACTUAL 2016-17	ACTUAL 2017-18	ADOPTED 2018-19
Transfer to Economic Development Debt Service	\$ 1,479,945	\$ 1,751,590	\$ 1,396,039	\$ 1,376,478
Electronic Reader Board	-0-	-0-	1,532	-0-
Rec Repairs and Maintenance	-0-	-0-	23,950	-0-
Landscaping and Maintenance	-0-	-0-	55,390	70,000
New Skate Park at MacLean/Repairs	-0-	-0-	-0-	50,000
Phase Protection	-0-	-0-	7,563	-0-
MacLean Park Improvements	-0-	-0-	426,647	-0-
Dog Park	-0-	-0-	15,988	380,000
Cart Barn	-0-	-0-	43,916	-0-
Golf Cart Path Restroom	-0-	-0-	23,365	-0-
Golf Course Well Repairs	-0-	-0-	17,424	25,000
Misc Repairs at Golf Course	-0-	-0-	119,848	-0-
202 Winding Way	-0-	-0-	4,894	-0-
Bunker Reconstruction	-0-	-0-	292,162	-0-
S. Parking Place - Design	10,366	28,255	-0-	-0-
Golf Course & Bunker Renovations – 2016 Flood	349,916	55,165	-0-	-0-
Golf Course Pump House	-0-	-0-	103,725	-0-
A/C Replacement Golf Course	-0-	-0-	-0-	-0-
Golf Course Lake Dredging	-0-	-0-	-0-	65,000
Con Vault Fuel Containment System	-0-	-0-	-0-	40,000
Rec Air Handlers & Controllars	-0-	-0-	-0-	-0-
This Way – Center Way to 332	385,303	-0-	-0-	-0-
Rec Center Renovations	-0-	158,614	-0-	-0-
Park Facility Signs	-0-	44,776	-0-	-0-
MacLean Park Pavillion Repairs	-0-	54,204	-0-	-0-
Jasmine Tennis Complex Renovations	-0-	56,510	-0-	-0-
JSL Park Picnic Shelter	-0-	49,304	-0-	-0-
Downtown Maintenance	44,435	37,863	24,551	-0-
Recreation Center - A/C Rooftops	284,307	-0-	-0-	-0-
Recreation Center Natatorium Lighting	39,906	-0-	-0-	-0-
Purchase 202 Winding Way	-0-	86,776	-0-	-0-
Transfer to Golf Course Debt Service	498,100	494,600	488,800	477,700
Golf Course Operating	424,296	300,000	500,000	300,000
Transfer to General Fund	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
Total Expenditures	<u>\$ 3,866,574</u>	<u>\$ 3,461,657</u>	<u>\$ 3,895,796</u>	<u>\$ 3,134,178</u>
Ending Fund Balance	<u>\$ 1,901,916</u>	<u>\$ 1,708,061</u>	<u>\$ 1,842,635</u>	<u>\$ 2,200,457</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 9/30/18	\$ 749,331
Debt Service Tax Levy of \$.1072 per \$ 100 of Assessed Valuation on 2018 Assessed Valuation of \$ 2,300,167,444 at 98% collection	2,416,463
Interest Earnings on Debt Service Fund	<u>8,500</u>
Total Available for 2019 Debt Service	3,174,294
Less: 2019 Debt Service Requirements	<u>2,474,385</u>
Projected Debt Service Fund Balance at 9/30/18	<u>\$ 699,909</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 02/28/19, there are seven outstanding issues, 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 the Downtown Project (South Parking Place), the 2013A CO's for 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 9/30/18	\$ -0-	\$ -0-
Transfer from Golf Course Operations		
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>477,700</u>	<u>1,376,478</u>
Total Available for 2019 Debt Service	477,700	1,376,478
Less: 2018 Debt Service Requirements	<u>477,700</u>	<u>1,376,478</u>
Projected Debt Service Fund Balance at 9/30/18	<u>\$ -0-</u>	<u>\$ -0-</u>

CITY OF LAKE JACKSON

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Table CD-11

Utility Debt Service Fund Management Index

Utility Revenue Interest and Sinking Fund (Including Reserve Balance)

Debt Service Fund Balance as of 9/30/18	\$ 2,319,848
Transfer from Utility Operating Fund (as budgeted)	1,742,763
2018 Projected Interest Earnings	<u>6,500</u>
Total Available for 2019 Debt Service	4,069,111
Less: 2019 Debt Service Requirements (including agent fees)	<u>1,746,975</u>
Projected Debt Service Fund Balance at 9/30/18	<u>\$ 2,322,136</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	
	2017	2018
Revenues:		
Taxes	\$ 22,421,883	\$ 23,917,953
Intergovernmental	130,185	394,666
Charges for services	1,236,652	1,150,568
Fines and fees	535,164	553,806
Licenses and permits	341,122	334,908
Investment earnings	171,392	387,708
Miscellaneous	473,897	553,819
Total revenues	<u>25,310,295</u>	<u>27,293,428</u>
Expenditures:		
General government and administration	3,691,289	4,078,465
Flood related expenditures	954,041	
Public safety	7,005,479	7,182,671
Public works	2,795,351	2,681,410
Culture and recreation	5,318,988	5,406,493
Capital Outlay	3,820,985	5,913,695
Debt Service:		
Principal	3,395,000	3,175,000
Interest and fiscal charges	<u>1,128,293</u>	<u>1,095,273</u>
Total expenditures	<u>28,109,426</u>	<u>29,533,007</u>
Excess of revenues over (under) expenditures	<u>(2,799,131)</u>	<u>(2,239,579)</u>
Other Financing Sources (Uses):		
Issuance of bonds	6,820,000	3,935,000
Bonds issued premium	268,528	173,307
Sale of capital assets	30,142	75,238
Transfers in	5,162,794	3,955,595
Transfers out	<u>(8,467,716)</u>	<u>(3,495,355)</u>
Total other financing sources (uses)	<u>3,813,748</u>	<u>4,643,875</u>
Net change in fund balances	<u>\$ 1,014,617</u>	<u>\$ 2,404,296</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

The following schedule presents a summary of the Proprietary Funds for the fiscal year ended September 30, 2018 and 2017.

	2017	2018
Revenues:		
Water and sewer services	\$ 8,955,492	\$ 10,542,373
Sanitation service	3,849,309	3,920,214
Tapping and connection fees	280,557	289,986
Golf course fees and charges	1,286,124	1,309,422
Other	212,438	216,881
	14,583,920	16,277,876
Operating Expenses:		
Utility administration	571,646	586,934
Water production and treatment	3,584,521	3,527,509
Sewer collection and treatment	2,432,267	2,302,531
Golf course	1,710,912	1,708,028
Sanitation	3,014,234	3,240,185
Depreciation	2,561,032	2,955,538
	13,874,612	14,320,725
Net revenues	709,308	1,957,151
Nonoperating Revenues (Expenses):		
Interest earnings	98,251	272,969
Gain on disposition of capital assets	8,500	(39,095)
Interest expense and fiscal charges	(446,456)	(589,553)
Contributions	264,287	724,239
Transfers:		
for franchise fee	(102,000)	(102,000)
for water and w/w admin fee	(438,390)	(438,390)
for equipment replacement	(654,464)	(657,413)
for utility projects	(450,000)	(450,000)
for golf course operation	300,000	500,000
for debt proceeds	3,900,000	
Assets purchased by general fund	299,776	687,562
	3,229,504	(91,681)
Net income	\$ 3,938,812	\$ 1,865,470

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, 2018.

Water:	First 2000 gallons	\$ 13.50 Minimum
	Over 2000 gallons	\$ 4.30 per 1,000 gallons
	Over 20,000 gallons	\$ 4.80 per 1,000 gallons
Sewer:	First 2000 gallons	\$ 13.65 Minimum
	Over 2000 gallons	\$ 4.60 per 1,000 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 \$ 3.12.

In addition to the above, the City operates 12 water wells with a peak production capacity of 9.1 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 five “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.

Water and Sewer Customers

Currently, the City has 25 apartment complexes (3,487 units); 425 Commercial businesses, 59 institutions (churches, schools, etc.) and 8,423 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 2018 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Dow Innovation Center	Office Building/Labs	51,201	4.96%
Buc-ee's #29	Gas Station/Car Wash	22,752	2.20%
Brazosport Hospital	Hospital	19,027	1.84 %
The Palms	Apartments	15,602	1.51%
Brazosport College	College	14,106	1.37%
Raamco Raintree LP	Apartments	13,316	1.29%
Pearl Apartments	Apartments	11,491	1.11%
Gateway Housing	Apartments	11,313	1.10%
Oyster Creek Apartments	Apartments	10,458	1.01%
Brazos Mall Partners	Retail	<u>10,268</u>	<u>0.99%</u>
		<u><u>179,534</u></u>	<u><u>12.43%</u></u>

Total water consumption for the period October 1, 2017 to September 30, 2018 in thousands of gallons was 1,032,064.

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 2018 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Lex Lake Jackson LP Dow Research	Industrial	\$ 128,736,140	6.14%
Dow Chemical Company	Various Properties	99,712,790	4.76%
Cole Ofc Lake Jackson TX	Industrial	37,628,430	1.80%
Brazos Mall Partners, LLC	Mall - Retail	24,950,000	1.19%
Plantation Park Apartments	Apartments	21,782,440	1.04%
Urban Crest Apartments	Apartments	20,431,778	0.98%
Edgewater Apartments	Apartments	18,757,310	0.90%
The Residence of Lake Jackson	Apartments	18,245,660	0.87%
HEB Grocery Company	Grocery	12,683,230	0.61%
Treasure Bay Apartments	Apartments	12,451,460	0.59%
		<u>\$ 395,379,239</u>	<u>18.88%</u>

Assessed Valuation by Classification

<u>Classification</u>	<u>2018 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,706,398,726	63.16%
Real, Vacant Platted Lots/Tracts	12,270,830	0.45%
Commercial & Industrial	670,430,331	24.82%
Real, Acreage (Land only)	14,008,646	0.52%
Utilities & Pipelines	21,978,370	0.81%
Special Inventory & Other	<u>276,520,386</u>	<u>10.24%</u>
Total Market/Appraised Value	\$ 2,701,607,289	<u>100.00%</u>
Less Exemptions	<u>444,069,266</u>	
	2,257,538,023	
Under protest at certification	<u>56,041,585</u>	
Net Taxable Value	<u>\$ 2,313,579,608</u>	

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-17
General Fund - Budget Summary

On September 4, 2018 the 2018-19 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	2016-17 <u>Actual</u>	2017-18 <u>Actual</u>	2018-19 <u>Adopted Budget</u>
Revenues:			
Property tax	\$ 3,952,293	\$ 4,354,049	\$ 4,598,243
Sales tax	6,300,735	6,815,971	6,882,480
Franchise fees	1,707,848	1,721,704	1,831,700
Industrial district	4,394,560	4,501,353	4,594,532
Licenses and permits	420,207	416,643	442,200
Fines and fees	535,114	552,134	578,300
Civic Center fees	295,722	241,311	278,500
Recreation Center fees	940,929	909,257	982,150
Intergovernmental *	199,995	188,590	211,000
Interest and other	120,448	242,256	79,700
Utility Administrative fee	438,390	438,390	850,000
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>\$ 19,656,241</u>	 <u>\$ 20,731,658</u>	 <u>\$ 21,678,805</u>
Expenditures:			
General government services	\$ 1,629,770	\$ 1,687,900	\$ 2,532,958
Financial services	1,431,461	1,521,088	1,710,765
Legal services	197,974	206,206	225,719
Public safety services *	7,803,156	7,837,470	8,834,840
Engineering services	477,835	502,080	547,450
Public works services	3,030,071	2,954,685	3,604,124
Storm damage clean up/flood	954,041	127,100	-0-
Parks & recreation services	4,209,056	4,217,515	3,894,665
Miscellaneous services	315,911	291,072	328,284
Prior Year Budget saving transfers	<u>1,300,000</u>	<u></u>	<u>-0-</u>
 Total expenditures	 <u>\$ 21,349,275</u>	 <u>\$ 19,345,116</u>	 <u>\$ 21,678,805</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-18
Utility Fund - Budget Summary

On September 4, 2018 the 2018-19 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2016-17</u> Actual	<u>2017-18</u> Actual	<u>2018-19</u> Adopted Budget
Revenues:			
Plumbing fees	\$ 17,286	\$ 15,528	\$ 16,000
Tap fees	74,555	52,736	50,000
Administrative fees	188,715	213,419	200,400
Water sales	4,829,899	5,285,141	4,776,880
Sewer sales	4,365,801	5,392,805	4,798,350
Senior discount	(240,208)	(242,966)	(250,000)
Sanitation sales	3,917,821	3,980,227	4,071,522
Other revenues	140,081	210,736	69,600
Interest & sales tax discount	36,350	112,956	57,551
Transfer from General Contingency	-0-	-0-	-0-
Transfer from Utility Contingency	-0-	-0-	-0-
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 13,330,300</u>	<u>\$ 15,020,582</u>	<u>\$ 13,790,303</u>
Expenditures:			
Utility administration	\$ 610,113	\$ 597,872	\$ 693,110
Water	3,663,389	3,559,928	3,949,960
Wastewater	2,611,073	2,404,623	2,643,270
Sanitation	3,372,556	3,486,711	3,511,200
Non-departmental	1,848,892	2,448,820	2,992,763
Budget savings transfer to Capital	375,000	1,000,000	-0-
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 12,481,023</u>	<u>\$ 13,497,954</u>	<u>\$ 13,790,303</u>