

CITY OF LAKE JACKSON, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

PAM EAVES, FINANCE DIRECTOR

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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For the Year Ended September 30, 2011*

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INTRODUCTORY SECTION

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CITY OF LAKE JACKSON

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March 26, 2012

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

We are pleased to submit the Comprehensive Annual Financial Report for the City of Lake Jackson, Texas for the fiscal year ended September 30, 2011. The City's Finance Department prepared this report in conjunction with our auditors, Kennemer, Masters and Lunsford, LLC. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

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

PROFILE OF THE CITY

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

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

wells. The water wells and BWA have a peak production capacity of 10.5 million gallons per day. Water storage capacity includes five elevated tanks (2.55 million gallons total capacity) and four ground storage tanks (4.0 million gallons total capacity). The City distributes an average of 3.5 million gallons per day.

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

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

HISTORY AND BACKGROUND

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

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

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

AREA ECONOMY

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

operate as an integrated unit serving all eight of Dow's Global Business Groups. The site contains more than 3,200 acres of waterways and pipeline corridors and houses more than 1,900 buildings across the site. The products manufactured on site are transported by rail, truck, marine vessels and pipeline to customers around the world. Texas Operations manufactures more than 44 percent of Dow's products sold in the United States and more than 21 percent of Dow's products sold globally

The Dow Chemical Company has announced that Dow and Mitsui & Co., Ltd., of Tokyo, Japan ("Mitsui") have completed the formation of a joint venture to construct, own and operate a new membrane chlor-alkali facility located at Dow's Freeport, Texas, integrated manufacturing complex. This joint venture combines the strengths of two global companies to build a world-scale chlor-alkali plant on the U.S. Gulf Coast that will drive integration advantage for downstream businesses and customers. The new chlor-alkali facility is expected to begin operations in mid-2013, and will create approximately 50 long-term jobs at the Freeport, Texas, location, as well as approximately 500 construction jobs.

Dow is finalizing plans to increase ethane feedstock flexibility for an ethylene plant – known as a "cracker" - at the Freeport facility in 2016. Texas Operations is competing with a Dow site in Plaquemine, La., for a second ethylene cracking facility. Should the company decide to place that facility in Freeport, the investment is expected to be in the billions of dollars and would result in hundreds of new jobs. Dow is also finalizing plans to increase the Company's propylene supply by constructing a new, world-scale, on-purpose propylene production facility at the Dow Texas Operations facility in Freeport; for start up in 2015.

Port Freeport currently ranks 16th among U.S. ports in international cargo tonnage handled. The primary cargo shipped through the port includes rice, bananas, fruits, chemicals and aggregate. Cargo moving through Freeport terminals supports approximately 55,000 jobs in Texas, with 11,000 of those being direct jobs created by public and private terminals.

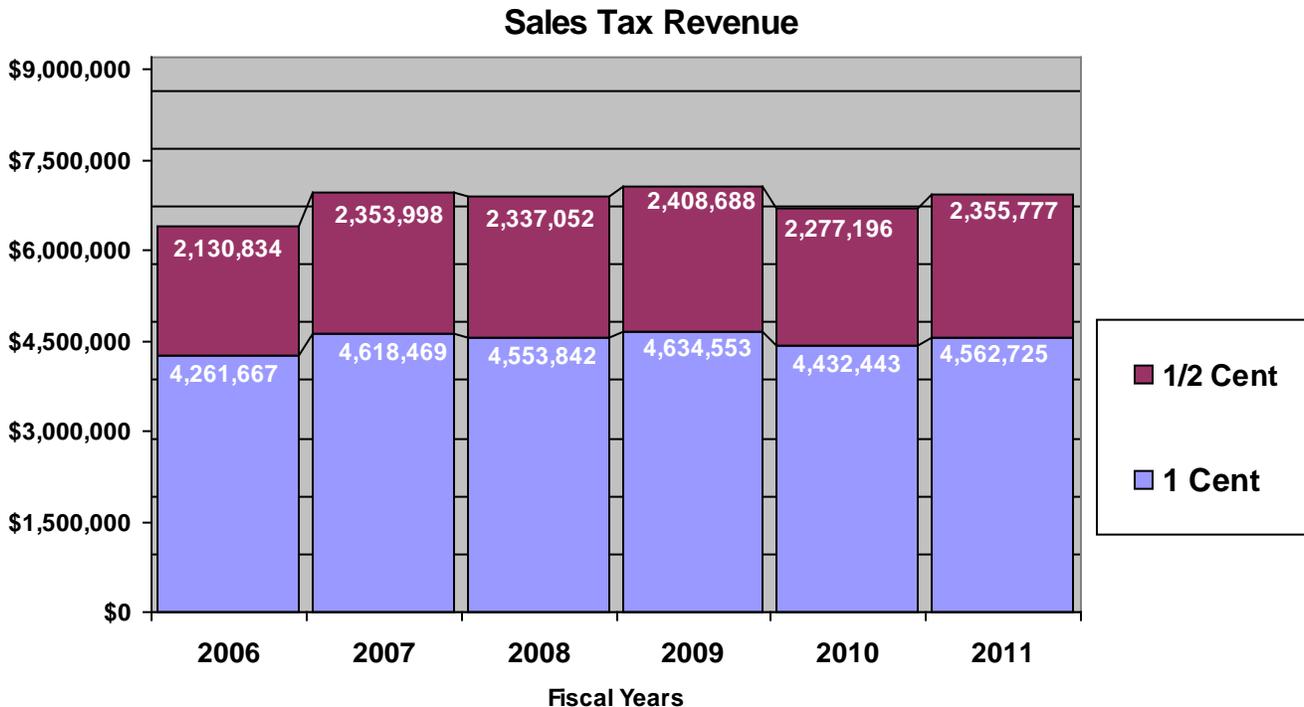
In an effort to increase commerce from the high seas, Port Freeport began construction of the Velasco Terminal. The initial phase of this project is approximately \$ 45 million, and includes an 800 foot-long dock. Upon full build-out, the \$ 300 million terminal will encompass 2,400 feet of new berthing, more than 90 acres of developed backland, and have the capability to handle an annual throughput of more than 700,000 twenty-foot-equivalent container units (TEU's). The berth and the backland are expected to be completed by February, 2013.

Even more, Port Freeport officials are nearing the end of phase two of the three phase deepening and widening project (55' project) of the Freeport Harbor Channel. Currently, the Freeport Harbor Channel, on which the Velasco Terminal is being developed, has a depth of 45 feet. This project would increase the depth of the channel from 45 feet to 55 feet. Port Freeport is projecting to have the US Army Corps of Engineers' report and recommendation to move into phase three by the end of 2012. Once that is received, phase three can start, and that would begin the engineering and construction of the new deeper channel. Depending on contract terms and available federal / matching funds, Port Freeport is projecting an 8-10 year construction period for completion.

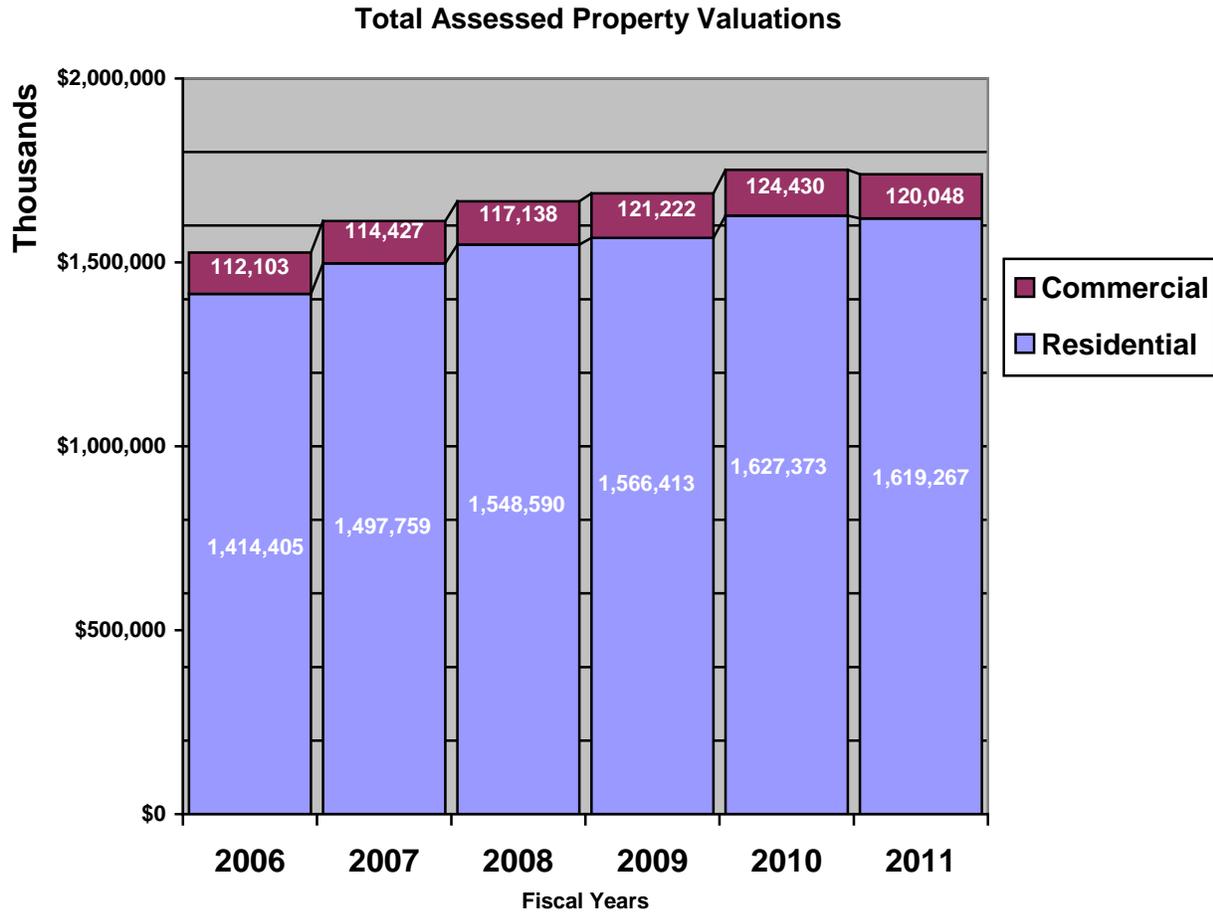
Freeport LNG Development, L.P. (Freeport LNG) designed, built and operates a world-class LNG receiving and regasification terminal in Freeport, TX. Freeport LNG plans to add liquefaction infrastructure at the existing terminal to provide export capacity of approximately 13.2 million metric tonnes per annum of LNG, which equates to processing approximately 1.9 Bcf/d of pipeline-quality natural gas (feed gas). The feed gas will be derived from interconnecting intrastate pipeline systems, e.g., Dow Pipeline Company, Kinder Morgan Texas Pipeline, L.P., and Brazoria Interconnector (BIG) Pipeline, through Freeport LNG's existing Stratton Ridge meter station. New facilities are expected to include 1.) up to three liquefaction trains; 2.) a third LNG storage tank, 3.) a second dock, if required; 4.) and a natural gas pretreatment facility. Freeport LNG intends to file its formal application before the end of the first quarter of 2012 and will request that Federal Energy Regulatory Commission (FERC) issue an order authorizing the siting, construction and operation of the liquefaction project no later than November 2012. Final investment decision is expected in early 2013, and commercial startup of the first train in mid 2016. This \$ 4 - \$ 6 billion expansion is expected to add 163 new permanent full-time employees and 1,500 construction jobs over 3 - 6 years.

CITY ECONOMY

The City's portion of the 8.25% sales tax rate is 1.5% -- of which 1% is allocated to the General Fund, and ½ % is allocated to the Economic Development Fund. In fiscal 2011, sales tax collections totaled \$ 6,918,501, a 3.02% increase from the previous year. Of the total sales tax revenue, approximately \$ 4.6 million was allocated to the General Fund, and approximately \$ 2.4 million to the Economic Development Fund.



Total assessed values for all residential and commercial property in the City exceeded \$ 1.7 billion in fiscal 2011. Total taxable value for all residential and commercial property was approximately \$ 1.44 billion for fiscal year 2011; a 1.19% decrease from the taxable value assessed at end of the previous fiscal year.



MAJOR ISSUES AND INITIATIVES

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

Bond Issues. May, 2010, the citizens of Lake Jackson authorized the issuance of a \$ 7 million in bonds. Because the debt repayment portion of the city's tax rate will decrease in fiscal year 2011 and fiscal year 2012, an increase in the tax rate is not necessary. \$ 3 million in bonds were sold in 2010 and \$ 4 million will be sold in 2013. About \$ 2 million is allocated on projects to improve drainage in the central area of town. The projects will work in conjunction with the new drainage system under Highway 288, also known as Highway 332, and prepare the system to handle a 100-year storm. Another \$ 1 million is allocated to replace portions of arterial streets affected by last summer's drought, such as Lake Road, Medical Drive and Oyster Creek Drive. The final \$ 4 million is allocated for the replacement of the remainder of the paving on Magnolia, Laurel, and Gardenia streets to be completed. The bond also will pay for replacement streets at Chinaberry, Camellia from Winding Way to Yaupon Drive, and Vinca, Periwinkle, Lupine, Bluebonnet, Lantana, Hybiscus, Elm and Camellia courts

Downtown Revitalization (2nd Phase). On June 17, 2009 the Lake Jackson Development Corporation (LJDC) voted to recommend funding for Phase II of the Downtown Revitalization Plan. The project scope includes portions of This Way, That Way, Center Way, and Parking Way. On November 15, 2009, \$ 5 million certificates of obligations were issued to fund this project. The debt will be serviced by revenues from the ½ cent optional sales tax. The second phase of construction is expected to be completed in November, 2012.

Looking ahead. Cresco Companies (a development group) has purchased the 990 acres on the north side of town that was formerly owned by the state of Texas as part of its prison system. The City is in the midst of working on new development procedures and ordinances to allow various tools such as a Tax Increment Reinvestment Zone and a Municipal Management District in developing this area and our other growth areas. The current conceptual plan for this area includes 2,200 +/- single family residential units, 630+/- multi-family residential units, and approximately 185 acres of commercial development. The project is expected to take 15 years to complete; and will add approximately \$ 450 million to the City's property tax roll.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

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

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

Budgetary Controls. The City maintains a system of budgetary controls. The objective of these budgetary controls is to ensure compliance with the annual budget appropriations ordinance approved by City Council. Activities of each of the City's funds are included in the appropriations ordinance. Annual budgets are adopted for all significant governmental fund types (general fund, special revenue funds, and debt service funds) and proprietary fund type (enterprise fund). The budgets for the capital projects funds are prepared on a project basis with costs being incurred over the project period. The City's Finance Office monitors expenditure activity on a monthly basis against budgeted amounts and reports significant variances to the city manager, who in turn reports to the City Council. A financial report is submitted to the City Council on a monthly basis. The City continues to follow and improve upon its strong and fiscally conservative policies that lead to its sound financial condition.

DEBT ADMINISTRATION

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

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial Reporting to the City of Lake Jackson for its comprehensive annual financial report for the fiscal year ended September 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

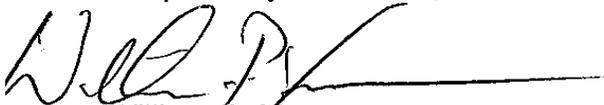
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable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

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



William P. Yenne
City Manager



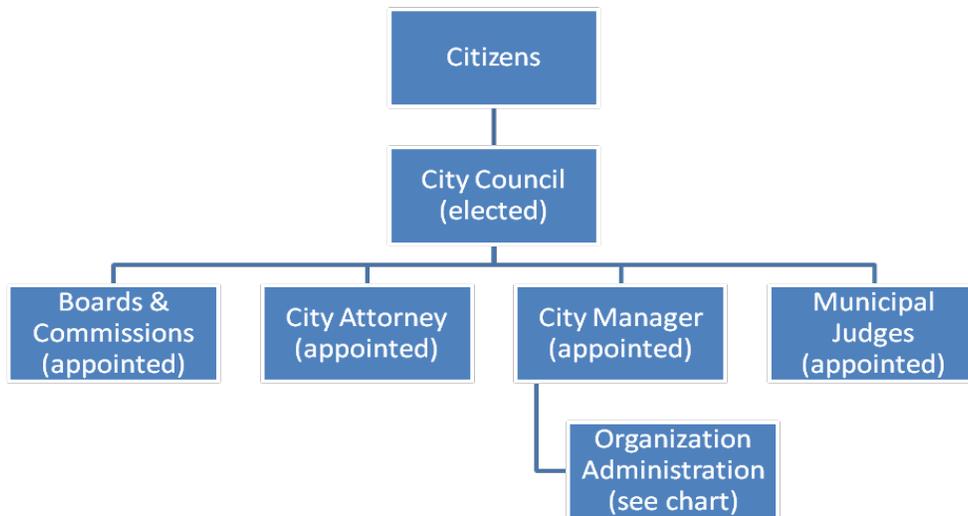
Pamela K. Eaves, CPFIM, CPA
Finance Director



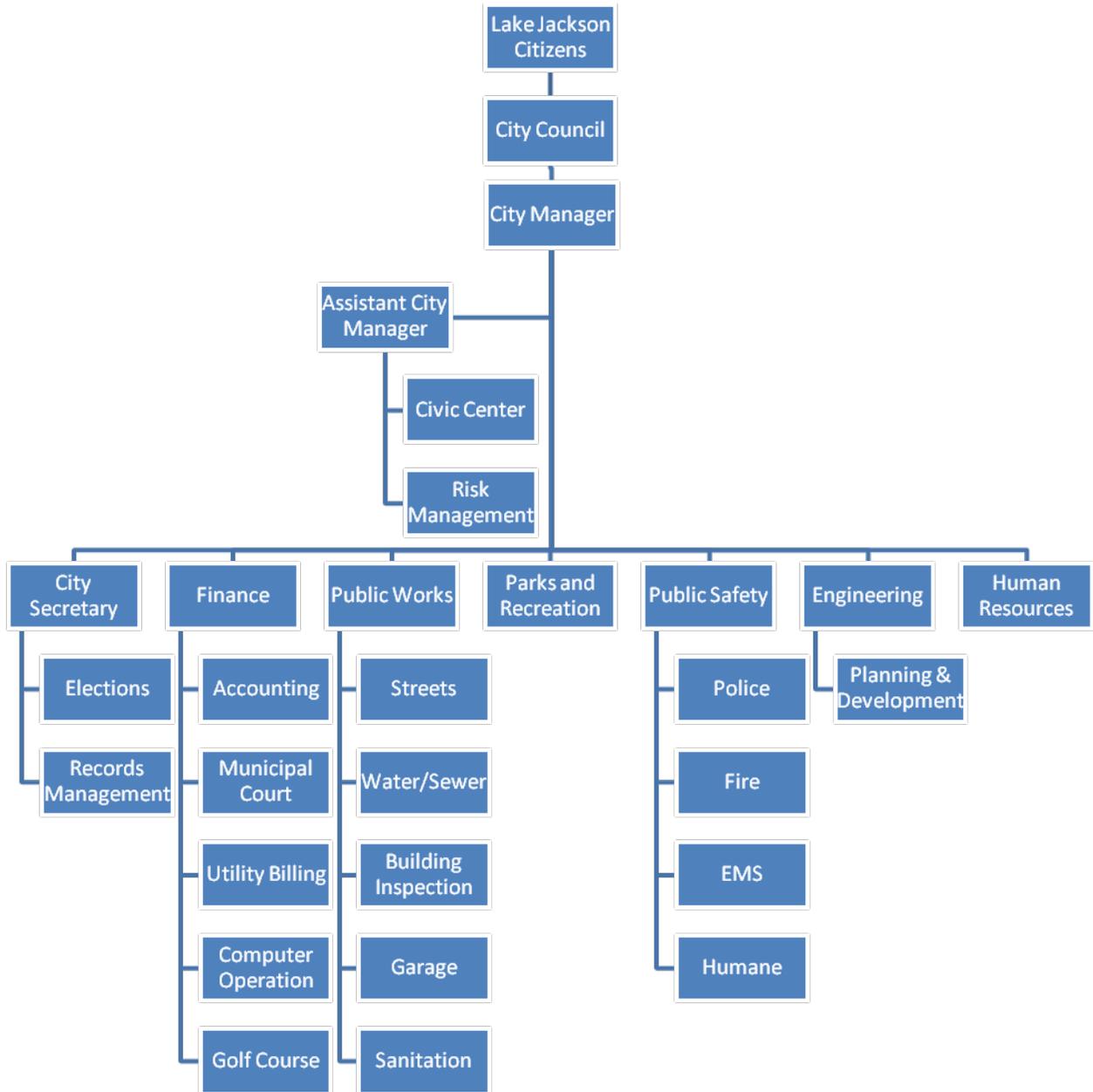
Junru Roland, CPFIM, CGFM, CGFO, CPA
Assistant Finance Director

City of Lake Jackson

Council-Manager Government



Organization Administration Chart



Elected Officials

Official	Title	Years of Service	Term Expires	Occupation
* Bob Sipple	Mayor	6	2012	VP of Sales
** Joe Rinehart	Councilmember	9 months	2013	Teacher
Bob Geter	Councilmember	6	2012	Business Manager
Heather Melass	Councilmember	9 months	2013	Retired
Scott Schwertner	Councilmember	2	2012	Tax Consultant
Jon Baker	Councilmember	9 months	2013	Law Enforcement

* Served 1 year as Councilmember prior to Mayor.

** Served as Councilmember 2003-2009

City Officials

Name	Title	Length of Service
* <i>William P. Yenne</i>	<i>City Manager</i>	<i>32 years</i>
<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>17 years</i>
<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>22 years</i>
<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>33 years</i>
<i>Sherri Russell</i>	<i>City Attorney</i>	<i>5 years</i>
<i>First Southwest Company</i>	<i>Financial Advisors</i>	<i>7 years</i>

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lake Jackson
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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KENNEMER, MASTERS & LUNSFORD

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Independent Auditor's Report

March 26, 2012

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund, and budgetary comparison information of the City of Lake Jackson (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

www.kmkwllc.com – Email: kmkw@kmkwllc.com

To The Honorable Mayor and
Members of Council
City of Lake Jackson
March 26, 2012
Page 2

Required Supplementary Information

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

Combining and Individual Fund Statements and Schedules and Other Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund statements and schedules and other schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Introductory, Statistical and Continuing Financial Disclosure Sections

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

Kennebec, Masters & Hurdford, LLC

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

As management of the City of Lake Jackson, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. 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 vii - xiii of this report.

Financial Highlights

- The assets of the City of Lake Jackson exceeded its liabilities at the close of the most recent fiscal year by \$ 79,718,526 (net assets). This number must be viewed in the context that the vast majority of the City's net assets of \$ 58,831,470 (73.80%) are investments in capital assets (e.g. land, buildings, improvements, equipment, machinery, construction in progress), less any debt used to acquire those assets that is still outstanding. Most capital assets in government do not directly generate revenue nor can they be sold to generate liquid capital. Those net assets externally restricted for specific purposes total \$ 5,600,982 (7.03 %). The remaining \$ 15,286,074 (19.17%) are unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 21,727,204. Within this total \$ 179,575 is non-spendable, \$ 9,078,303 is restricted by specific legal requirements, such as debt covenants, and \$ 6,966,303 has been committed and assigned to specific types of expenditures.
- At the end of the current fiscal year, the general fund balance was \$ 11,295,695. Of this amount, \$ 179,575 is non-spendable, \$ 1,032,819 has been committed for contingencies, such as emergencies, and \$ 4,580,278 has been assigned primarily for equipment replacement. The remaining \$ 5,503,023 is unassigned and can be used for any lawful purpose.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

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

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

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

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

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

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

The City maintains 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, Economic Development, General Debt Service, and Downtown Revitalization; 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 20-26 of this report.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

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

The basic proprietary fund financial statements can be found on pages 28-32 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 33-71 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 76-126 of this report.

Other schedules can be found on pages 128-150 of this report following the combining statements. The statistical section can be found on pages 152-175 of this report following the other schedules. The continuing financial disclosures can be found on pages 179-196 of this report following the statistical section.

Government-wide Financial Analysis

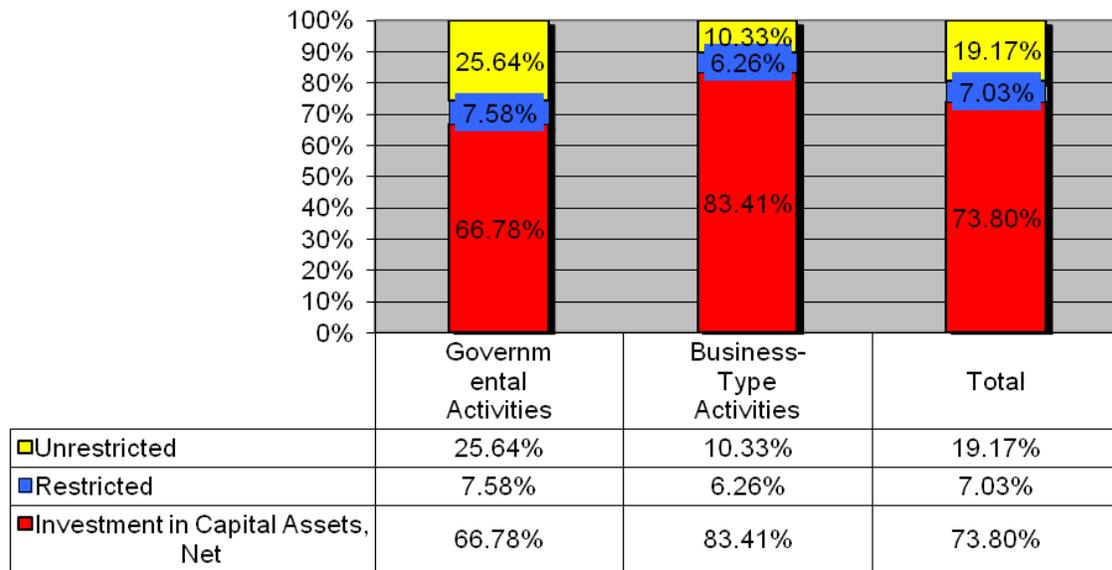
As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Lake Jackson, assets exceeded liabilities by \$ 79,718,526 as of September 30, 2011.

CITY OF LAKE JACKSON'S NET ASSETS

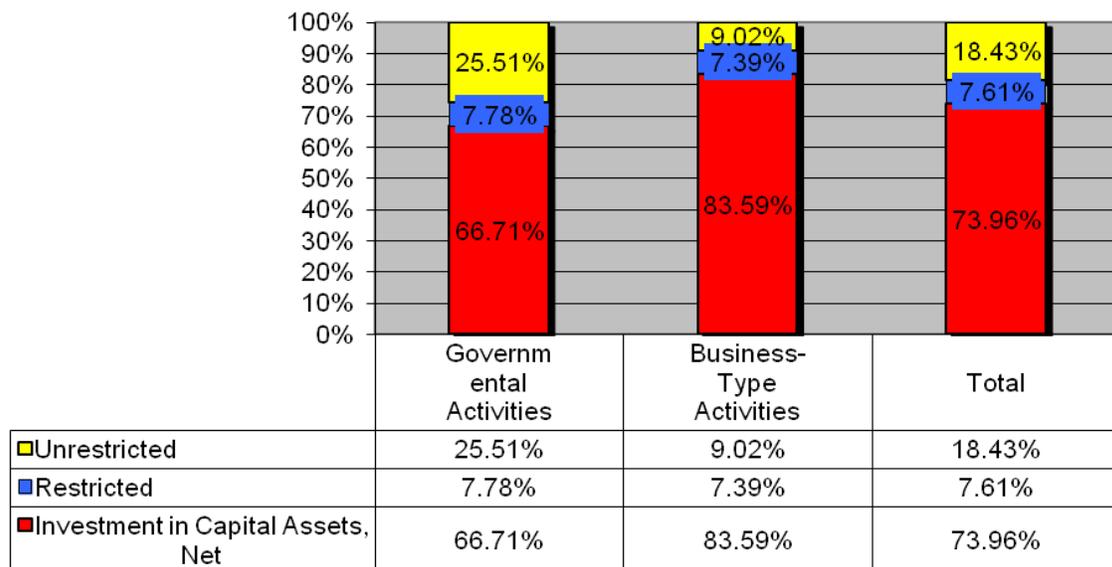
	Governmental Activities		Business-type Activities		Totals	
	2011	Restated 2010	2011	2010	2011	Restated 2010
Current and other assets	\$ 24,341,197	\$ 27,289,440	\$ 7,884,325	\$ 8,925,824	\$ 32,225,522	\$ 36,215,264
Capital assets	<u>55,278,523</u>	<u>53,009,857</u>	<u>39,461,256</u>	<u>39,628,616</u>	<u>94,739,779</u>	<u>92,638,473</u>
Total assets	<u>79,619,720</u>	<u>80,299,297</u>	<u>47,345,581</u>	<u>48,554,440</u>	<u>126,965,301</u>	<u>128,853,737</u>
Long-term liabilities	31,800,663	34,291,575	11,792,607	13,111,983	43,593,270	47,403,558
Other liabilities	<u>1,757,166</u>	<u>1,474,122</u>	<u>1,896,339</u>	<u>1,906,103</u>	<u>3,653,505</u>	<u>3,380,225</u>
Total liabilities	<u>33,557,829</u>	<u>35,765,697</u>	<u>13,688,946</u>	<u>15,018,186</u>	<u>47,246,775</u>	<u>50,783,783</u>
Net Assets:						
Invest in capital assets, net of related debt	30,758,109	29,710,085	28,073,361	28,033,629	58,831,470	57,743,714
Restricted	3,492,533	3,464,062	2,108,449	2,477,733	5,600,982	5,941,795
Unrestricted	<u>11,811,249</u>	<u>11,359,453</u>	<u>3,474,825</u>	<u>3,024,992</u>	<u>15,286,074</u>	<u>14,384,445</u>
Total net assets	<u>\$ 46,061,891</u>	<u>\$ 44,533,600</u>	<u>\$ 33,656,635</u>	<u>\$ 33,536,354</u>	<u>\$ 79,718,526</u>	<u>\$ 78,069,954</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

2011 Percentage of Net Assets By Type



2010 Percentage of Net Assets By Type



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

As of September 30, 2011, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories- governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a decrease of \$ 340,813 in restricted net assets and an increase of \$ 1,087,756 invested in capital assets, net of related debt. The decrease in restricted net assets; and the increase in invested in capital assets, net of related debt resulted from the use of bond funds and increase of current year capital transactions

Analysis of the City's Operations

Governmental Activities: Governmental activities increased the City of Lake Jackson's net assets by \$ 1,528,291. The increase mainly reflects the decrease in general government and administration and public work expenditures.

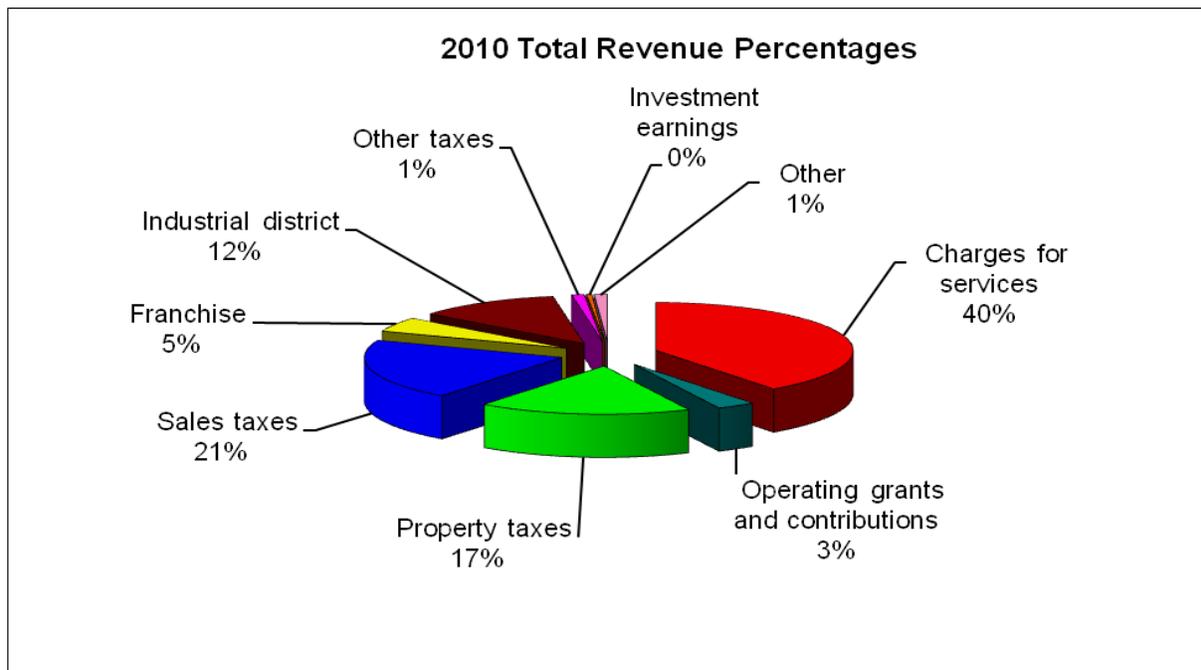
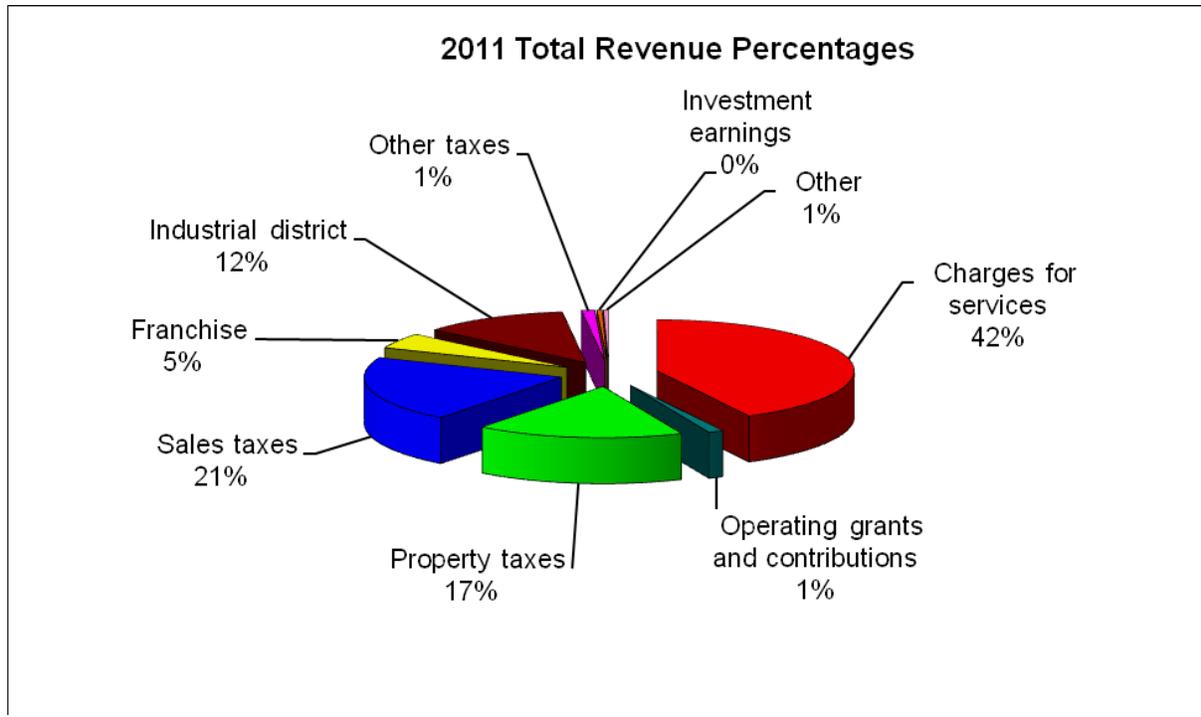
Total revenues for governmental activities decreased from the previous year by \$ 485,042 (2.27%).

Program revenues decreased from last year by \$ 623,871. This is a result of a decrease in operating and capital grants.

General revenues increased from last year by \$ 138,829. This is mainly resulted from increase in sales taxes.

Business-type Activities: Business activities increased the City's net assets by \$ 120,281 (0.36%). Total revenues increased and total expenses decreased from the prior year by \$ 931,493 and \$ 53,730 respectively. Total revenues increased from the prior year, due to an increase in water/sewer consumption. Total expenses decreased at a normal rate of about 0.45%. The major decreases in 2011 expenses were Golf Course Pro Shop cost and Golf Course operating expenses.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011



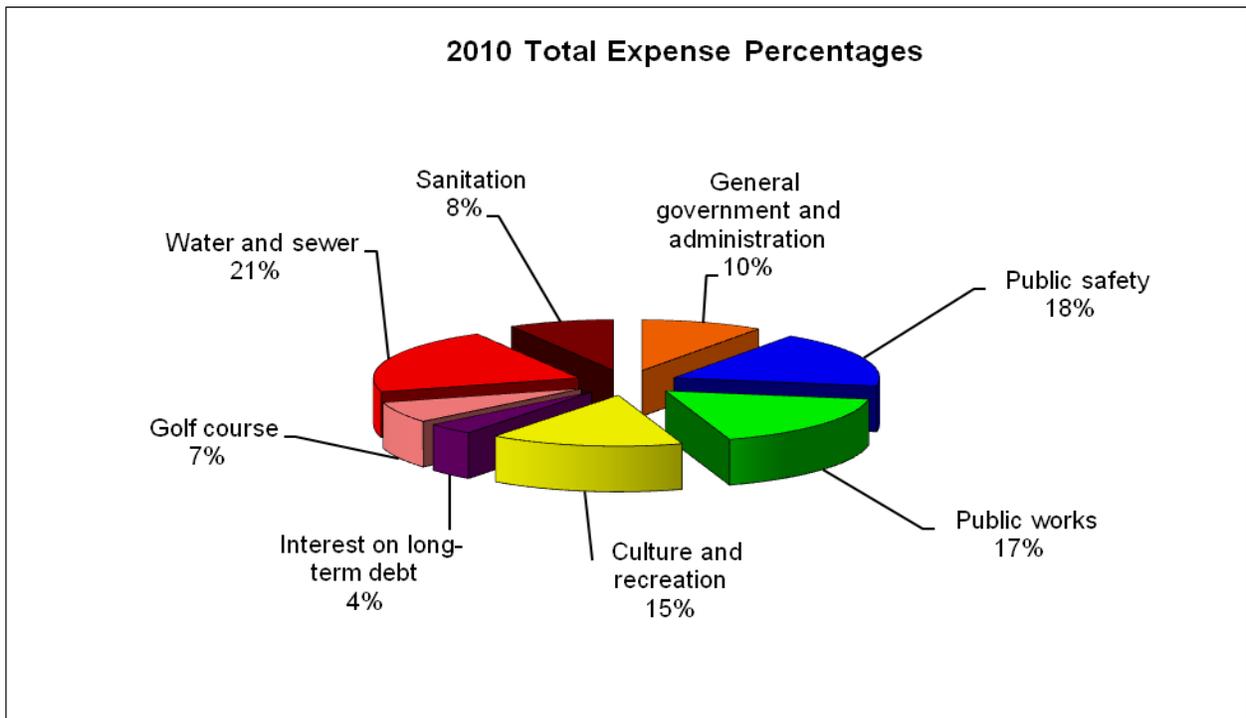
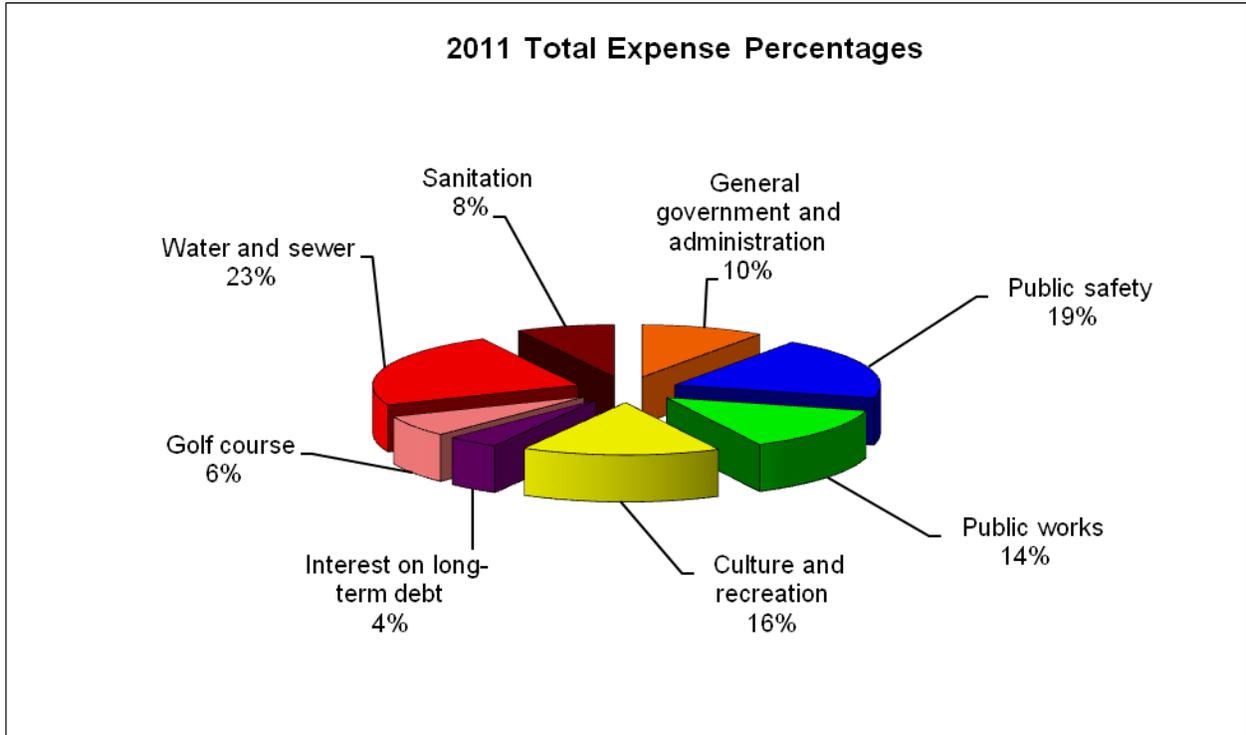
The following table provides a summary of the City's operations for the year ended September 30, 2011 with comparative tables for the year ended September 30, 2010.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

CITY OF LAKE JACKSON'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	Restated 2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 1,679,301	\$ 1,683,549	\$ 12,392,864	\$ 11,374,110	\$ 14,072,165	\$ 13,057,659
Operating grants and contributions	405,794	1,025,417			405,794	1,025,417
Capital grants and contributions			14,445	99,687	14,445	99,687
General Revenues:						
Property taxes	5,640,962	5,690,679			5,640,962	5,690,679
Sales taxes	6,918,501	6,709,639			6,918,501	6,709,639
Franchise	1,619,883	1,610,075			1,619,883	1,610,075
Industrial district	3,984,300	3,843,335			3,984,300	3,843,335
Alcoholic beverages taxes	46,737	44,905			46,737	44,905
Criminal justice taxes	16,258	19,226			16,258	19,226
Apartment taxes	67,643	68,177			67,643	68,177
Occupancy taxes	226,240	206,933			226,240	206,933
Investment earnings	100,646	99,729	36,825	38,844	137,471	138,573
Miscellaneous	165,279	284,867			165,279	284,867
Gain on disposition of capital assets		70,055				70,055
Total revenues	<u>20,871,544</u>	<u>21,356,586</u>	<u>12,444,134</u>	<u>11,512,641</u>	<u>33,315,678</u>	<u>32,869,227</u>
Expenses:						
General government and administration	3,079,021	3,222,710			3,079,021	3,222,710
Public safety	6,140,172	6,046,380			6,140,172	6,046,380
Public works	4,288,666	5,694,647			4,288,666	5,694,647
Culture and recreation	4,961,616	5,037,305			4,961,616	5,037,305
Interest on long-term debt	1,293,892	1,233,922			1,293,892	1,233,922
Golf course			2,060,021	2,197,021	2,060,021	2,197,021
Water and sewer			7,410,839	7,013,299	7,410,839	7,013,299
Sanitation			2,432,879	2,747,149	2,432,879	2,747,149
Total expenses	<u>19,763,367</u>	<u>21,234,964</u>	<u>11,903,739</u>	<u>11,957,469</u>	<u>31,667,106</u>	<u>33,192,433</u>
Increase (decrease) in net assets before transfers	1,108,177	121,622	540,395	(444,828)	1,648,572	(323,206)
Transfers and contributions	<u>420,114</u>	<u>745,253</u>	<u>(420,114)</u>	<u>(745,253)</u>	<u>-0-</u>	<u>-0-</u>
Increase (decrease) in net assets	1,528,291	866,875	120,281	(1,190,081)	1,648,572	(323,206)
Net assets, October 1 (Restated)	<u>44,533,600</u>	<u>43,666,725</u>	<u>33,536,354</u>	<u>34,726,435</u>	<u>78,069,954</u>	<u>78,393,160</u>
Net assets, September 30	<u>\$ 46,061,891</u>	<u>\$ 44,533,600</u>	<u>\$ 33,656,635</u>	<u>\$ 33,536,354</u>	<u>\$ 79,718,526</u>	<u>\$ 78,069,954</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City of Lake Jackson's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lake Jackson's governmental funds reported combined ending fund balances of \$ 21,727,204. 25.33% of this total amount (\$ 5,503,023) constitutes unassigned fund balance. The remainder of the fund balance has already been categorized as 1) non-spendable (\$ 179,575), 2) restricted (\$ 9,078,303), 3) committed (\$ 1,032,819, and 4) assigned (\$ 5,933,484).

In the General Fund, the City budgeted for a fund balance decrease of \$ 1,191,277. Due to actual expenditures being less than budgeted, the actual fund balance change was an increase for fiscal year 2011 of \$ 537,651. This better than budget performance is due to the City's continued emphasis on expenditure control.

The Economic Development fund is used to account for revenue from the half-cent sales tax. In 2011, the half-cent sales tax revenue, investment income, and transfer out in the Economic Development fund were less than the budget but more than capital outlay and transfers. As a result, the Economic Development fund balance increased by \$ 122,380.

The Debt Service fund balance decreased by \$ 34,188, which was consistent with the City's budget. The Downtown Revitalization fund balance decreased by \$ 1,745,401 due to the capital outlay expenditures.

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

Unrestricted net assets at September 30, 2011 amounted to \$ 3,474,825. Total net assets increased \$ 120,281. In 2011, the addition in net assets for proprietary funds was a combination of a \$ 398,616 increase in the Enterprise Fund and a \$ 278,335 decrease in the Golf Course Fund. Other factors concerning these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights. Revenue producing facility revenues exceeded budget by \$ 92,581 due to increased utilization of the Recreation and Civic Center. Also, sales tax revenue exceeded budget by \$ 132,452, primarily a result of an unexpected rebound in the economy.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

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 2011, the City transferred fiscal 2010 budget savings of \$ 650,000 to the Capital Projects Fund, and \$ 100,000 to the Park Fund.

Capital Assets

The City of Lake Jackson's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$ 94,739,779 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$ 2,101,306. (\$ 2,268,666 increase for governmental activities and \$ 167,360 decrease in business-type activities).

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

- Street and sidewalk improvements totaling \$ 2,162,476.
- \$ 1,900,610 for the Downtown Revitalization Project; and
- Drainage improvements of \$ 153,236.

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,397,003	\$ 2,359,934	\$ 3,821,585	\$ 3,821,585	\$ 6,218,588	\$ 6,181,519
Buildings	16,156,917	16,700,880	2,251,696	2,445,888	18,408,613	19,146,768
Improvements other than buildings	7,849,454	4,899,480	14,157,866	14,992,583	22,007,320	19,892,063
Furniture, equipment and vehicles	3,521,598	3,626,187	4,986,778	2,697,768	8,508,376	6,323,955
Infrastructure	18,815,056	20,046,941	14,216,964	14,829,914	33,032,020	34,876,855
Construction in progress	<u>6,538,495</u>	<u>5,376,435</u>	<u>26,367</u>	<u>840,878</u>	<u>6,564,862</u>	<u>6,217,313</u>
Total	\$ <u>55,278,523</u>	\$ <u>53,009,857</u>	\$ <u>39,461,256</u>	\$ <u>39,628,616</u>	\$ <u>94,739,779</u>	\$ <u>92,638,473</u>

Additional information on the City of Lake Jackson's capital assets can be found in note 5 on pages 50-53 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Lake Jackson had a total bonded debt and notes payable of \$ 42,090,000. Of this amount, \$ 30,325,000 comprises bonded debt backed by the full faith and credit of the City. These bonds will be retired with revenues from property and sales taxes. The remaining \$ 11,765,000 represents bonds secured by water and sewer revenues.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

Outstanding Long-Term Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 1,800,000	\$ 1,980,000	\$	\$	\$ 1,800,000	\$ 1,980,000
Certificates of obligations	5,785,000	6,260,000			5,785,000	6,260,000
Limited tax bonds	22,740,000	24,800,000			22,740,000	24,800,000
Revenue bonds			11,765,000	13,025,000	11,765,000	13,025,000
Total	<u>\$ 30,325,000</u>	<u>\$ 33,040,000</u>	<u>\$ 11,765,000</u>	<u>\$ 13,025,000</u>	<u>\$ 42,090,000</u>	<u>\$ 46,065,000</u>

During the fiscal year, the City's total bonded debt decreased \$ 3,975,000 or 8.63% due to current debt payments. All of the outstanding Bonds of the City, payable from its limited taxes, are insured and are, therefore, rated "Aaa" by Moody's Investors Service Inc ("Moody's"), and "AAA" by Standard & Poor's ("S&P"). The underlying rating on all of such Bonds and other obligations payable from such source are "AA+" on the General Obligations and "AA" on the Revenue Bonds by S&P.

Additional information on the City of Lake Jackson's long term debt can be found in note 7 on pages 54-60 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2011-12 Budget, General fund revenues and transfers-in are budgeted to increase by approximately \$ 249,600 (1.51%) from 2010-11 budget year, with sales taxes making up 27.9% of General Fund budgeted revenues.

Certified assessed taxable valuations declined by 1.21%.

The Utility Fund 2011-12 budget is 2.8% more than the proceeding year's budget. The base water rate for the 2011-12 budget year will increase from \$ 10.30 per month to \$ 11.00 per month. Water rates for usage above the 2,000 gallon base bill will increase from \$ 2.95 per 1,000 gallons to \$ 3.05 per 1,000 gallons. In addition, rates for usage above the 20 000 base bill will increase from \$ 3.20 per 1,000 gallons to \$ 3.30 per 1,000 gallons. For fiscal year 2011-12, Brazosport Water Authority is increasing water rates by 10%. The base sewer rate for the 2011-12 budget year will increase from \$ 10.3 per month to \$ 11.0 per month. In addition, \$ 0.07 will be added to the prior year sewer rate for usage above the 2,000 gallon base bill from \$ 3.23 to \$ 3.30.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF LAKE JACKSON
Lake Jackson, Texas

STATEMENT OF NET ASSETS

September 30, 2011

	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 21,229,477	\$ 3,654,167	\$ 24,883,644
Taxes receivable (net)	1,439,789		1,439,789
Due from other governments	416,498		416,498
Accounts receivable (net)	190,736	666,068	856,804
Investments	399,000		399,000
Inventories	111,605	38,452	150,057
Internal balances	6,430	(6,430)	-0-
Deferred expenses	67,970	11,946	79,916
Bond issuance costs (net)	479,692	221,048	700,740
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		3,293,756	3,293,756
Due from other governments		5,318	5,318
Capital Assets (Net of Accumulated Depreciation):			
Land	2,397,003	3,821,585	6,218,588
Buildings	16,156,917	2,251,696	18,408,613
Improvements other than buildings	7,849,454	14,157,866	22,007,320
Furniture, equipment, and vehicles	3,521,598	4,986,778	8,508,376
Infrastructure	18,815,056	14,216,964	33,032,020
Construction in progress	<u>6,538,495</u>	<u>26,367</u>	<u>6,564,862</u>
Total assets	<u>79,619,720</u>	<u>47,345,581</u>	<u>126,965,301</u>
Liabilities:			
Accounts payable	1,286,166	412,952	1,699,118
Cash bonds and taxes	300,589		300,589
Accrued wages	94,659	30,938	125,597
Unearned revenue	75,752	142,507	218,259
Liabilities payable from restricted assets		1,309,942	1,309,942
Noncurrent liabilities:			
Due within one year	3,260,617	982,216	4,242,833
Due in more than one year	<u>28,540,046</u>	<u>10,810,391</u>	<u>39,350,437</u>
Total liabilities	<u>33,557,829</u>	<u>13,688,946</u>	<u>47,246,775</u>
Net Assets:			
Invested in capital assets, net of related debt	30,758,109	28,073,361	58,831,470
Restricted	3,492,533	2,108,449	5,600,982
Unrestricted	<u>11,811,249</u>	<u>3,474,825</u>	<u>15,286,074</u>
Total net assets	<u>\$ 46,061,891</u>	<u>\$ 33,656,635</u>	<u>\$ 79,718,526</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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 3,079,021	\$ 459,598	\$	\$
Public safety	6,140,172		256,755	
Public works	4,288,666	213,772	149,039	
Culture and recreation	4,961,616	1,005,931		
Interest on long-term debt	<u>1,293,892</u>			
Total governmental activities	<u>19,763,367</u>	<u>1,679,301</u>	<u>405,794</u>	<u>-0-</u>
Business-type Activities:				
Water and sewer	7,410,839	7,784,450		
Sanitation	2,432,879	3,036,999		
Golf course	<u>2,060,021</u>	<u>1,571,415</u>		<u>14,445</u>
Total business-type activities	<u>11,903,739</u>	<u>12,392,864</u>	<u>-0-</u>	<u>14,445</u>
Total	<u>\$ 31,667,106</u>	<u>\$ 14,072,165</u>	<u>\$ 405,794</u>	<u>\$ 14,445</u>
General Revenue:				
Taxes:				
Property taxes				
Sales taxes				
Industrial district				
Franchise				
Occupancy				
Other				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets – beginning (restated)				
Net assets – ending				

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business- Type Activities	Total
\$(2,619,423)	\$	\$(2,619,423)
(5,883,417)		(5,883,417)
(3,925,855)		(3,925,855)
(3,955,685)		(3,955,685)
<u>(1,293,892)</u>		<u>(1,293,892)</u>
<u>(17,678,272)</u>	<u>-0-</u>	<u>(17,678,272)</u>
	373,611	373,611
	604,120	604,120
	<u>(474,161)</u>	<u>(474,161)</u>
<u>-0-</u>	<u>503,570</u>	<u>503,570</u>
<u>(17,678,272)</u>	<u>503,570</u>	<u>(17,174,702)</u>
5,640,962		5,640,962
6,918,501		6,918,501
3,984,300		3,984,300
1,619,883		1,619,883
226,240		226,240
130,638		130,638
100,646	36,825	137,471
165,279		165,279
<u>420,114</u>	<u>(420,114)</u>	<u>-0-</u>
<u>19,206,563</u>	<u>(383,289)</u>	<u>18,823,274</u>
1,528,291	120,281	1,648,572
<u>44,533,600</u>	<u>33,536,354</u>	<u>78,069,954</u>
<u>\$ 46,061,891</u>	<u>\$ 33,656,635</u>	<u>\$ 79,718,526</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2011

	<u>General Fund</u>	<u>Economic Development</u>	<u>General Debt Service</u>	<u>Downtown Revitalization</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and temporary investments	\$ 10,760,344	\$ 2,130,907	\$ 671,573	\$ 3,469,498	\$ 4,197,155	\$ 21,229,477
Receivables (Net of Allowance for Uncollectibles):						
Taxes	1,018,259	395,598	25,932			1,439,789
Accounts	62,830				37,889	100,719
Grants	190,736					190,736
Due from other funds	6,430				156,587	163,017
Investments	399,000					399,000
Inventories	111,605					111,605
Prepaid expenditures	<u>67,970</u>					<u>67,970</u>
Total assets	<u>\$ 12,617,174</u>	<u>\$ 2,526,505</u>	<u>\$ 697,505</u>	<u>\$ 3,469,498</u>	<u>\$ 4,391,631</u>	<u>\$ 23,702,313</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 664,843	\$	\$	\$ 299,280	\$ 322,043	\$ 1,286,166
Cash bonds and taxes	300,589					300,589
Accrued wages	94,659					94,659
Deferred revenue	111,231		25,877			137,108
Due to other funds	<u>150,157</u>				<u>6,430</u>	<u>156,587</u>
Total liabilities	<u>1,321,479</u>	<u>-0-</u>	<u>25,877</u>	<u>299,280</u>	<u>328,473</u>	<u>1,975,109</u>
Fund Balances:						
Non-spendable	179,575					179,575
Restricted		2,526,505	671,628	3,170,218	2,709,952	9,078,303
Committed	1,032,819					1,032,819
Assigned	4,580,278				1,353,206	5,933,484
Unassigned	<u>5,503,023</u>					<u>5,503,023</u>
Total fund balances	<u>11,295,695</u>	<u>2,526,505</u>	<u>671,628</u>	<u>3,170,218</u>	<u>4,063,158</u>	<u>21,727,204</u>
Total liabilities and fund balances	<u>\$ 12,617,174</u>	<u>\$ 2,526,505</u>	<u>\$ 697,505</u>	<u>\$ 3,469,498</u>	<u>\$ 4,391,631</u>	<u>\$ 23,702,313</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2011

Total fund balances – governmental funds balance sheet	\$ 21,727,204
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 137,199,280 in assets less \$ 81,920,757 in accumulated depreciation.	55,278,523
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 \$ 35,479 and \$ 25,877, respectively.	61,356
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 \$ 829,703 net of allowance for uncollectible accounts of \$ 513,924 of the general fund amounted to \$ 315,779.	315,779
Debt issuance costs on the issuance of bonds is an expenditure in the governmental funds, but the costs increase long-term assets in the statement of net assets. This amount is amortized over the life of the bond. Net bond issuance costs were \$ 479,692 (issuance costs of \$ 745,429 less amortization of \$ 265,737).	479,692
Discount on the issuance of bonds uses current financial resources in the governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net discount on the issuance of bonds were \$ 6,293 (discount on sale of bonds of \$ 11,477 less amortization of \$ 5,184).	6,293
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 243,771 (premium on the sale of bonds of \$ 305,581 less amortization of \$ 61,810).	(243,771)
Payables for bond principal and other long-term debt are not reported in the funds.	(30,325,000)
Payables for bond interest are not reported in the funds.	(49,330)
Net pension obligation is not reported in the funds.	(659,387)
Payables for long-term compensated absences.	<u>(529,468)</u>
Net assets of governmental activities – statement of net assets.	<u>\$ 46,061,891</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, 2011

	General Fund	Economic Development	General Debt Service	Downtown Revitalization	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes:						
Property	\$ 3,396,094	\$	\$ 2,251,006	\$	\$	\$ 5,647,100
Sales	4,562,724	2,355,777				6,918,501
Franchise	1,619,883					1,619,883
Occupancy					226,240	226,240
Other	130,638					130,638
Industrial district	3,984,300					3,984,300
Intergovernmental	150,724			149,039	106,031	405,794
Revenue producing facilities	1,005,931					1,005,931
Fines and fees	392,875				25,661	418,536
Licenses and permits	213,772					213,772
Special assessments					4,712	4,712
Investment income	64,144	13,038	7,265	6,170	10,029	100,646
Miscellaneous	160,422				145	160,567
	<u>15,681,507</u>	<u>2,368,815</u>	<u>2,258,271</u>	<u>155,209</u>	<u>372,818</u>	<u>20,836,620</u>
Expenditures:						
Current:						
General government and administration	2,850,899	8,061			3,280	2,862,240
Public safety	5,559,479					5,559,479
Public works	2,354,769				317,188	2,671,957
Culture and recreation	3,839,959				227,284	4,067,243
Capital outlay	910,764			1,900,610	2,543,761	5,355,135
Debt Service:						
Principal retirement			1,537,163		1,177,837	2,715,000
Interest and fiscal charges			755,296		516,967	1,272,263
	<u>15,515,870</u>	<u>8,061</u>	<u>2,292,459</u>	<u>1,900,610</u>	<u>4,786,317</u>	<u>24,503,317</u>
Excess of revenues over (under) expenditures	<u>165,637</u>	<u>2,360,754</u>	<u>(34,188)</u>	<u>(1,745,401)</u>	<u>(4,413,499)</u>	<u>(3,666,697)</u>
Other Financing Sources (Uses):						
Proceeds from sale of capital assets	28,330					28,330
Transfers in	1,579,112				2,479,011	4,058,123
Transfers out	(1,235,428)	(2,238,374)			(164,207)	(3,638,009)
	<u>372,014</u>	<u>(2,238,374)</u>	<u>-0-</u>	<u>-0-</u>	<u>2,314,804</u>	<u>448,444</u>
Net change in fund balances	537,651	122,380	(34,188)	(1,745,401)	(2,098,695)	(3,218,253)
Fund balances – beginning (restated)	<u>10,758,044</u>	<u>2,404,125</u>	<u>705,816</u>	<u>4,915,619</u>	<u>6,161,853</u>	<u>24,945,457</u>
Fund balances - ending	<u>\$ 11,295,695</u>	<u>\$ 2,526,505</u>	<u>\$ 671,628</u>	<u>\$ 3,170,218</u>	<u>\$ 4,063,158</u>	<u>\$ 21,727,204</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011

Net change in fund balances – total governmental funds	\$ (3,218,253)
Amounts reported for <i>governmental activities</i> 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 \$ 5,355,135 exceeded depreciation of \$ 3,016,410 in the current period.	2,338,725
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund and the debt service fund decreased by \$ 3,774 and \$ 2,364, respectively.	(6,138)
Judicial revenues (resulting from accounts receivables net of related allowance for uncollectible) in the governmental activities statements of activities do not provide current available resources and are not reported as revenues in the funds. The change in these net receivables resulted in a decrease in revenues reported in the governmental activities statement of activities.	41,062
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for general obligation bonded debt \$ 2,715,000.	2,715,000
Debt issuance costs on the issuance of bonds is an expenditure in the governmental funds, but the costs increase long-term assets in the statement of net assets. This amount is amortized over the life of the bond. Current amortization was \$ 47,958.	(47,958)
Discount on the issuance of bonds uses current financial resources in the governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds.	(574)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Current amortization of the premium of bonds was \$ 21,246.	21,246
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.	5,657
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.	(23,704)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in net pension obligation.	(226,713)
Capital asset donation reported in the governmental activities statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(14,445)
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 \$ 55,614 (cost of \$ 234,117 less accumulated depreciation of \$ 178,503).	<u>(55,614)</u>
Change in net assets of governmental activities	<u>\$ 1,528,291</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, 2011

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,392,153	\$ 3,392,153
Sales	4,430,272	4,430,272
Franchise	1,601,000	1,601,000
Other	133,000	133,000
Industrial district	4,007,000	4,007,000
Intergovernmental	97,300	97,300
Revenue producing facilities	913,350	913,350
Fines and fees	358,500	358,500
Licenses and permits	156,100	156,100
Investment income	41,484	41,484
Miscellaneous	183,350	183,350
	<u>15,313,509</u>	<u>15,313,509</u>
Total revenues		
Expenditures:		
Current:		
General government and administration	3,413,272	3,413,272
Public safety	5,981,275	5,981,275
Public works	2,977,756	2,977,756
Culture and recreation	3,999,095	3,999,095
Capital outlay	947,500	992,500
	<u>17,318,898</u>	<u>17,363,898</u>
Total expenditures		
Excess of revenues over (under) expenditures	(2,005,389)	(2,050,389)
Other Financing Sources (Uses):		
Proceeds from sale of capital assets		
Transfers in	1,579,112	1,579,112
Transfers out	(70,000)	(720,000)
	<u>1,509,112</u>	<u>859,112</u>
Total other financing sources (uses)		
Net change in fund balance	(496,277)	(1,191,277)
Fund balances - balances	<u>10,758,044</u>	<u>10,758,044</u>
Fund balance - ending	<u>\$ 10,261,767</u>	<u>\$ 9,566,767</u>

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

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 3,396,094	\$	\$ 3,396,094	\$ 3,941
4,562,724		4,562,724	132,452
1,619,883		1,619,883	18,883
130,638		130,638	(2,362)
3,984,300		3,984,300	(22,700)
150,724		150,724	53,424
1,005,931		1,005,931	92,581
392,875		392,875	34,375
213,772		213,772	57,672
64,144		64,144	22,660
<u>160,422</u>		<u>160,422</u>	<u>(22,928)</u>
<u>15,681,507</u>	<u>-0-</u>	<u>15,681,507</u>	<u>367,998</u>
2,850,899	44,594	2,895,493	517,779
5,559,479	48,350	5,607,829	373,446
2,354,769	29,868	2,384,637	593,119
3,839,959	27,741	3,867,700	131,395
<u>910,764</u>	<u>(152,500)</u>	<u>758,264</u>	<u>234,236</u>
<u>15,515,870</u>	<u>(1,947)</u>	<u>15,513,923</u>	<u>1,849,975</u>
<u>165,637</u>	<u>1,947</u>	<u>167,584</u>	<u>2,217,973</u>
28,330		28,330	28,330
1,579,112		1,579,112	0
<u>(1,235,428)</u>		<u>(1,235,428)</u>	<u>(515,428)</u>
<u>372,014</u>	<u>-0-</u>	<u>372,014</u>	<u>(487,098)</u>
537,651	1,947	539,598	1,730,875
<u>10,758,044</u>		<u>10,758,044</u>	<u>-0-</u>
<u>\$ 11,295,695</u>	<u>\$ 1,947</u>	<u>\$ 11,297,642</u>	<u>\$ 1,730,875</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,341,768	\$ 2,341,768	\$ 2,355,777	\$ 14,009
Investment income	<u>17,134</u>	<u>17,134</u>	<u>13,038</u>	<u>(4,096)</u>
Total revenues	<u>2,358,902</u>	<u>2,358,902</u>	<u>2,368,815</u>	<u>9,913</u>
Expenditures:				
Other			8,061	(8,061)
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>-0-</u>	<u>50,000</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>8,061</u>	<u>41,939</u>
Excess of revenues over (under) expenditures	<u>2,308,902</u>	<u>2,308,902</u>	<u>2,360,754</u>	<u>51,852</u>
Other Financing Sources (Uses):				
Transfers out	<u>(2,291,074)</u>	<u>(2,291,074)</u>	<u>(2,238,374)</u>	<u>52,700</u>
Total other financing sources (uses)	<u>(2,291,074)</u>	<u>(2,291,074)</u>	<u>(2,238,374)</u>	<u>52,700</u>
Net change in fund balance	17,828	17,828	122,380	104,552
Fund balances - beginning	<u>2,404,125</u>	<u>2,404,125</u>	<u>2,404,125</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 2,421,953</u>	<u>\$ 2,421,953</u>	<u>\$ 2,526,505</u>	<u>\$ 104,552</u>

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

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CITY OF LAKE JACKSON
Lake Jackson, Texas

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2011

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Assets</u>			
Current Assets:			
Cash and temporary investments	\$ 3,533,757	\$ 120,410	\$ 3,654,167
Receivables (Net of Allowance for Uncollectibles):			
Accounts	639,200	26,868	666,068
Inventory		38,452	38,452
Prepaid expenses		11,946	11,946
	<u>4,172,957</u>	<u>197,676</u>	<u>4,370,633</u>
Current Restricted Assets:			
Restricted Assets:			
Cash and temporary investments	1,816,480		1,816,480
Due from other governments	5,318		5,318
Total current restricted assets	<u>1,821,798</u>	<u>-0-</u>	<u>1,821,798</u>
Total current assets	<u>5,994,755</u>	<u>197,676</u>	<u>6,192,431</u>
Noncurrent Assets:			
Restricted Cash and Temporary Investments:			
Revenue bond covenant accounts	<u>1,477,276</u>		<u>1,477,276</u>
Total noncurrent restricted assets	<u>1,477,276</u>		<u>1,477,276</u>
Deferred charges	<u>221,048</u>		<u>221,048</u>
Capital Assets:			
Property, plant and equipment	61,114,184	9,272,546	70,386,730
Construction in progress	26,367		26,367
Less accumulated depreciation	<u>(28,594,394)</u>	<u>(2,357,447)</u>	<u>(30,951,841)</u>
Total capital assets (net of accumulated depreciation)	<u>32,546,157</u>	<u>6,915,099</u>	<u>39,461,256</u>
Total noncurrent assets	<u>34,244,481</u>	<u>6,915,099</u>	<u>41,159,580</u>
Total assets	<u>40,239,236</u>	<u>7,112,775</u>	<u>47,352,011</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - Continued

September 30, 2011

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 354,803	\$ 58,149	\$ 412,952
Accrued wages	19,914	11,024	30,938
Accrued compensated absences	121,776		121,776
Deferred revenue		142,507	142,507
Revenue bonds payable	708,750		708,750
Capital leases payable		222,972	222,972
Due to other funds		6,430	6,430
	<u>1,205,243</u>	<u>441,082</u>	<u>1,646,325</u>
Current Liabilities Payable from Restricted Assets:			
Accounts payable	41,149		41,149
Accrued interest	178,748		178,748
Customer deposits	583,795		583,795
Revenue bonds payable	506,250		506,250
	<u>1,309,942</u>	<u>-0-</u>	<u>1,309,942</u>
Total current liabilities payable from restricted assets			
	<u>1,309,942</u>	<u>-0-</u>	<u>1,309,942</u>
Total current liabilities	<u>2,515,185</u>	<u>441,082</u>	<u>2,956,267</u>
Noncurrent Liabilities:			
Revenue bonds payable	10,550,000		10,550,000
Net pension obligation	181,206		181,206
Capital leases payable		7,903	7,903
	<u>10,731,206</u>	<u>7,903</u>	<u>10,739,109</u>
Total noncurrent liabilities			
	<u>10,731,206</u>	<u>7,903</u>	<u>10,739,109</u>
Total liabilities	<u>13,246,391</u>	<u>448,985</u>	<u>13,695,376</u>
Net Assets:			
Invested in capital assets, net of related debt	21,389,137	6,684,224	28,073,361
Restricted For:			
Revenue bond retirement	1,992,631		1,992,631
Construction	115,818		115,818
Unrestricted	3,495,259	(20,434)	3,474,825
	<u>3,495,259</u>	<u>(20,434)</u>	<u>3,474,825</u>
Total net assets	<u>\$ 26,992,845</u>	<u>\$ 6,663,790</u>	<u>\$ 33,656,635</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 3,822,176	\$	\$ 3,822,176
Sewer service	3,548,656		3,548,656
Garbage fees	3,036,999		3,036,999
Tapping and connection fees	214,696		214,696
Golf course fees and charges		1,571,411	1,571,411
Other	<u>198,922</u>	<u>4</u>	<u>198,926</u>
Total operating revenues	<u>10,821,449</u>	<u>1,571,415</u>	<u>12,392,864</u>
Operating Expenses:			
Utility administration	408,299		408,299
Water production and treatment	2,779,698		2,779,698
Sewer collection	1,928,321		1,928,321
Sanitation	2,298,919		2,298,919
Golf course		1,656,250	1,656,250
Depreciation	<u>1,996,758</u>	<u>394,155</u>	<u>2,390,913</u>
Total operating expenses	<u>9,411,995</u>	<u>2,050,405</u>	<u>11,462,400</u>
Operating income (loss)	<u>1,409,454</u>	<u>(478,990)</u>	<u>930,464</u>
Non-Operating Revenues (Expenses):			
Interest revenue	34,569	2,256	36,825
Interest expense and fiscal charges	<u>(431,723)</u>	<u>(9,616)</u>	<u>(441,339)</u>
Total non-operating revenues (expenses)	<u>(397,154)</u>	<u>(7,360)</u>	<u>(404,514)</u>
Income (loss) before contributions and transfers	1,012,300	(486,350)	525,950
Capital contribution		14,445	14,445
Transfers in	585,428	200,000	785,428
Transfers out	<u>(1,199,112)</u>	<u>(6,430)</u>	<u>(1,205,542)</u>
Change in net assets	398,616	(278,335)	120,281
Net assets at beginning of year	<u>26,594,229</u>	<u>6,942,125</u>	<u>33,536,354</u>
Net assets at end of year	<u>\$ 26,992,845</u>	<u>\$ 6,663,790</u>	<u>\$ 33,656,635</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2011

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 10,743,881	\$ 1,581,671	\$ 12,325,552
Payments to suppliers	(4,415,201)	(754,239)	(5,169,440)
Payments to employees	(2,934,842)	(860,572)	(3,795,414)
Payments to other funds		2,400	2,400
Net cash provided (used) by operating activities	<u>3,393,838</u>	<u>(30,740)</u>	<u>3,363,098</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	585,428	200,000	785,428
Transfers out	(1,199,112)	(6,430)	(1,205,542)
Net cash provided (used) by non-capital financing activities	<u>(613,684)</u>	<u>193,570</u>	<u>(420,114)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(2,209,109)		(2,209,109)
Principal paid on capital debt	(1,260,000)	(140,965)	(1,400,965)
Interest and fiscal charges paid on capital debt	(398,581)	(9,616)	(408,197)
Net cash provided (used) by capital and related financing activities	<u>(3,867,690)</u>	<u>(150,581)</u>	<u>(4,018,271)</u>
Cash Flows from Investing Activities:			
Interest received	34,569	2,256	36,825
Net cash provided (used) by investing activities	<u>34,569</u>	<u>2,256</u>	<u>36,825</u>
Net increase (decrease) in cash and cash equivalents	(1,052,967)	14,505	(1,038,462)
Cash and cash equivalents at the beginning of year	<u>7,880,480</u>	<u>105,905</u>	<u>7,986,385</u>
Cash and cash equivalents at the end of year	<u>\$ 6,827,513</u>	<u>\$ 120,410</u>	<u>\$ 6,947,923</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,409,454	\$(478,990)	\$ 930,464
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,996,758	394,155	2,390,913
(Increase) decrease in accounts receivable	(48,050)	(5,102)	(53,152)
(Increase) decrease in inventory		63,041	63,041
(Increase) decrease in prepaid expenses		(11,946)	(11,946)
Increase (decrease) in accounts payable	23,800	17,084	40,884
Increase (decrease) in accrued wages payable	(44,398)	(26,738)	(71,136)
Increase (decrease) in net pension obligation	67,656		67,656
Increase (decrease) in accrued compensated absences	(4,817)		(4,817)
Increase (decrease) in deferred revenue		15,356	15,356
Increase (decrease) in customer deposits	(6,565)		(6,565)
Increase (decrease) in due to other funds		2,400	2,400
Total adjustments	<u>1,984,384</u>	<u>448,250</u>	<u>2,432,634</u>
Net cash provided (used) by operating activities	<u>\$ 3,393,838</u>	<u>\$(30,740)</u>	<u>\$ 3,363,098</u>
Non-cash Investing, Capital, and Financing Activities:			
Contribution of capital assets from other governments	\$	\$ 14,445	\$ 14,445
Net effect of non-cash transactions	<u>\$ -0-</u>	<u>\$ 14,445</u>	<u>\$ 14,445</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

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

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

Financial Reporting Entity

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - Continued

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

The City has presented the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

New Pronouncements

GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", was issued April 2009. This statement provides guidance on classification of fund equity. The statement was implemented by the City during the fiscal year with minimal adjustments to the financial statements.

GASB No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", was issued April 2009. This statement is effective immediately and had no effect on the City's financial statements.

GASB No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", was issued April 2009. This statement is effective immediately and had no effect on the City's financial statements.

GASB No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", was issued December 2009. This statement is effective immediately and did not have a material impact on the City's financial statements.

GASB No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies", was issued December 2009. The statement was implemented and did not have an impact on the City's financial statements.

GASB No. 59, "Financial Instrument Omnibus", was issued December 2009. The statement was implemented and did not have an impact on the City's financial statements.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

GASB No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-and amendment of GASB Statements No. 53", was issued June 2011. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2011.

Budgetary Data

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - Continued

Governmental Fund Types:

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

Proprietary Fund Type:

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

The following reconciles the differences between the legally enacted budget basis and the GAAP basis of accounting for the year ended September 30, 2011:

Governmental Fund Types:

	<u>General Fund</u>
Excess of revenues over (under) expenditures - GAAP basis	\$ 165,637
Adjustments of accrued wages	(150,553)
Adjustments of encumbrances	<u>152,500</u>
Excess of revenues over (under) expenditures - on budget basis	<u>\$ 167,584</u>

Proprietary Fund Types:

	<u>Enterprise Fund</u>
Change in net assets - GAAP basis	\$ 398,616
Provisions for Current Adjustments To:	
Accrued absences and accrued wages	(49,215)
Depreciation	1,996,758
Amortization of bond issuance costs	<u>21,555</u>
Change in net assets - budgetary basis	<u>\$ 2,367,714</u>
	<u>Golf Course Operating Fund</u>
Change in net assets - GAAP basis	\$(278,335)
Provisions for Current Adjustments To:	
Depreciation	<u>394,155</u>
Change in net assets - budgetary basis	<u>\$ 115,820</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. At September 30, 2011, no encumbrance was reported in the general fund.

Cash and Cash Equivalents

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

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Receivables, Payables and Transfers

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. No interest was capitalized during the year ended September 30, 2011.

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

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

Property Taxes

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - Continued

The assessed value of the property tax roll on August 1, 2010, upon which the levy for the 2010-11 fiscal year was based, was \$ 1,439,512,774. 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, 2011, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.234474 and \$ 0.155526 per \$ 100 valuation, respectively, for a total of \$ 0.3900 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2011 were 99.04% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2011, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 35,424 and \$ 25,932 for the general and debt service funds, respectively.

Compensated Absences

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

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

The estimated liabilities include required salary related payments. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable. As of September 30, 2011, there is no maturing compensated absences payable in the General Fund. Accrued compensated absences reported in the Enterprise Fund at September 30, 2011 totaled \$ 121,776.

Pension Plans

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories

The City employs the consumption method of accounting for inventory. Inventories are valued at cost using the first-in first-out method. Purchases are recorded at cost as inventory when purchased, and then charged out as expenditures when used. The reserve for inventory has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Inventory at September 30, 2011 consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 77,224	\$
Supplies held for resale	<u>34,381</u>	<u>38,452</u>
	<u>\$ 111,605</u>	<u>\$ 38,452</u>

Long-Term Obligations

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

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

Fund Equity

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

CITY OF LAKE JACKSON
Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

The following schedule presents details of fund balance components at September 30, 2011:

	<u>General Fund</u>	<u>Economic Development</u>	<u>General Debt Service</u>	<u>Downtown Revitalization</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Non-spendable:						
Inventory	\$ 111,605					\$ 111,605
Prepaid expenditures	67,970					67,970
Restricted:						
Debt service			671,628			671,628
Capital projects				3,170,218	2,392,154	5,562,372
Economic development		2,526,505				2,526,505
Traffic safety					131,313	131,313
Encourage tourism					60,661	60,661
Contributor purpose					4,157	4,157
Law enforcement					121,667	121,667
Committed:						
Contingencies	1,032,819					1,032,819
Assigned:						
General construction					1,353,206	1,353,206
Unemployment insurance	203,627					203,627
Equipment replacement	4,033,149					4,033,149
Special events	6,660					6,660
Park improvement	336,842					336,842
Unassigned	5,503,023					5,503,023
Total fund balances	<u>\$ 11,295,695</u>	<u>\$ 2,526,505</u>	<u>\$ 671,628</u>	<u>\$ 3,170,218</u>	<u>\$ 4,063,158</u>	<u>\$ 21,727,204</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

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

The following schedule presents details of net asset balance components at September 30, 2011.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets:			
Invested in Capital Assets, net of related debt	\$ 30,758,109	\$ 28,073,361	\$ 58,831,470
Restricted:			
Debt service	648,230		648,230
Economic development	2,526,505		2,526,505
Traffic safety	131,313		131,313
Encourage tourism	60,661		60,661
Contributor purpose	4,157		4,157
Law enforcement	121,667		121,667
Revenue bond retirement		1,992,631	1,992,631
Construction		115,818	115,818
Unrestricted	<u>11,811,249</u>	<u>3,474,825</u>	<u>15,286,074</u>
Total net assets	<u>\$ 46,061,891</u>	<u>\$ 33,656,635</u>	<u>\$ 79,718,526</u>

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased it has maturity of three months or less. Cash and temporary investments, and investments, as reported on the government-wide Statement of Net Assets at September 30, 2011, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 10,600	\$	\$ 10,600
Financial Institution Deposits:			
Demand deposits	8,185,692	1,029,837	9,215,529
Local Government Investment Pools:			
Texpool	5,722,149	776,305	6,498,454
Lone Star Investment Pool	5,147,988	698,411	5,846,399
TexSTAR	<u>5,817,215</u>	<u>789,203</u>	<u>6,606,418</u>
	<u>\$ 24,883,644</u>	<u>\$ 3,293,756</u>	<u>\$ 28,177,400</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

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

Deposits

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

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

At September 30, 2011, in addition to petty cash of \$ 10,600, the carrying amount of the City's cash, savings, and time deposits was \$ 9,614,529. The financial institutions balances were \$ 10,081,729 at September 30, 2011. Bank balances of \$ 769,967 were covered by federal depository insurance, \$ 500,000 was covered by SIPC coverage, \$ 6,525,466 was covered by collateral pledged in the City's name, and \$ 2,286,296 was covered by commercial insurance. The pledged collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

Investments

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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

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

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

The City invests in TexPool, Lone Star Investment Pool, and TexSTAR to provide its liquidity needs. TexPool, Lone Star Investment Pool, and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Lone Star Investment Pool, and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool, Lone Star Investment Pool, and TexSTAR are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2011 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 44 days, 38 days, and 48 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 44 days, 38 days, and 48 days, respectively, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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

The following table includes the portfolio balances of all investment types of the City at September 30, 2011.

	<u>Maturity Date</u>	<u>Rate %</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Investments:				
Local Government Investment Pools:				
Texpool	N/A	Varies daily	44.00	\$ 6,498,454
Lone Star Investment Pool	N/A	Varies daily	38.00	5,846,399
TexSTAR	N/A	Varies daily	48.00	<u>6,606,418</u>
Total local government investment pools			42.65	<u>18,951,271</u>
Certificate of deposit	06-20-12	0.90%	240.00	100,000
Certificate of deposit	02-13-12	0.59%	225.00	99,000
Certificate of deposit	08-04-12	1.77%	308.00	100,000
Certificate of deposit	02-04-13	1.00%	264.00	<u>100,000</u>
Total certificates of deposit			259.33	<u>399,000</u>
Total investments			56.38	<u>\$ 19,350,271</u>

Credit Risk - As of September 30, 2011, the LGIP's (which represent approximately 97.94% of the portfolio are rated AAAM by Standard and Poor's, while the certificates of deposits (2.06% of the portfolio) are fully insured.

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

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The City made no direct investments in derivatives during the year ended September 30, 2011, and holds no direct investments in derivatives at September 30, 2011.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 3 - DEFERRED REVENUE

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

As of September 30, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 35,479	\$
Delinquent property taxes receivable (debt service fund)	25,877	
Recreation memberships and deposits	<u> </u>	<u>75,752</u>
 Total deferred/unearned revenue from governmental funds	 \$ <u>61,356</u>	 \$ <u>75,752</u>

As of September 30, 2011, the components of unearned revenue reported in the proprietary funds were as follows:

	<u>Unearned</u>
Service deposits	\$ <u>142,507</u>

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at September 30, 2011 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Golf Course Debt Service Fund	\$ 6,430	\$
Red light camera fund	<u> </u>	<u>150,157</u>
Total general fund	<u>6,430</u>	<u>150,157</u>
Golf Course Debt Service:		
General Fund		6,430
Golf Course	<u>6,430</u>	<u> </u>
Total Golf Course Debt Service	<u>6,430</u>	<u>6,430</u>
Special Revenue Fund:		
General Fund	<u>150,157</u>	<u>-0-</u>
Proprietary Funds:		
Golf Course:		
Golf Course Debt Service	<u> </u>	<u>6,430</u>
Total	\$ <u>163,017</u>	\$ <u>163,017</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Interfund Receivables and Payables - Continued

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

Interfund Transfers

Interfund transfers for the year ended September 30, 2011 consisted of the following individual fund transfers in and transfers out.

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>Governmental Funds</u>		<u>Proprietary Funds</u>		
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Golf Course Fund</u>	
Governmental Funds:					
General Fund	\$	\$ 650,000	\$ 585,428	\$	\$ 1,235,428
Economic development	350,000	1,688,374		200,000	2,238,374
Non-major governmental	30,000	134,207			164,207
Proprietary Funds:					
Enterprise	1,199,112				1,199,112
Golf Course		6,430			6,430
	<u>\$ 1,579,112</u>	<u>\$ 2,479,011</u>	<u>\$ 585,428</u>	<u>\$ 200,000</u>	<u>\$ 4,843,551</u>

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	<u>Balance</u>		<u>Retirements</u>	<u>Balance</u>
	<u>10/01/10</u>	<u>Additions</u>	<u>& Transfers</u>	<u>09/30/11</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,359,934	\$ 37,069	\$	\$ 2,397,003
Construction in progress	<u>5,376,435</u>	<u>4,479,372</u>	<u>3,317,312</u>	<u>6,538,495</u>
Total capital assets, not being depreciated	<u>7,736,369</u>	<u>4,516,441</u>	<u>3,317,312</u>	<u>8,935,498</u>
Capital Assets, Being Depreciated:				
Buildings	26,202,247			26,202,247
Improvements	11,787,587	3,400,980	14,445	15,174,122
Equipment	10,861,827	719,553	234,117	11,347,263
Infrastructure	<u>75,504,677</u>	<u>35,473</u>		<u>75,540,150</u>
Total capital assets, being depreciated	<u>124,356,338</u>	<u>4,156,006</u>	<u>248,562</u>	<u>128,263,782</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/10</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/11</u>
Less Accumulated Depreciation For:				
Buildings	\$ 9,501,367	\$ 543,963	\$	\$ 10,045,330
Improvements	6,888,107	615,064	178,503	7,324,668
Equipment	7,235,640	590,025		7,825,665
Infrastructure	<u>55,457,736</u>	<u>1,267,358</u>		<u>56,725,094</u>
Total accumulated depreciation	<u>79,082,850</u>	<u>3,016,410</u>	<u>178,503</u>	<u>81,920,757</u>
Total capital assets, being depreciated, net	<u>45,273,488</u>	<u>1,139,596</u>	<u>70,059</u>	<u>46,343,025</u>
Governmental activities capital assets, net	<u>\$ 53,009,857</u>	<u>\$ 5,656,037</u>	<u>\$ 3,387,371</u>	<u>\$ 55,278,523</u>
	<u>Balance</u> <u>10/01/10</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/11</u>
Business-type Activities (Utility Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>840,878</u>	\$ <u>1,519,327</u>	\$ <u>2,333,838</u>	\$ <u>26,367</u>
Total capital assets, not being depreciated	<u>840,878</u>	<u>1,519,327</u>	<u>2,333,838</u>	<u>26,367</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	27,904,586	77,739		27,982,325
Equipment	5,988,713	2,929,008	275,571	8,642,150
Infrastructure	<u>19,072,890</u>	<u>16,872</u>		<u>19,089,762</u>
Total capital assets, being depreciated	<u>58,366,136</u>	<u>3,023,619</u>	<u>275,571</u>	<u>61,114,184</u>
Less Accumulated Depreciation:				
Buildings	3,775,821	132,533		3,908,354
Improvements other than buildings	14,974,051	774,154		15,748,205
Equipment	3,880,359	460,249	275,571	4,065,037
Infrastructure	<u>4,242,976</u>	<u>629,822</u>		<u>4,872,798</u>
Total accumulated depreciation	<u>26,873,207</u>	<u>1,996,758</u>	<u>275,571</u>	<u>28,594,394</u>
Total capital assets, being depreciated, net	<u>31,492,929</u>	<u>1,026,861</u>	<u>-0-</u>	<u>32,519,790</u>
Business-type activities capital assets, net	<u>\$ 32,333,807</u>	<u>\$ 2,546,188</u>	<u>\$ 2,333,838</u>	<u>\$ 32,546,157</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/10</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/11</u>
Business-type Activities (Golf Course Fund):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$ _____	\$ _____	\$ 3,821,585
Total capital assets, not being depreciated	<u>3,821,585</u>	<u>-0-</u>	<u>-0-</u>	<u>3,821,585</u>
Capital Assets, Being Depreciated:				
Buildings	1,222,546			1,222,546
Improvements other than buildings	3,038,410	14,445		3,052,855
Equipment	<u>1,175,560</u>	<u>_____</u>	<u>_____</u>	<u>1,175,560</u>
Total capital assets, being depreciated	<u>5,436,516</u>	<u>14,445</u>	<u>-0-</u>	<u>5,450,961</u>
Less Accumulated Depreciation:				
Buildings	400,784	61,659		462,443
Improvements other than buildings	976,362	152,747		1,129,109
Equipment	<u>586,146</u>	<u>179,749</u>	<u>_____</u>	<u>765,895</u>
Total accumulated depreciation	<u>1,963,292</u>	<u>394,155</u>	<u>-0-</u>	<u>2,357,447</u>
Total capital assets, being depreciated, net	<u>3,473,224</u>	<u>(379,710)</u>	<u>-0-</u>	<u>3,093,514</u>
Business-type activities capital assets, net	\$ <u>7,294,809</u>	\$ <u>(379,710)</u>	\$ <u>-0-</u>	\$ <u>6,915,099</u>
	<u>Balance</u> <u>10/01/10</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/11</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$ _____	\$ _____	\$ 3,821,585
Construction in progress	<u>840,878</u>	<u>1,519,327</u>	<u>2,333,838</u>	<u>26,367</u>
Total capital assets, not being depreciated	<u>4,662,463</u>	<u>1,519,327</u>	<u>2,333,838</u>	<u>3,847,952</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	30,942,996	92,184		31,035,180
Equipment	7,164,273	2,929,008	275,571	9,817,710
Infrastructure	<u>19,072,890</u>	<u>16,872</u>	<u>_____</u>	<u>19,089,762</u>
Total capital assets, being depreciated	<u>63,802,652</u>	<u>3,038,064</u>	<u>275,571</u>	<u>66,565,145</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/10</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/11</u>
Less Accumulated Depreciation:				
Buildings	\$ 4,176,605	\$ 194,192	\$	\$ 4,370,797
Improvements other than buildings	15,950,413	926,901		16,877,314
Equipment	4,466,505	639,998	275,571	4,830,932
Infrastructure	<u>4,242,976</u>	<u>629,822</u>		<u>4,872,798</u>
Total accumulated depreciation	<u>28,836,499</u>	<u>2,390,913</u>	<u>275,571</u>	<u>30,951,841</u>
Total capital assets, being depreciated, net	<u>34,966,153</u>	<u>647,151</u>	<u>-0-</u>	<u>35,613,304</u>
Business-type activities capital assets, net	<u>\$ 39,628,616</u>	<u>\$ 2,166,478</u>	<u>\$ 2,333,838</u>	<u>\$ 39,461,256</u>

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

Governmental Activities:

General government	\$ 167,900
Public safety	485,371
Public works, including depreciation of infrastructure	1,549,050
Culture and recreation	<u>814,089</u>
Total depreciation expense-governmental activities	<u>\$ 3,016,410</u>

Business-type Activities:

Water and sewer	\$ 1,649,148
Sanitation	347,610
Golf course	<u>394,155</u>
Total depreciation expense-business-type activities	<u>\$ 2,390,913</u>

Governmental Fund Construction Commitments

The City has entered into contracts for construction as of September 30, 2011, as follows:

	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>to Date</u>	<u>Commitment</u>
Downtown Revitalization Construction	\$ 4,062,341	\$ 1,286,188	\$ 2,776,153
Downtown Revitalization Engineering	<u>243,976</u>	<u>87,179</u>	<u>156,797</u>
Total	<u>\$ 4,306,317</u>	<u>\$ 1,373,367</u>	<u>\$ 2,932,950</u>

Proprietary Fund Construction Commitments

The City has no proprietary fund construction commitment at September 30, 2011.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 6 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Taxes

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

General Fund	\$ 25,189
Debt Service Fund	<u>15,501</u>
Total	<u>\$ 40,690</u>

Customer Receivables

The allowance for uncollectible receivables related to City services is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2011 was \$ 38,280.

Special Assessments

The special assessments against property owners for capital improvements were financed with currently available resources of the capital projects funds. As only special assessments received are considered both measurable and available, the balance of the special assessment is recorded as deferred revenue. The allowance for uncollectible special assessment receivables related to special assessments against property owners for capital improvements in prior years is determined based on historical experience and evaluation of collectability in relation to aging of the special assessments. The City has recorded an allowance of \$ 91,640 for the year ended September 30, 2011.

Judicial Receivables

Municipal Court Receivables - Municipal court receivables are reported in the governmental activities statements of net assets. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2011 was \$ 513,924.

NOTE 7 - LONG-TERM DEBT

General Obligation Bonds\Certificates of Obligation

In July 1996, the City issued City of Lake Jackson, Texas, Combination Tax and Revenue Certificates of Obligation Bonds, Series 1996, in the amount of \$ 7,300,000 for constructing or reconstructing and improving street, drainage, sidewalk, and water and sewer improvements.

In November 1997, the City issued City of Lake Jackson, Texas, General Obligation Bonds, Series 1997, in the amount of \$ 2,100,000 for constructing or reconstructing and improving street, drainage, sidewalk, and water and sewer improvements. Further, in November 1997, the City issued City of Lake Jackson, Texas General Obligation Bonds, Series 1997, in the amount of \$ 5,950,000 for construction and equipment of a community/civic center and plaza, and a youth sports complex.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

In March 1999, the City issued City of Lake Jackson, Texas, General Obligation Bonds, Series 1999, in the amount of \$ 4,250,000 for constructing and improving street, drainage, sidewalk, and water and sewer improvements.

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

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

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.

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2011, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/11
		Issued	Maturity	Callable	
General Obligation Bond - Series 2001	4.10 - 6.00	2001	2021	2011	\$ 1,800,000
Limited Tax Bond - Series 2002	4.00 - 5.00	2002	2023	2013	4,200,000
Limited Tax Bond - Series 2002A	2.75 - 4.50	2002	2022	2013	1,980,000
Certificates of Obligation Series 2003	2.50 - 3.50	2003	2013	N/A	315,000
Certificates of Obligation Series 2003	2.50 - 4.55	2003	2023	2012	720,000
Limited Tax Bond Series 2004	3.30 - 4.20	2004	2024	2013	2,340,000
Limited Tax Bond Series 2007	3.875 - 4.00	2007	2027	2017	4,240,000
Limited Tax Bond Series 2009	3.75 - 5.25	2009	2029	2018	2,160,000
Limited Tax Refunding Series 2009	3.875 - 4.00	2009	2019	N/A	4,920,000
Certificates of Obligation Series 2010	3.50 - 5.00	2010	2030	2019	4,750,000
Limited Tax Series 2010	3.50 - 5.00	2010	2030	2020	<u>2,900,000</u>
Total					<u>\$ 30,325,000</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

General obligation bond transactions for the year ended September 30, 2011 were as follows:

Bonds outstanding, October 1	\$ 33,040,000
Maturities	(2,715,000)
Bonds outstanding, September 30	<u>\$ 30,325,000</u>

The bond ordinances require that a tax be levied sufficient to pay current interest and create a sinking fund of not less than two percent of the principal of the then outstanding bonds or the amount to pay current principal, whichever is greater. For the year ended September 30, 2011, the amount of ad valorem taxes collected for interest and sinking was \$ 2,251,006. The debt service requirements for principal and interest was \$ 3,987,263. In addition, \$ 1,694,804 was transferred to the debt service funds. The bond resolutions provide no express remedies in the event of default and make no provision for acceleration of maturity of the bonds.

The following is a summary of general obligation bond requirements for governmental activities by year as of September 30, 2011:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2012	\$ 2,810,000	\$ 1,149,705	\$ 3,959,705
2013	2,750,000	1,049,791	3,799,791
2014	2,365,000	956,895	3,321,895
2015	2,370,000	869,281	3,239,281
2016	2,375,000	781,268	3,156,268
2017-2021	9,785,000	2,636,821	12,421,821
2022-2026	5,645,000	947,595	6,592,595
2027-2030	<u>2,225,000</u>	<u>162,769</u>	<u>2,387,769</u>
Total	<u>\$ 30,325,000</u>	<u>\$ 8,554,125</u>	<u>\$ 38,879,125</u>

Revenue Bonds Payable

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

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

Revenue bonds payable for business-type activities at September 30, 2011, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/11
		Issued	Maturity	Callable	
Revenue Bonds	4.00 -				
Series 2007	5.00	2007	2027	2017	\$ 1,600,000
Revenue Bonds -	3.50 -				
Series 2009	4.50	2009	2030	2018	1,605,000
Revenue Bonds Refunding -	2.00 -				
Series 2009	3.00	2009	2016	N/A	670,000
Revenue Bonds Refunding -	2.00 -				
Series 2010	4.00	2010	2021	N/A	<u>7,890,000</u>
Total					<u>\$ 11,765,000</u>

Revenue bond transactions for the year ended September 30, 2011 were as follows:

Bonds outstanding, October 1	\$ 13,025,000
Maturities	<u>(1,260,000)</u>
Bonds outstanding, September 30	<u>\$ 11,765,000</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, 2011, the required balance in the sinking fund was \$ 668,063. 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, 2011, the required balance in the reserve fund was \$ 1,477,276. At September 30, 2011, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 694,104; and the designated amount for the reserve totaled \$ 1,477,276. The total account balance of \$ 2,171,380 is sufficient to cover the combined reserve and sinking requirement of \$ 2,145,339.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

The following is a summary of revenue bond requirements for business-type activities by year as of September 30, 2011:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	\$ 1,215,000	\$ 388,350	\$ 1,603,350
2013	1,205,000	359,350	1,564,350
2014	1,100,000	331,050	1,431,050
2015	1,085,000	301,025	1,386,025
2016	1,065,000	271,125	1,336,125
2017-2021	4,740,000	841,925	5,581,925
2022-2026	925,000	208,225	1,133,225
2027-2030	<u>430,000</u>	<u>40,675</u>	<u>470,675</u>
Total	<u>\$ 11,765,000</u>	<u>\$ 2,741,725</u>	<u>\$ 14,506,725</u>

Capital Leases

During the year ended September 30, 2007, the City purchased golf course machinery and equipment under capital leases, with effective interest rates of 5.35% to 7.21%. During the fiscal year ended September 30, 2008, the City purchased golf course machinery and equipment under capital lease, with an effective interest rate of 2.972%. Current requirements for principal and interest expenditures accounted for in the Golf Course Operating Fund were \$ 140,965 and \$ 9,616, respectively.

The leased assets and related obligations are accounted for in the business-type activities column of the government-wide financial statements as capital assets and noncurrent liabilities. Current year depreciation on leased assets totaled \$ 168,866 and has been included in depreciation expense.

The assets acquired through capital leases are as follows:

Asset:

Machinery and equipment	\$ 1,058,064
Less accumulated depreciation	<u>665,886</u>
Total	<u>\$ 392,178</u>

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of September 30, 2011:

<u>Year Ended September 30,</u>	<u>Amount</u>
2012	\$ 229,016
2013	<u>7,905</u>
	236,921
Less amount representing interest	<u>6,046</u>
Net present value of minimum lease payments	<u>\$ 230,875</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 7 - LONG-TERM DEBT - Continued

Changes in Outstanding Debt

Transactions for the year ended September 30, 2011 are summarized as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>10-01-10</u>	<u>Additions</u>	<u>Reductions</u>	<u>09-30-11</u>	<u>One Year</u>
Governmental Type Activities:					
General obligation bonds	\$ 1,980,000	\$	\$ 180,000	\$ 1,800,000	\$ 180,000
Certificates of obligation bonds	6,260,000		475,000	5,785,000	470,000
Limited tax bonds	24,800,000		2,060,000	22,740,000	2,160,000
Components of Bonded Debt:					
Premiums on bonds	265,017		21,246	243,771	21,246
Discounts on bonds	(6,867)	574		(6,293)	(574)
Accrued interest payable	54,987	49,330	54,987	49,330	49,330
Net pension obligation	432,674	226,713		659,387	
Compensated absences	<u>505,764</u>	<u>393,233</u>	<u>369,529</u>	<u>529,468</u>	<u>380,615</u>
Total governmental activities	<u>34,291,575</u>	<u>669,850</u>	<u>3,160,762</u>	<u>31,800,663</u>	<u>3,260,617</u>
Business-Type Activities:					
Revenue bonds	13,025,000		1,260,000	11,765,000	1,215,000
Capital leases	371,840		140,965	230,875	222,972
Components of Bonded Debt:					
Accrued interest payable	171,256	178,747	171,256	178,747	178,747
Net pension obligation	113,550	67,656		181,206	
Compensated absences	<u>126,593</u>	<u>103,636</u>	<u>108,453</u>	<u>121,776</u>	<u>50,494</u>
Total business-type activities	13,808,239	350,039	1,680,674	12,477,604	1,667,213
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	525,000		18,750	506,250	506,250
Accrued interest payable	<u>171,256</u>	<u>178,747</u>	<u>171,256</u>	<u>178,747</u>	<u>178,747</u>
Net business-type activities	<u>13,111,983</u>	<u>171,292</u>	<u>1,490,668</u>	<u>11,792,607</u>	<u>982,216</u>
Total government (net)	<u>\$ 47,403,558</u>	<u>\$ 841,142</u>	<u>\$ 4,651,430</u>	<u>\$ 43,593,270</u>	<u>\$ 4,242,833</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.

NOTE 8 - LEASING OPERATIONS

The City is involved in various operating leases as lessor. These leases are for such as building, office facilities, and other equipment. These rental facilities are leased through 2014. The City has not determined the cost of these facilities as of September 30, 2011. Minimum future rentals to be received on noncancelable leases, as of September 30, 2011, for each of the next five years and in the aggregate are as follows:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 8 - LEASING OPERATIONS - Continued

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2012	\$ 79,426
2013	81,453
2014	83,539
2015	85,681
2016	<u>87,896</u>
	<u>\$ 417,995</u>

NOTE 9 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN

Pension Trust

The City, as an employer, participates as one of the 837 plans in the statewide agent multiple-employer plan administered by the System, providing pension benefits for all of its full-time employees. The plan provisions that have been adopted by the Texas Municipal Retirement System (TMRS) Board of Trustees are within the options available in the governing state statutes. Employees can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The contribution rate for employees is 6% and the matching percentage for the City is 200% as adopted by the governing body of the City. The City, as an employer, has adopted 100% updated service credit (USC) on a repeating basis and annual increases (AI) on a repeating basis, at 70% of the change in the CPI. Employees are vested after 5 years of service, but their accumulated deposits and interest must remain in the plan to receive any employer-financed benefits.

At retirement, death, disability, the benefit is calculated by converting the sum of the employee's personal account balance and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed the TMRS Act. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution (PLSD). As an employer, the City's annual pension contributions to the Pension Trust for the years ended September 30, 2011, 2010 and 2009 were \$ 1,189,583, \$ 1,066,728, and \$ 1,097,851, respectively, which equaled 81.85% for 2011, 77.12% for 2010, and 77% for 2009 of the required contributions.

Funding Policy - Under the state law governing TMRS, the actuary annually determines the City's contribution rate on a calendar-year basis. The City discloses the annual pension costs based on the calculated rates for the City's fiscal year. The required rate for calendar year 2011 and 2010 was 16.14% and 15.34%, respectively. In response to the increase in the required contribution rate, the City has elected the 8-year-phase-in period to increase contributions to the required rate. The (elected) phase-in rate for calendar year 2011 and 2010 was 13.21% and 11.83% respectively. This rate consists of the normal cost contribution rate and the prior service contribution rate. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability. Both the employees and the City make

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

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

Pension Trust - Continued

contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as basis for the rate and the calendar year when the rate goes into effect – for example, the January 1, 2012 contribution rate is based on the December 31, 2010 valuation results. If a change in plan provisions is elected by the City, this rate can change.

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset) Current</u>	<u>Net Pension Obligation/ (Asset) Cumulative</u>
2009	\$ 1,326,959	\$ 1,097,851	82.73%	\$ 229,108	\$ 229,108
2010	1,383,844	1,066,728	77.08%	317,116	546,224
2011	1,483,952	1,189,583	80.16%	294,369	840,593
Annual required contributions (ARC)					\$ 1,476,332
Interest on net pension obligation (NPO)					40,967
Adjustment to ARC					<u>(33,347)</u>
Annual pension cost (APC)					1,483,952
Contributions made (at phase-in rate)					<u>(1,189,583)</u>
Increase in NPO					294,369
NPO, beginning of year					<u>546,224</u>
NPO, end of year					<u><u>840,593</u></u>

Plan Provisions -	<u>2008</u>	<u>2009</u>	<u>2010</u>
1) Total number of participating entities	823	837	842
City Specific:			
2) Employee deposit rate	6.0%	6.0%	6.0%
3) Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
4) Years required for vesting	5	5	5
5) Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
6) Updated service credit annually repeating (Y/N)	100% Y	100% Y	100% Y
7) Annuity increase to retirees annually repeating (Y/N)	70% Y	70% Y	70% Y
8) Supplemental death benefit: For active employees (Y/N)	Y	Y	Y
For retirees (Y/N)	Y	Y	Y

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

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

Pension Trust - Continued

Funding Information -

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL)- (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
2008	\$ 21,733,735	\$ 30,154,100	72.1%	\$ 8,420,365	\$ 9,780,969	86.1%
2009	22,856,959	31,454,105	72.7%	8,597,146	9,101,166	94.5%
2010 (1)	24,746,130	33,372,103	74.2%	8,625,973	9,030,795	95.5%
2010 (2)	37,113,178	42,683,835	86.9%	5,570,657	9,030,795	61.7%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

At its December 2009, meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2009. A summary of actuarial assumptions and definitions can be found in the December 31, 2009 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS have adopted Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

In response to the increase in the required contribution rate, for fiscal year 2011, the City elected the phase-in rate. The City's full contribution rate for calendar year 2011 is 16.14%, and the (elected) phase-in rate for calendar year 2011 is 13.21%.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

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

OPEB-Supplemental Death Benefits Fund

The City as an employer participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected to provide group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered a post-employment benefit other than pension benefit (OPEB or other post-employment benefit) and is a fixed amount of \$ 7,500.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. Such rates were 0.24% and 0.20% in 2011 and 2010, respectively, as a percentage of covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers. As an employer, the City contributions to the SDBF for the years ended September 30, 2011, 2010, and 2009 were \$ 21,227, \$ 19,363, and \$ 22,788, respectively, which equaled 100% of the required contributions each year.

Plan Provisions -	<u>2008</u>	<u>2009</u>	<u>2010</u>
1) Total number of participating entities offering Supplemental death to retirees	712	720	722
City Specific:			
2) Supplemental death benefit:			
For active employees (Y/N)	Y	Y	Y
For retirees (Y/N)	Y	Y	Y
Actuarial Information -	<u>2007</u>	<u>2008</u>	<u>2009</u>
1) Valuation date	12-31-07	12-31-08	12-31-09
2) Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
3) Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
4) Amortization period	25 years open period	25 years open period	25 years open period
5) Asset valuation method	Fund Value	Fund value	Fund value
6) Assumptions:			
Investment return	4.25%	4.25%	4.25%
Projected salary increases	None	None	None
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	None	None	None

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 10 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND

Plan Description

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

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

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

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

Funding Policy

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

Annual Required Contributions

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

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

Required Supplementary Information - Schedule of Funding Progress

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

Notes:

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

² Changes in actuarial assumptions were reflected in this valuation.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

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

Required Supplementary Information - Schedule of Funding Progress - Continued

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

¹ Based on the August 31, 2006 actuarial valuation.

² Based on the August 31, 2008 actuarial valuation.

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

NOTE 11 - DEFERRED COMPENSATION PLAN

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

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

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

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

NOTE 12 - CONTINGENT LIABILITIES

The City is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the City at September 30, 2011.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 13 - RISK POOL PARTICIPATION

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

NOTE 14 - INDUSTRIAL DISTRICT CONTRACT

The City of Lake Jackson in conjunction with the Cities of Clute and Freeport has entered into a contract with the Dow Chemical Company, BASF Corporation, and the Brock interests. The Cities gave consideration in the two following forms:

1. The Cities have agreed to refrain from initiating proceedings for the annexation of all or part of land described and outlined in the contract as Industrial Districts.
2. Respective codes, ordinances and laws of the Cities pertaining to building or construction, zoning, electrical, plumbing, health and safety regulations, air and water quality regulations and supervision; will not be applicable to the Districts.

The two corporations have in turn given consideration to the Cities in the following two forms:

1. Each City is to receive a sum of money to be calculated on an annual basis over the terms of the contract.
2. The Cities will not be expected to provide within the Districts the ordinary municipal services such as water, sewage disposal, drainage, police and fire protection except in the event of an emergency.

During the fiscal year 2001, an industrial district contract was negotiated. The term of this contract is for ten (10) years from April 1, 2001 through March 31, 2011. On April 1, 2011, the contract date was extended to September 30, 2011. The amount of the payments were calculated each year based upon the industrial district's taxable value times contracted rate times the value weighted tax rate. The industrial district revenues received during the year ended September 30, 2011 amounted to \$ 3,984,300.

NOTE 15 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2011, the City applied for and received federal and state grants related to various activities. The operations of these grants are reported in the General Fund and Capital Projects. These grants are reimbursement type grants; therefore, revenues equal expenditures. Grant revenues are classified as intergovernmental revenues.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

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

	<u>General Fund</u>	<u>Downtown Revitalization</u>	<u>Non-major Government Fund</u>	<u>Total</u>
Federal:				
U.S. Department of Housing and Urban Development:				
Community Development Block Grant (Drainage Project)	\$	\$ 149,039	\$	\$ 149,039
U.S. Department of Justice:				
Bulletproof Vest Partnership Program	3,440			3,440
Equitable sharing			100,433	100,433
Passed Through Brazoria County:				
Edward Byrne Memorial Justice Assistance Grant (JAG) program (Recovery Act)	<u>147,284</u>	<u> </u>	<u> </u>	<u>147,284</u>
Total Federal	150,724	149,039	100,433	400,196
State:				
Equitable sharing	<u> </u>	<u> </u>	<u>5,598</u>	<u>5,598</u>
Total	<u>\$ 150,724</u>	<u>\$ 149,039</u>	<u>\$ 106,031</u>	<u>\$ 405,794</u>

As of September 30, 2011, all cash and in-kind matching requirements had been met for those grants requiring local matching.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 16 - INTERLOCAL AGREEMENT

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

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, 2011, the City paid the Shelter \$ 112,475 under this agreement.

NOTE 17 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 26, 2012, the date which the financial statements were available to be issued.

In October, 2012, the City refunded the remaining City of Lake Jackson, Texas, General Obligation Bonds, Series 2001, Limited Tax Bonds, Series 2002, Limited Tax Bonds, Series 2002A, and Certificates of Obligation, Series 2003 for \$ 1,800,000, \$ 3,650,000, \$ 1,620,000, and \$ 600,000, respectfully. The City issued \$ 7,360,000 of Limited Tax Refunding Bonds, Series 2011 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 the years by \$ 925,425 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$ 781,257.

The Industrial District Contract was renegotiated in December, 2011; and ends December, 2026. \$ 4.1 million will be paid to the City of Lake Jackson in fiscal year 2012 and fiscal year 2013. Starting in fiscal year 2014, the payments will be calculated in accordance with the application of a growth factor based on the Consumer Price Index – All Urban Consumers ("CPI-U").

For calendar year 2012, the City has elected to contribute the full (required) contribution rate for retirement and supplemental death – 13.88% and 0.19%, respectively. In anticipation, the City included the full contribution rate in its 2011-2012 fiscal year budget.

NOTE 18 - RESTATEMENT OF NET ASSETS

During the year ended September 30, 2011, the City personnel noted that prepaid expense for fiscal year 2011 service was recorded as fiscal year 2010 expense in the general fund. This error resulted in governmental fund balance and net asset for governmental activities were understated as of September 30, 2010.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

NOTE 18 - RESTATEMENT OF NET ASSETS - Continued

The following is a summary of prior period adjustments, restated to September 30, 2010 net assets for governmental activities and fund balance for governmental funds:

	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Net Assets/Fund balance - September 30, 2010 (Previously Reported)	\$ 44,463,837	\$ 24,875,694
Prior Period Adjustment: Overstatement of expenses	<u>69,763</u>	<u>69,763</u>
Net Assets/Fund balance - September 30, 2010 (Restated)	<u>\$ 44,533,600</u>	<u>\$ 24,945,457</u>

NOTE 19 - EXCESS OF EXPENDITURES OVER APROPRIATIONS

During the year ended September 30, 2011, expenditures exceeded appropriations in the funds as follows:

Motel Occupancy Tax Fund	\$ 8,841
--------------------------	----------

The budget was not amended; however, the City Council approved these expenditures as required by City budget procedures. The difference in the Motel Occupancy Fund was the result of additional professional service fees expenditure.

NOTE 20 - RECLASSIFICATIONS

Reclassifications to the 2010 financial statements have been made for comparison purposes. These reclassifications were not significant and did not affect totals for assets, liabilities, equity, revenue, expenses, net income, or total cash flows.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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.

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

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

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds - Continued

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2011

	Special Revenue Funds			
	Red Light Camera	Motel Occupancy Tax	Memorial Garden	Police Seizure
Assets:				
Cash and temporary investments	\$	\$ 60,661	\$ 4,157	\$ 121,667
Receivables (Net of Allowance for Uncollectibles):				
Accounts				
Due from other funds	150,157			
 Total assets	\$ 150,157	\$ 60,661	\$ 4,157	\$ 121,667
 Liabilities:				
Accounts payable	\$ 18,844	\$	\$	\$
Due to other funds				
 Total liabilities	18,844	-0-	-0-	-0-
 Fund Balances:				
Restricted:				
Capital projects				
Traffic safety	131,313			
Encourage tourism		60,661		
Contributor purpose			4,157	
Law enforcement				121,667
Assigned				
 Total fund balances	131,313	60,661	4,157	121,667
 Total liabilities and fund balances	\$ 150,157	\$ 60,661	\$ 4,157	\$ 121,667

Debt Service		Capital Projects			
Economic Development	Golf Course	General Construction	Court/Emergency Operations Center Brazos Oaks Construction	2004 Infrastructure	2009 Construction
\$	\$	\$ 1,321,845	\$ 251,093	\$ 221,520	\$ 5
		37,889			
	<u>6,430</u>				
<u>\$ -0-</u>	<u>\$ 6,430</u>	<u>\$ 1,359,734</u>	<u>\$ 251,093</u>	<u>\$ 221,520</u>	<u>\$ 5</u>
\$	\$	\$ 6,528	\$ 147,346	\$	\$
	<u>6,430</u>				
<u>-0-</u>	<u>6,430</u>	<u>6,528</u>	<u>147,346</u>	<u>-0-</u>	<u>-0-</u>
			103,747	221,520	5
		<u>1,353,206</u>			
<u>-0-</u>	<u>-0-</u>	<u>1,353,206</u>	<u>103,747</u>	<u>221,520</u>	<u>5</u>
<u>\$ -0-</u>	<u>\$ 6,430</u>	<u>\$ 1,359,734</u>	<u>\$ 251,093</u>	<u>\$ 221,520</u>	<u>\$ 5</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS - Continued

September 30, 2011

	<u>Capital Projects</u>	
	2010 Drainage Infrastructure	Total Non-major Governmental Funds
	<u> </u>	<u> </u>
Assets:		
Cash and temporary investments	\$ 2,216,207	\$ 4,197,155
Receivables (Net of Allowance for Uncollectibles):		
Accounts		37,889
Due from other funds		<u>156,587</u>
Total assets	\$ <u>2,216,207</u>	\$ <u>4,391,631</u>
Liabilities:		
Accounts payable	\$ 149,325	\$ 322,043
Due to other funds		<u>6,430</u>
Total liabilities	<u>149,325</u>	<u>328,473</u>
Fund Balances:		
Restricted:		
Capital projects	2,066,882	2,392,154
Traffic safety		131,313
Encourage tourism		60,661
Contributor purpose		4,157
Law enforcement		121,667
Assigned		<u>1,353,206</u>
Total fund balances	<u>2,066,882</u>	<u>4,063,158</u>
Total liabilities and fund balances	\$ <u>2,216,207</u>	\$ <u>4,391,631</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, 2011

	Special Revenue Funds			
	Red Light Camera	Motel Occupancy Tax	Memorial Garden	Police Seizure
Revenues:				
Motel occupancy tax	\$	\$ 226,240	\$	\$
Special assessments				
Intergovernmental				106,031
Fines and fees	25,661			
Interest		368	24	54
Other			145	
Total revenues	25,661	226,608	169	106,085
Expenditures:				
Current:				
Cultural and Recreation:				
Contribution to Fine Arts Council		35,391		
Contribution to Museum of Natural Science		53,087		
Contribution to Chamber of Commerce		85,720		
Contribution to Historical Museum		53,086		
Other		8,904		
Seizures administration				3,280
Capital outlay				
Debt Service:				
Principal				
Interest and fiscal charges				
Total expenditures	-0-	236,188	-0-	3,280
Excess (deficiency) of revenues over (under) expenditures	25,661	(9,580)	169	102,805
Other Financing Sources (Uses):				
Transfers in				
Transfers out		(30,000)		
Total other financing sources (uses)	-0-	(30,000)	-0-	-0-
Net changes in fund balances	25,661	(39,580)	169	102,805
Fund balance – beginning	105,652	100,241	3,988	18,862
Fund balance – ending	\$ 131,313	\$ 60,661	\$ 4,157	\$ 121,667

Debt Service		Capital Projects			
Economic Development	Golf Course	General Construction	Court/Emergency Operations Center Brazos Oaks Construction	2004 Infrastructure	2009 Construction
\$	\$	\$	\$	\$	\$
		4,712			
		4,615	3	402	774
<u>-0-</u>	<u>-0-</u>	<u>9,327</u>	<u>3</u>	<u>402</u>	<u>774</u>
		302,862		5,422	
		381,260	41,442		1,191,050
857,837	320,000				
<u>281,237</u>	<u>235,730</u>				
<u>1,139,074</u>	<u>555,730</u>	<u>684,122</u>	<u>41,442</u>	<u>5,422</u>	<u>1,191,050</u>
<u>(1,139,074)</u>	<u>(555,730)</u>	<u>(674,795)</u>	<u>(41,439)</u>	<u>(5,020)</u>	<u>(1,190,276)</u>
1,139,074	555,730	650,000		(134,207)	134,207
<u>1,139,074</u>	<u>555,730</u>	<u>650,000</u>	<u>-0-</u>	<u>(134,207)</u>	<u>134,207</u>
-0-	-0-	(24,795)	(41,439)	(139,227)	(1,056,069)
		1,378,001	145,186	360,747	1,056,074
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,353,206</u>	<u>\$ 103,747</u>	<u>\$ 221,520</u>	<u>\$ 5</u>

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

Special Revenue and Debt Service Funds

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011
With Comparative Actual Total for 2010

	2011			Variance with Final Budget- Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Fines and fees	\$ 50,000	\$ 50,000	\$ 25,661	\$(24,339)	\$ 43,239
Total revenues	50,000	50,000	25,661	(24,339)	43,239
Expenditures:					
Current:					
Other	18,000	18,000		18,000	496
Total expenditures	18,000	18,000	-0-	18,000	496
Excess of revenues over (under) expenditures	32,000	32,000	25,661	(6,339)	42,743
Fund balance – beginning	105,652	105,652	105,652	-0-	62,909
Fund balance – ending	\$ 137,652	\$ 137,652	\$ 131,313	\$(6,339)	\$ 105,652

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, 2011
With Comparative Actual Totals for 2010

	2011			Variance with Final Budget- Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Occupancy tax	\$ 230,000	\$ 230,000	\$ 226,240	\$(3,760)	\$ 206,933
Investment income	<u>1,000</u>	<u>1,000</u>	<u>368</u>	<u>(632)</u>	<u>504</u>
Total revenues	<u>231,000</u>	<u>231,000</u>	<u>226,608</u>	<u>(4,392)</u>	<u>207,437</u>
Expenditures:					
Current:					
Culture and recreation	<u>227,347</u>	<u>227,347</u>	<u>236,188</u>	<u>(8,841)</u>	<u>216,622</u>
Total expenditures	<u>227,347</u>	<u>227,347</u>	<u>236,188</u>	<u>(8,841)</u>	<u>216,622</u>
Excess of revenues over (under) expenditures	<u>3,653</u>	<u>3,653</u>	<u>(9,580)</u>	<u>(13,233)</u>	<u>(9,185)</u>
Other Financing Sources (Uses):					
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-0-</u>	<u>(25,000)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-0-</u>	<u>(25,000)</u>
Net changes in fund balance	<u>(26,347)</u>	<u>(26,347)</u>	<u>(39,580)</u>	<u>(13,233)</u>	<u>(34,185)</u>
Fund balance – beginning	<u>100,241</u>	<u>100,241</u>	<u>100,241</u>	<u>-0-</u>	<u>134,426</u>
Fund balance – ending	<u>\$ 73,894</u>	<u>\$ 73,894</u>	<u>\$ 60,661</u>	<u>\$(13,233)</u>	<u>\$ 100,241</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011
With Comparative Actual Totals for 2010

	2011			Variance with Final Budget- Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$	\$	\$ 24	\$ 24	\$ 20
Miscellaneous			145	145	1,085
Total revenues	-0-	-0-	169	169	1,105
Expenditures:					
Current:					
Culture and recreation				-0-	-0-
Total expenditures				-0-	-0-
Excess of revenues over (under) expenditures	-0-	-0-	169	169	1,105
Fund balance – beginning	3,988	3,988	3,988	-0-	2,883
Fund balance – ending	<u>\$ 3,988</u>	<u>\$ 3,988</u>	<u>\$ 4,157</u>	<u>\$ 169</u>	<u>\$ 3,988</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, 2011

With Comparative Actual Total for 2010

	2011			Variance with Final Budget- Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	857,837	857,837	857,837		618,267
Interest and fiscal charges	<u>283,237</u>	<u>283,237</u>	<u>281,237</u>	<u>2,000</u>	<u>259,556</u>
Total expenditures	<u>1,141,074</u>	<u>1,141,074</u>	<u>1,139,074</u>	<u>2,000</u>	<u>877,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,141,074)</u>	<u>(1,141,074)</u>	<u>(1,139,074)</u>	<u>2,000</u>	<u>(877,823)</u>
Other Financing Sources (Uses):					
Transfers in	<u>1,141,074</u>	<u>1,141,074</u>	<u>1,139,074</u>	<u>(2,000)</u>	<u>877,823</u>
Total other financing sources (uses)	<u>1,141,074</u>	<u>1,141,074</u>	<u>1,139,074</u>	<u>(2,000)</u>	<u>877,823</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning	_____	_____	_____	-0-	_____
Fund balance – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Golf Course Debt Service Fund

For the Year Ended September 30, 2011
With Comparative Actual Totals for 2010

	2010			Variance with Final Budget- Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	320,000	320,000	320,000		305,000
Interest and fiscal charges	<u>236,430</u>	<u>236,430</u>	<u>235,730</u>	<u>700</u>	<u>248,255</u>
Total expenditures	<u>556,430</u>	<u>556,430</u>	<u>555,730</u>	<u>700</u>	<u>553,255</u>
Excess of revenues over (under) expenditures	<u>(556,430)</u>	<u>(556,430)</u>	<u>(555,730)</u>	<u>700</u>	<u>(553,255)</u>
Other Financing Sources (Uses):					
Transfers in	<u>556,430</u>	<u>556,430</u>	<u>555,730</u>	<u>(700)</u>	<u>553,255</u>
Total other financing sources (uses)	<u>556,430</u>	<u>556,430</u>	<u>555,730</u>	<u>(700)</u>	<u>553,255</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning	_____	_____	_____	-0-	_____
Fund balance – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

General Fund

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

**COMPARATIVE BALANCE SHEETS -
General Fund**

September 30, 2011 and 2010

	<u>2011</u>	<u>(Restated) 2010</u>
<u>Assets</u>		
Cash and temporary investments	\$ 10,760,344	\$ 10,298,816
Receivable (Net of Allowance for Uncollectibles):		
Taxes	1,018,259	988,746
Accounts	62,830	79,824
Grants	190,736	77,297
Due from other funds	6,430	4,030
Investments	399,000	399,000
Inventories	111,605	110,001
Prepaid expenditures	<u>67,970</u>	<u>53,327</u>
 Total assets	 <u>\$ 12,617,174</u>	 <u>\$ 12,011,041</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 664,843	\$ 534,288
Cash bonds and taxes	300,589	197,806
Accrued wages	94,659	245,212
Due to other funds	150,157	
Deferred revenue	<u>111,231</u>	<u>275,691</u>
 Total liabilities	 <u>1,321,479</u>	 <u>1,252,997</u>
Fund Balance:		
Non-spendable	179,575	110,001
Committed	1,032,819	
Assigned	4,580,278	
Unassigned	<u>5,503,023</u>	<u>10,648,043</u>
 Total fund balance	 <u>11,295,695</u>	 <u>10,758,044</u>
 Total liabilities and fund balance	 <u>\$ 12,617,174</u>	 <u>\$ 12,011,041</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, 2011
With Comparative Actual Totals for 2010

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,392,153	\$ 3,392,153
Sales	4,430,272	4,430,272
Franchise	1,601,000	1,601,000
Other	133,000	133,000
Industrial district	4,007,000	4,007,000
Intergovernmental	97,300	97,300
Revenue producing facilities	913,350	913,350
Fines and fees	358,500	358,500
Licenses and permits	156,100	156,100
Investment income	41,484	41,484
Miscellaneous	183,350	183,350
Total revenues	15,313,509	15,313,509
Expenditures:		
Current:		
General government and administration	3,413,272	3,413,272
Public safety	5,981,275	5,981,275
Public works	2,977,756	2,977,756
Culture and recreation	3,999,095	3,999,095
Capital outlay	947,500	992,500
Total expenditures	17,318,898	17,363,898
Excess of revenues over (under) expenditures	(2,005,389)	(2,050,389)
Other Financing Sources (Uses):		
Transfers in	1,579,112	1,579,112
Transfers out	(70,000)	(720,000)
Sale of capital assets		
Total other financing sources (uses)	1,509,112	859,112
Net change in fund balance	(496,277)	(1,191,277)
Fund balance – beginning (restated)	10,758,044	10,758,044
Fund balance - ending	\$ 10,261,767	\$ 9,566,767

2011				(Restated) 2010
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,396,094	\$	\$ 3,396,094	\$ 3,941	\$ 3,411,203
4,562,724		4,562,724	132,452	4,432,443
1,619,883		1,619,883	18,883	1,610,075
130,638		130,638	(2,362)	132,308
3,984,300		3,984,300	(22,700)	3,843,335
150,724		150,724	53,424	89,215
1,005,931		1,005,931	92,581	1,035,350
392,875		392,875	34,375	339,784
213,772		213,772	57,672	237,964
64,144		64,144	22,660	59,930
<u>160,422</u>		<u>160,422</u>	<u>(22,928)</u>	<u>281,433</u>
<u>15,681,507</u>	<u>-0-</u>	<u>15,681,507</u>	<u>367,998</u>	<u>15,473,040</u>
2,850,899	44,594	2,895,493	517,779	2,984,216
5,559,479	48,350	5,607,829	373,446	5,359,530
2,354,769	29,868	2,384,637	593,119	2,355,271
3,839,959	27,741	3,867,700	131,395	3,982,689
<u>910,764</u>	<u>(152,500)</u>	<u>758,264</u>	<u>234,236</u>	<u>284,175</u>
<u>15,515,870</u>	<u>(1,947)</u>	<u>15,513,923</u>	<u>1,849,975</u>	<u>14,965,881</u>
<u>165,637</u>	<u>1,947</u>	<u>167,584</u>	<u>2,217,973</u>	<u>507,159</u>
1,579,112		1,579,112	0	1,541,539
(1,235,428)		(1,235,428)	(515,428)	(1,225,316)
<u>28,330</u>		<u>28,330</u>	<u>28,330</u>	<u>70,055</u>
<u>372,014</u>	<u>-0-</u>	<u>372,014</u>	<u>(487,098)</u>	<u>386,278</u>
537,651	1,947	539,598	1,730,875	893,437
<u>10,758,044</u>	<u>-0-</u>	<u>10,758,044</u>	<u>-0-</u>	<u>9,864,607</u>
<u>\$ 11,295,695</u>	<u>\$ 1,947</u>	<u>\$ 11,297,642</u>	<u>\$ 1,730,875</u>	<u>\$ 10,758,044</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and temporary investments	\$ 2,130,907	\$ 2,029,115
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>395,598</u>	<u>375,010</u>
Total assets	<u>\$ 2,526,505</u>	<u>\$ 2,404,125</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Total liabilities	<u>-0-</u>	<u>-0-</u>
Fund Balance:		
Committed	<u>2,526,505</u>	<u>2,404,125</u>
Total fund balance	<u>2,526,505</u>	<u>2,404,125</u>
Total liabilities and fund balance	<u>\$ 2,526,505</u>	<u>\$ 2,404,125</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, 2011
With Comparative Actual Totals for 2010

	2011			Variance with Final Budget- Positive (Negative)	2010
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 2,341,768	\$ 2,341,768	\$ 2,355,777	\$ 14,009	\$ 2,277,196
Investment income	<u>17,134</u>	<u>17,134</u>	<u>13,038</u>	<u>(4,096)</u>	<u>11,664</u>
Total revenues	<u>2,358,902</u>	<u>2,358,902</u>	<u>2,368,815</u>	<u>9,913</u>	<u>2,288,860</u>
Expenditures:					
Other			8,061	(8,061)	-0-
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u> </u>	<u>50,000</u>	<u>142,633</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>8,061</u>	<u>41,939</u>	<u>142,633</u>
Excess of revenues over (under) expenditures	<u>2,308,902</u>	<u>2,308,902</u>	<u>2,360,754</u>	<u>51,852</u>	<u>2,146,227</u>
Other Financing Sources (Uses):					
Transfers out	<u>(2,291,074)</u>	<u>(2,291,074)</u>	<u>(2,238,374)</u>	<u>52,700</u>	<u>(1,877,048)</u>
Total other financing sources (uses)	<u>(2,291,074)</u>	<u>(2,291,074)</u>	<u>(2,238,374)</u>	<u>52,700</u>	<u>(1,877,048)</u>
Net changes in fund balance	17,828	17,828	122,380	104,552	269,179
Fund balances – beginning	<u>2,404,125</u>	<u>2,404,125</u>	<u>2,404,125</u>	<u>-0-</u>	<u>2,134,946</u>
Fund balances – ending	<u>\$ 2,421,953</u>	<u>\$ 2,421,953</u>	<u>\$ 2,526,505</u>	<u>\$ 104,552</u>	<u>\$ 2,404,125</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and temporary investments	\$ 671,573	\$ 707,263
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>25,932</u>	<u>28,351</u>
Total assets	<u>\$ 697,505</u>	<u>\$ 735,614</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accrued interest	\$	\$ 1,502
Deferred revenue	<u>25,877</u>	<u>28,296</u>
Total liabilities	<u>25,877</u>	<u>29,798</u>
Fund Balance:		
Restricted For:		
Debt service	<u>671,628</u>	<u>705,816</u>
Total fund balance	<u>671,628</u>	<u>705,816</u>
Total liabilities and fund balance	<u>\$ 697,505</u>	<u>\$ 735,614</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, 2011
With Comparative Actual Totals for 2010

	2011			Variance with Final Budget- Positive (Negative)	2010
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Taxes	\$ 2,250,000	\$ 2,250,000	\$ 2,251,006	\$ 1,006	\$ 2,273,574
Investment income	<u>8,000</u>	<u>8,000</u>	<u>7,265</u>	<u>(735)</u>	<u>7,551</u>
Total revenues	<u>2,258,000</u>	<u>2,258,000</u>	<u>2,258,271</u>	<u>271</u>	<u>2,281,125</u>
Expenditures:					
Debt Service:					
Principal	1,537,163	1,537,163	1,537,163	-0-	1,606,733
Interest and fiscal charges	<u>780,601</u>	<u>780,601</u>	<u>755,296</u>	<u>25,305</u>	<u>811,085</u>
Total expenditures	<u>2,317,764</u>	<u>2,317,764</u>	<u>2,292,459</u>	<u>25,305</u>	<u>2,417,818</u>
Excess of revenues over (under) expenditures	<u>(59,764)</u>	<u>(59,764)</u>	<u>(34,188)</u>	<u>25,576</u>	<u>(136,693)</u>
Other Financing Sources (Uses):					
Proceeds from bond sales					<u>122,872</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>122,872</u>
Net changes in fund balance	<u>(59,764)</u>	<u>(59,764)</u>	<u>(34,188)</u>	<u>25,576</u>	<u>(13,821)</u>
Fund balance – beginning	<u>705,816</u>	<u>705,816</u>	<u>705,816</u>	<u>-0-</u>	<u>719,637</u>
Fund balance – ending	<u>\$ 646,052</u>	<u>\$ 646,052</u>	<u>\$ 671,628</u>	<u>\$ 25,576</u>	<u>\$ 705,816</u>

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**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Proprietary Funds

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Enterprise Fund

September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 3,533,757	\$ 3,071,647
Receivables (Net of Allowance for Uncollectibles):		
Accounts	<u>639,200</u>	<u>568,194</u>
	<u>4,172,957</u>	<u>3,639,841</u>
Restricted Assets:		
Cash and temporary investments	1,816,480	3,236,872
Due from other governments	<u>5,318</u>	<u>5,318</u>
Total restricted assets	<u>1,821,798</u>	<u>3,242,190</u>
Total current assets	<u>5,994,755</u>	<u>6,882,031</u>
Noncurrent Assets:		
Restricted Cash and Temporary Investments:		
Revenue bond covenant accounts	<u>1,477,276</u>	<u>1,571,961</u>
Total noncurrent restricted assets	<u>1,477,276</u>	<u>1,571,961</u>
Deferred charges	<u>221,048</u>	<u>246,698</u>
Capital Assets:		
Property, plant and equipment	61,114,184	58,366,136
Construction in process	26,367	840,878
Less accumulated depreciation	<u>(28,594,394)</u>	<u>(26,873,207)</u>
Total capital assets (net of accumulated depreciation)	<u>32,546,157</u>	<u>32,333,807</u>
Total noncurrent assets	<u>34,244,481</u>	<u>34,152,466</u>
Total assets	<u>40,239,236</u>	<u>41,034,497</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Enterprise Fund - Continued

September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 354,803	\$ 329,550
Accrued wages	19,914	64,312
Accrued compensated absences	121,776	126,593
Revenue bonds payable	<u>708,750</u>	<u>735,000</u>
	<u>1,205,243</u>	<u>1,255,455</u>
Current Liabilities Payable from Restricted Assets:		
Accounts payable	41,149	19,647
Accrued interest	178,748	171,256
Customer deposits	583,795	590,360
Revenue bonds payable	<u>506,250</u>	<u>525,000</u>
Total current liabilities payable from restricted assets	<u>1,309,942</u>	<u>1,306,263</u>
Total current liabilities	2,515,185	2,561,718
Noncurrent Liabilities:		
Revenue bonds payable	10,550,000	11,765,000
Net pension obligation	<u>181,206</u>	<u>113,550</u>
Total noncurrent liabilities	10,731,206	11,878,550
Total liabilities	<u>13,246,391</u>	<u>14,440,268</u>
Net Assets:		
Invested in capital assets, net of related debt	21,389,137	21,110,660
Restricted For:		
Revenue bond retirement	1,992,631	2,034,052
Construction	115,818	443,681
Unrestricted	<u>3,495,259</u>	<u>3,005,836</u>
Total net assets	<u>\$ 26,992,845</u>	<u>\$ 26,594,229</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Enterprise Fund

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Water service	\$ 3,822,176	\$ 3,257,266
Sewer service	3,548,656	3,220,292
Garbage fees	3,036,999	3,015,623
Tapping and connection fees	214,696	210,686
Other	<u>198,922</u>	<u>119,538</u>
Total operating revenues	<u>10,821,449</u>	<u>9,823,405</u>
Operating Expenses:		
Utility administration	408,299	384,896
Water production, treatment and distribution	2,779,698	2,573,539
Sewer collection and treatment	1,928,321	2,081,002
Sanitation	2,298,919	2,299,300
Depreciation	<u>1,996,758</u>	<u>1,871,108</u>
Total operating expenses	<u>9,411,995</u>	<u>9,209,845</u>
Operating income	<u>1,409,454</u>	<u>613,560</u>
Non-Operating Revenues (Expenses):		
Interest revenue	34,569	35,804
Interest expense and fiscal charges	<u>(431,723)</u>	<u>(538,733)</u>
Total non-operating revenues (expenses)	<u>(397,154)</u>	<u>(502,929)</u>
Income (loss) before contributions and transfers	1,012,300	110,631
Capital contributions		99,687
Transfers in	585,428	325,316
Transfers out	<u>(1,199,112)</u>	<u>(1,166,539)</u>
Change in net assets	398,616	(630,905)
Net assets at beginning of year	<u>26,594,229</u>	<u>27,225,134</u>
Net assets at end of year	<u>\$ 26,992,845</u>	<u>\$ 26,594,229</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 10,743,881	\$ 9,960,743
Payments to suppliers	(4,415,201)	(4,505,687)
Payments to employees	(2,934,842)	(2,886,129)
Net cash provided by operating activities	<u>3,393,838</u>	<u>2,568,927</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	585,428	325,316
Transfers out	(1,199,112)	(1,166,539)
Net cash provided (used) by non-capital financing activities	<u>(613,684)</u>	<u>(841,223)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(2,209,109)	(1,769,562)
Proceeds from the issuance of revenue bonds		11,325,000
Principal paid on capital debt	(1,260,000)	(10,690,000)
Interest and fiscal charges paid on capital debt	(398,581)	(550,949)
Net cash provided (used) by capital and related financing activities	<u>(3,867,690)</u>	<u>(1,685,511)</u>
Cash Flows from Investing Activities:		
Interest received	<u>34,569</u>	<u>35,804</u>
Net cash provided (used) by investing activities	<u>34,569</u>	<u>35,804</u>
Net increase (decrease) in cash and cash equivalents	(1,052,967)	77,997
Cash and cash equivalents at the beginning of year	<u>7,880,480</u>	<u>7,802,483</u>
Cash and cash equivalents at the end of year	<u>\$ 6,827,513</u>	<u>\$ 7,880,480</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ <u>1,409,454</u>	\$ <u>613,560</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	1,996,758	1,871,108
(Increase) decrease in accounts receivable	(48,050)	104,084
Increase (decrease) in accounts payable	23,800	(114,548)
Increase (decrease) in accrued wages payable	(44,398)	(10,429)
Increase (decrease) in net pension obligation	67,656	67,381
Increase (decrease) in accrued compensated absences	(4,817)	4,517
Increase (decrease) in customer deposits	(<u>6,565</u>)	<u>33,254</u>
Total adjustments	<u>1,984,384</u>	<u>1,955,367</u>
Net cash provided by operating activities	\$ <u><u>3,393,838</u></u>	\$ <u><u>2,568,927</u></u>
Non-cash Investing, Capital, and Financing Activities:		
Contributions of capital assets from government	\$ <u>-0-</u>	\$ <u>99,687</u>
Net effect of non-cash transactions	\$ <u><u>-0-</u></u>	\$ <u><u>99,687</u></u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011
With Comparative Actual Totals for 2010

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 3,578,054	\$ 3,578,054
Sewer service	3,389,285	3,389,285
Garbage fees	2,878,260	2,878,260
Tapping and connection fees	212,400	212,400
Other	<u>125,120</u>	<u>125,120</u>
Total revenues	<u>10,183,119</u>	<u>10,183,119</u>
Operating Expenses:		
Utility administration	418,493	418,493
Water production, treatment and distribution	2,556,392	2,556,392
Sewer collection and treatment	2,225,495	2,225,495
Sanitation	2,844,909	2,844,909
Depreciation	<u> </u>	<u> </u>
Total operating expenses	<u>8,045,289</u>	<u>8,045,289</u>
Operating income	<u>2,137,830</u>	<u>2,137,830</u>
Non-operating Revenues (Expenses):		
Interest revenue	15,000	15,000
Interest expense and fiscal charge	<u>(400,581)</u>	<u>(400,581)</u>
Total non-operating revenues (expenses)	<u>(385,581)</u>	<u>(385,581)</u>
Income before contributions and transfers	1,752,249	1,752,249
Capital contributions		
Transfers in	70,000	70,000
Transfers out	<u>(1,822,249)</u>	<u>(1,822,249)</u>
Change in net assets	-0-	-0-
Fund balances - beginning	<u>26,594,229</u>	<u>26,594,229</u>
Net assets ending	<u>\$ 26,594,229</u>	<u>\$ 26,594,229</u>

2011			2010	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 3,822,176	\$	\$ 3,822,176	\$ 244,122	\$ 3,257,266
3,548,656		3,548,656	159,371	3,220,292
3,036,999		3,036,999	158,739	3,015,623
214,696		214,696	2,296	210,686
<u>198,922</u>		<u>198,922</u>	<u>73,802</u>	<u>119,538</u>
<u>10,821,449</u>	<u>-0-</u>	<u>10,821,449</u>	<u>638,330</u>	<u>9,823,405</u>
408,299	3,417	411,716	6,777	384,896
2,779,698	14,894	2,794,592	(238,200)	2,573,539
1,928,321	17,390	1,945,711	279,784	2,081,002
2,298,919	13,514	2,312,433	532,476	2,299,300
<u>1,996,758</u>	<u>(1,996,758)</u>			<u>1,871,108</u>
<u>9,411,995</u>	<u>(1,947,543)</u>	<u>7,464,452</u>	<u>580,837</u>	<u>9,209,845</u>
<u>1,409,454</u>	<u>1,947,543</u>	<u>3,356,997</u>	<u>1,219,167</u>	<u>613,560</u>
34,569		34,569	19,569	35,804
<u>(431,723)</u>	<u>21,555</u>	<u>(410,168)</u>	<u>(9,587)</u>	<u>(538,733)</u>
<u>(397,154)</u>	<u>21,555</u>	<u>(375,599)</u>	<u>9,982</u>	<u>(502,929)</u>
1,012,300	1,969,098	2,981,398	1,229,149	110,631
585,428		585,428	515,428	99,687
<u>(1,199,112)</u>		<u>(1,199,112)</u>	<u>623,137</u>	<u>(1,166,539)</u>
398,616	1,969,098	2,367,714	2,367,714	(630,905)
<u>26,594,229</u>		<u>26,594,229</u>	<u>-0-</u>	<u>27,225,134</u>
<u>\$ 26,992,845</u>	<u>\$ 1,969,098</u>	<u>\$ 28,961,943</u>	<u>\$ 2,367,714</u>	<u>\$ 26,594,229</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Golf Course Operating Fund

September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 120,410	\$ 43,105
Receivables (Net of Allowance for Uncollectibles):		
Accounts	26,868	21,766
Inventory	38,452	101,493
Prepays	<u>11,946</u>	<u> </u>
	<u>197,676</u>	<u>166,364</u>
Restricted Assets:		
Cash and temporary investments	<u> </u>	<u>62,800</u>
Total restricted assets	<u>-0-</u>	<u>62,800</u>
Total current assets	<u>197,676</u>	<u>229,164</u>
Capital Assets:		
Property, plant and equipment	9,272,546	9,258,101
Less accumulated depreciation	<u>(2,357,447)</u>	<u>(1,963,292)</u>
Total capital assets (net of accumulated depreciation)	<u>6,915,099</u>	<u>7,294,809</u>
Total noncurrent assets	<u>6,915,099</u>	<u>7,294,809</u>
Total assets	<u>7,112,775</u>	<u>7,523,973</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Golf Course Operating Fund - Continued

September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 58,149	\$ 41,065
Accrued wages	11,024	37,762
Deferred revenues	142,507	127,151
Capital leases payable	222,972	140,965
Due to other funds	<u>6,430</u>	<u>4,030</u>
Total current liabilities	441,082	350,973
Noncurrent Liabilities:		
Capital leases payable	<u>7,903</u>	<u>230,875</u>
Total liabilities	<u>448,985</u>	<u>581,848</u>
Net Assets:		
Invested in capital assets, net of related debt	6,684,224	6,922,969
Unrestricted	<u>(20,434)</u>	<u>19,156</u>
Total net assets	<u>\$ 6,663,790</u>	<u>\$ 6,942,125</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Course and ground	\$ 857,675	\$ 843,793
Cart	248,149	224,776
Pro shop	161,959	210,933
Range	63,650	53,600
Food and beverage	239,978	212,317
Other	<u>4</u>	<u>5,286</u>
Total operating revenues	<u>1,571,415</u>	<u>1,550,705</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	115,832	209,255
Food and beverage	95,132	91,457
Payroll and related benefits	833,834	841,158
Other expenses	541,452	576,334
Management fee	70,000	84,000
Depreciation	<u>394,155</u>	<u>394,817</u>
Total operating expenses	<u>2,050,405</u>	<u>2,197,021</u>
Operating income (loss)	<u>(478,990)</u>	<u>(646,316)</u>
Non-Operating Revenues (Expenses):		
Interest revenue	2,256	3,040
Interest expense and fiscal charges	<u>(9,616)</u>	<u>(11,870)</u>
Total non-operating revenues (expenses)	<u>(7,360)</u>	<u>(8,830)</u>
Income (loss) before contributions and transfers	<u>(486,350)</u>	<u>(655,146)</u>
Capital contributions	14,445	
Transfers in	200,000	100,000
Transfers out	<u>(6,430)</u>	<u>(4,030)</u>
Change in net assets	<u>(278,335)</u>	<u>(559,176)</u>
Net assets at beginning of year	<u>6,942,125</u>	<u>7,501,301</u>
Net assets at end of year	<u>\$ 6,663,790</u>	<u>\$ 6,942,125</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,581,671	\$ 1,562,875
Payments from (to) other funds	2,400	93,425
Payments to suppliers	(754,239)	(943,618)
Payments to employees	(860,572)	(840,220)
Net cash provided (used) by operating activities	<u>(30,740)</u>	<u>(127,538)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	200,000	100,000
Transfers out	(6,430)	(4,030)
Net cash provided (used) by non-capital financing activities	<u>193,570</u>	<u>95,970</u>
Cash Flows from Capital and Related Financing Activities:		
Principal paid on capital debt	(140,965)	(143,808)
Interest and fiscal charges paid on capital debt	(9,616)	(11,870)
Net cash provided (used) by capital and related financing activities	<u>(150,581)</u>	<u>(155,678)</u>
Cash Flows from Investing Activities:		
Interest received	<u>2,256</u>	<u>3,040</u>
Net cash provided (used) by investing activities	<u>2,256</u>	<u>3,040</u>
Net increase (decrease) in cash and cash equivalents	14,505	(184,206)
Cash and cash equivalents at the beginning of year	<u>105,905</u>	<u>290,111</u>
Cash and cash equivalents at the end of year	<u>\$ 120,410</u>	<u>\$ 105,905</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$(<u>478,990</u>)	\$(<u>646,316</u>)
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	394,155	394,817
(Increase) decrease in accounts receivable	(5,102)	9,200
(Increase) decrease in due from other funds		100,000
(Increase) decrease in inventory	63,041	13,563
(Increase) decrease in prepaids	(11,946)	2,501
Increase (decrease) in accounts payable	17,084	1,363
Increase (decrease) in accrued wages	(26,738)	938
Increase (decrease) in deferred revenues	15,356	2,971
Increase (decrease) in due to other funds	<u>2,400</u>	<u>(6,575)</u>
Total adjustments	<u>448,250</u>	<u>518,778</u>
Net cash provided (used) by operating activities	\$(<u><u>30,740</u></u>)	\$(<u><u>127,538</u></u>)
Noncash Investing, Capital, and Financing Activities:		
Capital assets transferred from other funds	\$ <u>14,445</u>	\$ _____
Net effect of noncash transactions	\$ <u><u>14,445</u></u>	\$ <u><u>-0-</u></u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011
With Comparative Actual Totals for 2010

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 1,104,502	\$ 1,104,502
Cart	278,397	278,397
Pro shop	92,658	92,658
Range	87,498	87,498
Food and beverage	170,369	170,369
Other		
	1,733,424	1,733,424
Total operating revenues		
Operating Expenses:		
Cost of Sales:		
Pro shop	100,544	100,544
Food and beverage	43,788	43,788
Payroll and related benefits	877,740	877,740
Other expenses	616,892	616,892
Other expenses	88,030	88,030
Depreciation		
	1,726,994	1,726,994
Total operating expenses		
Operating income (loss)	6,430	6,430
Non-operating Revenues (Expenses):		
Interest revenue		
Interest expense and fiscal charge		
	-0-	-0-
Total non-operating revenues (expenses)		
Income (loss) before contributions and transfers	6,430	6,430
Capital contribution		
Transfers in		
Transfers out	(6,430)	(6,430)
Change in net assets	-0-	-0-
Fund balances - beginning	6,942,125	6,942,125
Fund balances - ending	\$ 6,942,125	\$ 6,942,125

2011			2010	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 857,675	\$	\$ 857,675	\$(246,827)	\$ 843,793
248,149		248,149	(30,248)	224,776
161,959		161,959	69,301	210,933
63,650		63,650	(23,848)	53,600
239,978		239,978	69,609	212,317
4		4	4	5,286
<u>1,571,415</u>	<u>-0-</u>	<u>1,571,415</u>	<u>(162,009)</u>	<u>1,550,705</u>
115,832		115,832	(15,288)	209,255
95,132		95,132	(51,344)	91,457
833,834		833,834	43,906	841,158
541,452		541,452	75,440	576,334
70,000		70,000	18,030	84,000
<u>394,155</u>	<u>(394,155)</u>			<u>394,817</u>
<u>2,050,405</u>	<u>(394,155)</u>	<u>1,656,250</u>	<u>70,744</u>	<u>2,197,021</u>
<u>(478,990)</u>	<u>394,155</u>	<u>(84,835)</u>	<u>(91,265)</u>	<u>(646,316)</u>
2,256		2,256	2,256	3,040
<u>(9,616)</u>		<u>(9,616)</u>	<u>(9,616)</u>	<u>(11,870)</u>
<u>(7,360)</u>	<u>-0-</u>	<u>(7,360)</u>	<u>(7,360)</u>	<u>(8,830)</u>
<u>(486,350)</u>	<u>394,155</u>	<u>(92,195)</u>	<u>(98,625)</u>	<u>(655,146)</u>
14,445		14,445	14,445	
200,000		200,000	200,000	100,000
<u>(6,430)</u>		<u>(6,430)</u>	<u>-0-</u>	<u>(4,030)</u>
<u>(278,335)</u>	<u>394,155</u>	<u>115,820</u>	<u>115,820</u>	<u>(559,176)</u>
<u>6,942,125</u>		<u>6,942,125</u>	<u>-0-</u>	<u>7,501,301</u>
<u>\$ 6,663,790</u>	<u>\$ 394,155</u>	<u>\$ 7,057,945</u>	<u>\$ 115,820</u>	<u>\$ 6,942,125</u>

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CAPITAL ASSET SCHEDULES

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Governmental Funds Capital Assets:		
Land	\$ 2,397,003	\$ 2,359,934
Buildings	26,202,247	26,202,247
Improvements other than buildings	15,174,122	11,787,587
Machinery and equipment	11,347,263	10,861,827
Infrastructure	75,540,150	75,504,677
Construction in progress	<u>6,538,495</u>	<u>5,376,435</u>
Total governmental funds capital assets	<u>\$ 137,199,280</u>	<u>\$ 132,092,707</u>
Investments in Governmental Funds Capital Assets by Source:		
General fund	\$ 11,357,621	\$ 10,715,975
Special revenue fund	3,368,353	3,333,353
Capital projects fund	99,289,966	94,860,040
Contributed	<u>23,183,340</u>	<u>23,183,339</u>
Total governmental funds capital assets	<u>\$ 137,199,280</u>	<u>\$ 132,092,707</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2011

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government	\$ 1,094,732	\$ 2,071,443	\$ 1,114,749
Public safety		7,316,573	500,585
Public works		1,877,845	3,790,359
Culture and recreation	<u>1,302,271</u>	<u>14,936,386</u>	<u>9,768,429</u>
Total governmental funds capital assets	<u>\$ 2,397,003</u>	<u>\$ 26,202,247</u>	<u>\$ 15,174,122</u>

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

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 1,302,818	\$	\$ 5,834,036	\$ 11,417,778
5,759,368			13,576,526
2,446,744	75,540,150	44,230	83,699,328
<u>1,838,333</u>	<u></u>	<u>660,229</u>	<u>28,505,648</u>
<u>\$ 11,347,263</u>	<u>\$ 75,540,150</u>	<u>\$ 6,538,495</u>	<u>\$ 137,199,280</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011

<u>Function</u>	<u>Governmental Funds Capital Assets 10/01/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 09/30/11</u>
General government	\$ 9,306,822	\$ 2,110,956	\$	\$ 11,417,778
Public safety	13,218,345	577,648	(219,467)	13,576,526
Public works	81,208,034	2,505,944	(14,650)	83,699,328
Culture and recreation	<u>28,359,506</u>	<u>160,587</u>	<u>(14,445)</u>	<u>28,505,648</u>
Total governmental funds capital assets	<u>\$ 132,092,707</u>	<u>\$ 5,355,135</u>	<u>\$(248,562)</u>	<u>\$ 137,199,280</u>

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

OTHER SCHEDULES

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2011

	General	Clearing	Payroll	General Contingencies
<u>Assets</u>				
Cash and cash equivalents	\$ 7,200	\$ 10,416,302	\$	\$
Receivables (Net of Allowance for Uncollectibles):				
Taxes	35,424			
Customer accounts	62,830			
Sales tax	791,196			
Franchise tax	191,639			
Grants	190,736			
Due from clearing fund	5,112,644		195,926	1,032,819
Due from other funds		6,430		
Investments		399,000		
Inventories:				
Resale items	34,381			
Supplies	77,224			
Prepaid items	67,970			
Total assets	\$ 6,571,244	\$ 10,821,732	\$ 195,926	\$ 1,032,819
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 387,167	\$	\$ 190,926	\$
Cash bonds and taxes	300,589			
Accrued wages	94,659			
Deferred revenue	111,231			
Due to other funds		10,821,732		
Total liabilities	893,646	10,821,732	190,926	-0-
<u>Fund Balances:</u>				
Non-spendable:				
Inventory	111,605			
Prepaid expenditures	67,970			
Committed:				
General contingencies				1,032,819
Assigned:				
Unemployment insurance				
Equipment replacement				
Special events				
Park improvement				
Unassigned	5,498,023		5,000	
Total fund balances	5,677,598	-0-	5,000	1,032,819
Total liabilities and fund balances	\$ 6,571,244	\$ 10,821,732	\$ 195,926	\$ 1,032,819

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$ 336,842	\$	\$ 10,760,344
					35,424
					62,830
					791,196
					191,639
					190,736
4,119,899	203,627	6,660		(10,671,575)	-0-
					6,430
					399,000
					34,381
					77,224
					67,970
<u>\$ 4,119,899</u>	<u>\$ 203,627</u>	<u>\$ 6,660</u>	<u>\$ 336,842</u>	<u>\$(10,671,575)</u>	<u>\$ 12,617,174</u>
\$ 86,750	\$	\$	\$	\$	\$ 664,843
					300,589
					94,659
					111,231
				(10,671,575)	150,157
<u>86,750</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(10,671,575)</u>	<u>1,321,479</u>
					111,605
					67,970
					1,032,819
	203,627				203,627
4,033,149					4,033,149
		6,660			6,660
			336,842		336,842
					5,503,023
<u>4,033,149</u>	<u>203,627</u>	<u>6,660</u>	<u>336,842</u>	<u>-0-</u>	<u>11,295,695</u>
<u>\$ 4,119,899</u>	<u>\$ 203,627</u>	<u>\$ 6,660</u>	<u>\$ 336,842</u>	<u>\$(10,671,575)</u>	<u>\$ 12,617,174</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011

	General	Clearing	Payroll	General Contingencies
Revenues:				
Taxes:				
Property	\$ 3,396,094	\$	\$	\$
Sales	4,562,724			
Franchise	1,619,883			
Other	130,638			
Industrial district	3,984,300			
Recreation	1,005,931			
Fines and fees	392,875			
Licenses and permits	213,772			
Interest	34,976			5,519
Miscellaneous	143,047			
Intergovernmental	3,440			
Total revenues	15,487,680	-0-	-0-	5,519
Expenditures:				
General Government and Administration:				
General administration	1,114,742			
Finance	825,090			
Elections	9,699			
Legal	154,394			
Municipal court	319,270			
Engineering	396,890			
Public Safety:				
Police	4,391,232			
Fire	470,521			
EMS department	374,990			
Humane	261,714			
Public works:				
Garage	552,519			
Street	655,724			
Drainage	584,945			
Building inspection	520,615			
Culture and recreation:				
Parks	951,333			
Recreation	1,868,796			
Civic Center & Jasmine Hall	572,828			
Commissions and Boards	295,371			
Special Events	82,318			
Capital outlay	231,038			
Total expenditures	14,634,029	-0-	-0-	-0-

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 3,396,094
					4,562,724
					1,619,883
					130,638
					3,984,300
					1,005,931
					392,875
					213,772
21,096	1,144		1,409		64,144
		17,375			160,422
<u>147,284</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>150,724</u>
<u>168,380</u>	<u>1,144</u>	<u>17,375</u>	<u>1,409</u>	<u>-0-</u>	<u>15,681,507</u>
23,222	7,592				1,145,556
					825,090
					9,699
					154,394
					319,270
					396,890
30,511					4,421,743
					470,521
30,511					405,501
					261,714
					552,519
40,966					696,690
					584,945
					520,615
			6,150		957,483
					1,868,796
					572,828
					295,371
		63,163			145,481
<u>644,726</u>	<u> </u>	<u> </u>	<u>35,000</u>	<u> </u>	<u>910,764</u>
<u>769,936</u>	<u>7,592</u>	<u>63,163</u>	<u>41,150</u>	<u>-0-</u>	<u>15,515,870</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess of revenues over (under) expenditures	\$ <u>853,651</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>5,519</u>
Other Financing Sources (Uses):				
Transfers in	1,150,389			242,600
Transfers out	(1,948,582)			(330,000)
Proceeds from sale of capital assets	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>(798,193)</u>	<u>-0-</u>	<u>-0-</u>	<u>(87,400)</u>
Excess of revenues and other sources over (under) expenditures and other uses	55,458	-0-	-0-	(81,881)
Fund balances, October 1 (Restated)	<u>5,622,140</u>	<u> </u>	<u>5,000</u>	<u>1,114,700</u>
Fund balances, September 30	<u><u>\$ 5,677,598</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 1,032,819</u></u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
<u>\$ (601,556)</u>	<u>\$ (6,448)</u>	<u>\$ (45,788)</u>	<u>\$ (39,741)</u>	<u>\$ -0-</u>	<u>\$ 165,637</u>
1,594,705		50,000	100,000	(1,558,582)	1,579,112
(515,428)				1,558,582	(1,235,428)
<u>28,330</u>					<u>28,330</u>
<u>1,107,607</u>	<u>-0-</u>	<u>50,000</u>	<u>100,000</u>	<u>-0-</u>	<u>372,014</u>
506,051	(6,448)	4,212	60,259	-0-	537,651
<u>3,527,098</u>	<u>210,075</u>	<u>2,448</u>	<u>276,583</u>		<u>10,758,044</u>
<u>\$ 4,033,149</u>	<u>\$ 203,627</u>	<u>\$ 6,660</u>	<u>\$ 336,842</u>	<u>\$ -0-</u>	<u>\$ 11,295,695</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2011

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
<u>Assets</u>			
Current Assets:			
Cash and temporary investments	\$ 2,438,654	\$ 414,705	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	<u>639,200</u>	<u> </u>	<u> </u>
	<u>3,077,854</u>	<u>414,705</u>	<u>-0-</u>
Current Restricted Assets:			
Cash and temporary investments	583,796		694,103
Due from other governments	<u> </u>	<u> </u>	<u> </u>
Total restricted current assets	<u>583,796</u>	<u>-0-</u>	<u>694,103</u>
Total current assets	<u>3,661,650</u>	<u>414,705</u>	<u>694,103</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u> </u>	<u> </u>	<u>1,477,276</u>
Total noncurrent restricted assets	<u>-0-</u>	<u>-0-</u>	<u>1,477,276</u>
Deferred charges	<u> </u>	<u> </u>	<u>221,048</u>
Capital Assets:			
Property, plant and equipment	61,114,184		
Construction in progress			
Less accumulated depreciation	<u>(28,594,394)</u>	<u> </u>	<u> </u>
Total capital assets (net of accumulated depreciation)	<u>32,519,790</u>	<u>-0-</u>	<u>-0-</u>
Total noncurrent assets	<u>32,519,790</u>	<u>-0-</u>	<u>1,698,324</u>
Total assets	<u>36,181,440</u>	<u>414,705</u>	<u>2,392,427</u>

(Continued)

<u>Utility Construction</u>	<u>2007 Treatment Bond</u>	<u>2009 Revenue Bond</u>	<u>Total</u>
\$ 680,398	\$	\$	\$ 3,533,757
			<u>639,200</u>
<u>680,398</u>	<u>-0-</u>	<u>-0-</u>	<u>4,172,957</u>
	110,500	428,081	1,816,480
	<u>5,318</u>		<u>5,318</u>
<u>-0-</u>	<u>115,818</u>	<u>428,081</u>	<u>1,821,798</u>
<u>680,398</u>	<u>115,818</u>	<u>428,081</u>	<u>5,994,755</u>
			<u>1,477,276</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,477,276</u>
			<u>221,048</u>
			61,114,184
	8,825	17,542	26,367
			<u>(28,594,394)</u>
<u>-0-</u>	<u>8,825</u>	<u>17,542</u>	<u>32,546,157</u>
<u>-0-</u>	<u>8,825</u>	<u>17,542</u>	<u>34,244,481</u>
<u>680,398</u>	<u>124,643</u>	<u>445,623</u>	<u>40,239,236</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2011

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 331,844	\$	\$
Accrued wages	19,914		
Accrued compensated absences	121,776		
Revenue bonds payable	<u>708,750</u>		
	<u>1,182,284</u>	<u>-0-</u>	<u>-0-</u>
Current Liabilities Payable from Restricted Assets:			
Accounts payable			
Accrued interest			178,748
Customer deposits	583,795		
Revenue bonds payable			<u>506,250</u>
Total current liabilities payable from restricted assets	<u>583,795</u>	<u>-0-</u>	<u>684,998</u>
Total current liabilities	1,766,079	-0-	684,998
Noncurrent Liabilities:			
Revenue bonds payable	10,550,000		
Net pension obligation	<u>181,206</u>		
Total noncurrent liabilities	<u>10,731,206</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>12,497,285</u>	<u>-0-</u>	<u>684,998</u>
Net Assets:			
Invested in capital assets, net of related debt	21,261,040		(285,202)
Restricted For:			
Revenue bond retirement			1,992,631
Construction			
Unrestricted	<u>2,423,115</u>	<u>414,705</u>	
Total net assets	<u>\$ 23,684,155</u>	<u>\$ 414,705</u>	<u>\$ 1,707,429</u>

Utility Construction	2007 Utility Bond	2009 Revenue Bond	Total
\$ 22,959	\$	\$	\$ 354,803
			19,914
			121,776
			708,750
<u>22,959</u>	<u>-0-</u>	<u>-0-</u>	<u>1,205,243</u>
		41,149	41,149
			178,748
			583,795
			<u>506,250</u>
<u>-0-</u>	<u>-0-</u>	<u>41,149</u>	<u>1,309,942</u>
22,959		41,149	2,515,185
			10,550,000
			<u>181,206</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,731,206</u>
<u>22,959</u>	<u>-0-</u>	<u>41,149</u>	<u>13,246,391</u>
	8,825	404,474	21,389,137
			1,992,631
	115,818		115,818
<u>657,439</u>	<u>115,818</u>	<u>404,474</u>	<u>3,495,259</u>
<u>\$ 657,439</u>	<u>\$ 124,643</u>	<u>\$ 404,474</u>	<u>\$ 26,992,845</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2011

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 3,822,176	\$	\$
Sewer service	3,548,656		
Garbage fees	3,036,999		
Tapping and connection fees	214,696		
Other	<u>198,922</u>		
Total operating revenues	<u>10,821,449</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	406,806		
Water production and treatment	2,779,698		
Sewer collection	1,928,321		
Sanitation	2,298,919		
Depreciation	<u>1,996,758</u>		
Total operating expenses	<u>9,410,502</u>	<u>-0-</u>	<u>-0-</u>
Operating income	<u>1,410,947</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	14,983	1,913	12,211
Interest expense and fiscal charges			<u>(431,723)</u>
Total non-operating revenues (expenses)	<u>14,983</u>	<u>1,913</u>	<u>(419,512)</u>
Income (loss) before contributions and transfers	1,425,930	1,913	(419,512)
Transfers In (Out):			
Transfers in	585,428		
Transfers out	<u>(1,199,112)</u>		
Intrafund transfers	<u>1,892,247</u>	<u>70,400</u>	<u>371,191</u>
Change in net assets	2,704,493	72,313	(48,321)
Net assets at beginning of year	<u>20,979,662</u>	<u>342,392</u>	<u>1,755,750</u>
Net assets at end of year	<u>\$ 23,684,155</u>	<u>\$ 414,705</u>	<u>\$ 1,707,429</u>

Utility Construction	2007 Utility Bond	2009 Revenue Bond	Total
\$	\$	\$	\$ 3,822,176
			3,548,656
			3,036,999
			214,696
			<u>198,922</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,821,449</u>
	1,493		408,299
			2,779,698
			1,928,321
			2,298,919
			<u>1,996,758</u>
<u>-0-</u>	<u>1,493</u>	<u>-0-</u>	<u>9,411,995</u>
<u>-0-</u>	<u>(1,493)</u>	<u>-0-</u>	<u>1,409,454</u>
3,687	379	1,396	34,569
			<u>(431,723)</u>
<u>3,687</u>	<u>379</u>	<u>1,396</u>	<u>(397,154)</u>
3,687	(1,114)	1,396	1,012,300
			585,428
			<u>(1,199,112)</u>
<u>(631,574)</u>	<u>(550,187)</u>	<u>(1,152,077)</u>	<u>-0-</u>
(627,887)	(551,301)	(1,150,681)	398,616
<u>1,285,326</u>	<u>675,944</u>	<u>1,555,155</u>	<u>26,594,229</u>
<u>\$ 657,439</u>	<u>\$ 124,643</u>	<u>\$ 404,474</u>	<u>\$ 26,992,845</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

CONSOLIDATED SCHEDULE OF CASH FLOWS
ENTERPRISE FUND - SUB-FUNDS

For the Year Ended September 30, 2011

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 10,743,881	\$	\$
Payments to customers and suppliers	(4,458,167)		
Payments to employees	(2,934,842)		
Net cash provided (used) by operating activities	3,350,872	-0-	-0-
Cash Flows from Non-Capital Financing Activities:			
Transfers in	585,428		
Transfers out	(1,199,112)		
Intrafund transfers	1,892,247	70,400	371,191
Net cash provided (used) by non-capital financing activities	1,278,563	70,400	371,191
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(3,023,619)		
Principal paid on capital debt	(1,241,250)		(18,750)
Interest and fiscal charges paid on capital debt			(398,581)
Net cash provided (used) by capital and related financing activities	(4,264,869)	-0-	(417,331)
Cash Flows from Investing Activities:			
Interest on investments	14,983	1,913	12,211
Net cash provided by investing activities	14,983	1,913	12,211
Net increase (decrease) in cash and cash equivalents	379,549	72,313	(33,929)
Cash and cash equivalents at the beginning of year	2,642,904	342,392	2,205,308
Cash and cash equivalents at the end of year	\$ 3,022,453	\$ 414,705	\$ 2,171,379
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:			
Operating income (loss)	\$ 1,410,947	\$	\$
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,996,758		
(Increase) decrease in accounts receivable	(71,006)		
Increase (decrease) in accounts payable	2,297		
Increase (decrease) in accrued wages payable	(44,398)		
Increase (decrease) in net pension obligation	67,656		
Increase (decrease) in accrued compensated absences	(4,817)		
Increase (decrease) in customer deposits	(6,565)		
Total adjustments	1,939,925	-0-	-0-
Net cash provided (used) by operating activities	\$ 3,350,872	\$ -0-	\$ -0-

Utility Construction	2007 Utility Bond	2009 Revenue Bond	Total
\$ 22,956	\$ (19,879)	\$ 39,889	\$ 10,743,881
			(4,415,201)
			(2,934,842)
<u>22,956</u>	<u>(19,879)</u>	<u>39,889</u>	<u>3,393,838</u>
			585,428
(631,574)	(550,187)	(1,152,077)	(1,199,112)
(631,574)	(550,187)	(1,152,077)	-0-
			(613,684)
608,615	223,437	(17,542)	(2,209,109)
			(1,260,000)
			(398,581)
<u>608,615</u>	<u>223,437</u>	<u>(17,542)</u>	<u>(3,867,690)</u>
<u>3,687</u>	<u>379</u>	<u>1,396</u>	<u>34,569</u>
<u>3,687</u>	<u>379</u>	<u>1,396</u>	<u>34,569</u>
3,684	(346,250)	(1,128,334)	(1,052,967)
<u>676,711</u>	<u>456,750</u>	<u>1,556,415</u>	<u>7,880,480</u>
<u>\$ 680,395</u>	<u>\$ 110,500</u>	<u>\$ 428,081</u>	<u>\$ 6,827,513</u>
\$	\$(1,493)	\$	\$ 1,409,454
			1,996,758
22,956	(18,386)	39,889	(48,050)
			23,800
			(44,398)
			67,656
			(4,817)
			(6,565)
<u>22,956</u>	<u>(18,386)</u>	<u>39,889</u>	<u>1,984,384</u>
<u>\$ 22,956</u>	<u>\$(19,879)</u>	<u>\$ 39,889</u>	<u>\$ 3,393,838</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS
DEBT SERVICE SCHEDULE**

September 30, 2011

Year Ending 09/30	Series 2001		Series 2002	
	Principal	Interest	Principal	Interest
2012	\$ 180,000	\$ 82,800	\$ 270,000	\$ 194,070
2013	180,000	74,610	280,000	182,380
2014	180,000	66,240	290,000	169,980
2015	180,000	57,735	305,000	156,661
2016	180,000	49,140	320,000	142,283
2017	180,000	40,410	335,000	126,886
2018	180,000	31,500	350,000	110,530
2019	180,000	22,500	370,000	93,065
2020	180,000	13,500	390,000	74,250
2021	180,000	4,500	410,000	54,250
2022			430,000	33,250
2023			450,000	11,250
2024				
2025				
2026				
2027				
2028				
2029				
2030				
TOTAL	<u>\$ 1,800,000</u>	<u>\$ 442,935</u>	<u>\$ 4,200,000</u>	<u>\$ 1,348,855</u>

(Continued)

Series 2002		Series 2003		Series 2003	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 180,000	\$ 79,425	\$ 160,000	\$ 8,145	\$ 60,000	\$ 28,290
180,000	71,775	155,000	2,713	60,000	26,190
180,000	64,125			60,000	24,030
180,000	56,700			60,000	21,750
180,000	49,500			60,000	19,380
180,000	42,300			60,000	16,950
180,000	35,100			60,000	14,475
180,000	27,450			60,000	11,955
180,000	19,350			60,000	9,375
180,000	11,475			60,000	6,750
180,000	3,825			60,000	4,080
				60,000	1,365
<hr/>		<hr/>		<hr/>	
<u>\$ 1,980,000</u>	<u>\$ 461,025</u>	<u>\$ 315,000</u>	<u>\$ 10,858</u>	<u>\$ 720,000</u>	<u>\$ 184,590</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2011

Year Ending 09/30	Series 2004		Series 2007	
	Principal	Interest	Principal	Interest
2012	\$ 180,000	\$ 83,700	\$ 265,000	\$ 164,300
2013	180,000	77,760	265,000	153,700
2014	180,000	71,820	265,000	143,100
2015	180,000	65,835	265,000	132,500
2016	180,000	59,715	265,000	121,900
2017	180,000	53,370	265,000	111,300
2018	180,000	46,800	265,000	100,700
2019	180,000	40,050	265,000	90,100
2020	180,000	33,120	265,000	79,500
2021	180,000	26,010	265,000	68,900
2022	180,000	18,720	265,000	58,300
2023	180,000	11,295	265,000	47,700
2024	180,000	3,780	265,000	37,100
2025			265,000	26,500
2026			265,000	15,900
2027			265,000	5,300
2028				
2029				
2030				
TOTAL	<u>\$ 2,340,000</u>	<u>\$ 591,975</u>	<u>\$ 4,240,000</u>	<u>\$ 1,356,800</u>

(Continued)

Series 2009		Series 2009 Refunding		Series 2009 Certificate	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 120,000	\$ 88,200	\$ 945,000	\$ 136,875	\$ 250,000	\$ 181,250
120,000	82,200	930,000	108,750	250,000	171,875
120,000	76,500	690,000	84,450	250,000	163,125
120,000	70,800	680,000	63,900	250,000	154,375
120,000	65,550	670,000	43,650	250,000	145,625
120,000	60,750	660,000	22,875	250,000	136,875
120,000	56,025	285,000	7,162	250,000	127,500
120,000	51,450	60,000	1,088	250,000	117,500
120,000	46,950			250,000	107,500
120,000	42,450			250,000	97,500
120,000	37,800			250,000	87,500
120,000	33,000			250,000	77,500
120,000	28,200			250,000	67,500
120,000	23,220			250,000	57,500
120,000	18,060			250,000	47,375
120,000	12,900			250,000	37,062
120,000	7,740			250,000	26,625
120,000	2,580			250,000	16,062
				250,000	5,375
<u>\$ 2,160,000</u>	<u>\$ 804,375</u>	<u>\$ 4,920,000</u>	<u>\$ 468,750</u>	<u>\$ 4,750,000</u>	<u>\$ 1,825,624</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2011

Year Ending 09/30	Series 2010		Totals		
	Principal	Interest	Principal	Interest	Total
2012	\$ 200,000	\$ 102,650	\$ 2,810,000	\$ 1,149,705	\$ 3,959,705
2013	150,000	97,838	2,750,000	1,049,791	3,799,791
2014	150,000	93,525	2,365,000	956,895	3,321,895
2015	150,000	89,025	2,370,000	869,281	3,239,281
2016	150,000	84,525	2,375,000	781,268	3,156,268
2017	150,000	79,800	2,380,000	691,516	3,071,516
2018	150,000	74,850	2,020,000	604,642	2,624,642
2019	150,000	69,375	1,815,000	524,533	2,339,533
2020	150,000	63,375	1,775,000	446,920	2,221,920
2021	150,000	57,375	1,795,000	369,210	2,164,210
2022	150,000	51,375	1,635,000	294,850	1,929,850
2023	150,000	45,375	1,475,000	227,485	1,702,485
2024	150,000	39,375	965,000	175,955	1,140,955
2025	150,000	33,375	785,000	140,595	925,595
2026	150,000	27,375	785,000	108,710	893,710
2027	150,000	21,375	785,000	76,637	861,637
2028	150,000	15,375	520,000	49,740	569,740
2029	150,000	9,281	520,000	27,923	547,923
2030	150,000	3,094	400,000	8,469	408,469
TOTAL	<u>\$ 2,900,000</u>	<u>\$ 1,058,338</u>	<u>\$ 30,325,000</u>	<u>\$ 8,554,125</u>	<u>\$ 38,879,125</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2011

Year Ending 09/30	Series 2007		Series 2009 Refunding	
	Principal	Interest	Principal	Interest
2012	\$ 100,000	\$ 65,500	\$ 185,000	\$ 15,100
2013	100,000	60,500	190,000	11,400
2014	100,000	56,000	100,000	7,600
2015	100,000	52,000	100,000	5,350
2016	100,000	48,000	95,000	2,850
2017	100,000	44,000		
2018	100,000	40,000		
2019	100,000	36,000		
2020	100,000	32,000		
2021	100,000	28,000		
2022	100,000	24,000		
2023	100,000	20,000		
2024	100,000	16,000		
2025	100,000	12,000		
2026	100,000	8,000		
2027	100,000	4,000		
2028				
2029				
2030				
TOTAL	\$ 1,600,000	\$ 546,000	\$ 670,000	\$ 42,300

Series 2009		Series 2010 Refunding		Totals		
Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 85,000	\$ 65,425	\$ 845,000	\$ 242,325	\$ 1,215,000	\$ 388,350	\$ 1,603,350
85,000	62,025	830,000	225,425	1,205,000	359,350	1,564,350
85,000	58,625	815,000	208,825	1,100,000	331,050	1,431,050
85,000	55,225	800,000	188,450	1,085,000	301,025	1,386,025
85,000	51,825	785,000	168,450	1,065,000	271,125	1,336,125
85,000	48,850	770,000	144,900	955,000	237,750	1,192,750
85,000	45,875	765,000	121,800	950,000	207,675	1,157,675
85,000	42,900	765,000	91,200	950,000	170,100	1,120,100
85,000	39,500	760,000	60,600	945,000	132,100	1,077,100
85,000	36,100	755,000	30,200	940,000	94,300	1,034,300
85,000	32,700			185,000	56,700	241,700
85,000	29,300			185,000	49,300	234,300
85,000	25,687			185,000	41,687	226,687
85,000	22,075			185,000	34,075	219,075
85,000	18,463			185,000	26,463	211,463
85,000	14,850			185,000	18,850	203,850
85,000	11,025			85,000	11,025	96,025
80,000	7,200			80,000	7,200	87,200
<u>80,000</u>	<u>3,600</u>			<u>80,000</u>	<u>3,600</u>	<u>83,600</u>
<u>\$ 1,605,000</u>	<u>\$ 671,250</u>	<u>\$ 7,890,000</u>	<u>\$ 1,482,175</u>	<u>\$ 11,765,000</u>	<u>\$ 2,741,725</u>	<u>\$ 14,506,725</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

INSURANCE COVERAGE

September 30, 2011

<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	10/01/11
Automobile liability	5,000,000	10/01/11
Other Liability:		
Law enforcement liability	5,000,000	10/01/11
Errors and omissions	2,000,000	10/01/11
Property coverage	50,609,800	10/01/11
Mobil equipment	1,820,406	10/01/11
Boiler and machinery	8,000,000	10/01/11
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	25,721,280	01/26/12
Pollution liability insurance	2,000,000	10/01/11

STATISTICAL SECTION

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

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

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

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

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

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

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 26,732,065	\$ 28,882,643	\$ 21,403,827	\$ 22,161,825	\$ 25,482,995
Restricted	9,770,649	8,224,755	7,026,879	4,864,344	2,501,788
Unrestricted	<u>11,016,903</u>	<u>10,735,612</u>	<u>10,686,871</u>	<u>10,933,704</u>	<u>10,411,172</u>
Total governmental activities net assets	<u>\$ 47,519,617</u>	<u>\$ 47,843,010</u>	<u>\$ 39,117,577</u>	<u>\$ 37,959,873</u>	<u>\$ 38,395,955</u>
Business-type Activities Net Assets:					
Invested in capital assets, net of related debt	\$ 13,319,990	\$ 15,906,078	\$ 26,654,525	\$ 28,016,142	\$ 27,043,902
Restricted	8,039,780	6,530,518	3,150,305	2,185,194	2,588,178
Unrestricted	<u>4,399,001</u>	<u>4,178,202</u>	<u>5,609,797</u>	<u>5,673,377</u>	<u>5,882,669</u>
Total business-type activities net assets	<u>\$ 25,758,771</u>	<u>\$ 26,614,798</u>	<u>\$ 35,414,627</u>	<u>\$ 35,874,713</u>	<u>\$ 35,514,749</u>
Primary Government:					
Invested in capital assets, net of related debt	\$ 40,052,055	\$ 44,788,721	\$ 48,058,352	\$ 50,177,967	\$ 52,526,897
Restricted	17,810,429	14,755,273	10,177,184	7,049,538	5,089,966
Unrestricted	<u>15,415,904</u>	<u>14,913,814</u>	<u>16,296,668</u>	<u>16,607,081</u>	<u>16,293,841</u>
Total primary government net assets	<u>\$ 73,278,388</u>	<u>\$ 74,457,808</u>	<u>\$ 74,532,204</u>	<u>\$ 73,834,586</u>	<u>\$ 73,910,704</u>

Source: Comprehensive Annual Financial Report

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
General government and administration	\$ 2,112,852	\$ 2,257,546	\$ 2,236,563	\$ 2,362,231	\$ 2,602,960
Public safety	4,574,166	4,613,337	4,540,176	4,737,631	5,138,326
Public works	4,322,800	4,379,952	5,032,811	5,185,215	5,632,640
Culture and recreation	4,141,421	4,294,610	4,281,044	4,457,243	4,634,673
Interest on long-term debt	1,055,128	1,304,392	1,338,856	1,355,910	1,250,474
Total governmental activities expenses	16,206,367	16,849,837	17,429,450	18,098,230	19,259,073
Business-type Activities:					
Water and sewer	5,123,811	4,940,714	4,806,503	5,694,639	6,191,778
Sanitation	1,956,587	2,103,697	2,128,248	2,296,436	2,435,453
Golf Course			646,775	1,613,195	1,783,080
Total business-type activities expenses	7,080,398	7,044,411	7,581,526	9,604,270	10,410,311
Total primary government expenses	\$ 23,286,765	\$ 23,894,248	\$ 25,010,976	\$ 27,702,500	\$ 29,669,384
 Program Revenues					
Governmental Activities:					
Charges for Services:					
General government and administration	\$ 561,251	\$ 536,779	\$ 619,755	\$ 514,764	\$ 520,176
Public safety				3,381	
Public works				217,827	
Culture and recreation	994,180	958,594	889,460	900,630	877,552
Operating grants and contributions		83,146			97,341
Capital grants and contributions	272,471	793,350	126,410		626,803
Total governmental activities program revenues	1,827,902	2,371,869	1,635,625	1,636,602	2,121,872
Business-type Activities:					
Charges for Services:					
Water and sewer	5,623,383	5,589,987	5,530,449	5,824,846	5,852,076
Sanitation	2,477,739	2,514,062	2,555,225	2,611,266	2,668,684
Golf			523,655	1,305,294	1,570,279
Operating grants and contributions		49,369			62,298
Capital grants and contributions	160,800	1,575			
Total business-type activities program revenues	8,261,922	8,154,993	8,609,329	9,741,406	10,153,337
Total primary government program revenues	\$ 10,089,824	\$ 10,526,862	\$ 10,244,954	\$ 11,378,008	\$ 12,275,209

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 2,933,681	\$ 2,894,285	\$ 3,075,201	\$ 3,222,710	\$ 3,079,021
5,238,784	5,464,662	5,739,091	6,046,380	6,140,172
5,346,890	5,925,876	5,758,443	5,694,647	4,288,666
4,621,273	4,977,391	4,885,568	5,037,305	4,961,616
<u>1,225,583</u>	<u>1,260,296</u>	<u>1,180,102</u>	<u>1,233,922</u>	<u>1,293,892</u>
<u>19,366,211</u>	<u>20,522,510</u>	<u>20,638,405</u>	<u>21,234,964</u>	<u>19,763,367</u>
6,407,376	6,614,955	6,913,963	7,013,299	7,410,839
2,629,561	2,573,279	2,718,214	2,747,149	2,432,879
<u>1,868,965</u>	<u>2,017,199</u>	<u>2,167,996</u>	<u>2,197,021</u>	<u>2,060,021</u>
<u>10,905,902</u>	<u>11,205,433</u>	<u>11,800,173</u>	<u>11,957,469</u>	<u>11,903,739</u>
<u>\$ 30,272,113</u>	<u>\$ 31,727,943</u>	<u>\$ 32,438,578</u>	<u>\$ 33,192,433</u>	<u>\$ 31,667,106</u>
\$ 442,892	\$ 451,580	\$ 447,112	\$ 410,235	\$ 459,598
244,049	239,063	186,017	237,964	213,772
974,310	986,604	931,477	1,035,350	1,005,931
25,000	744,892	1,566,242	1,025,417	405,794
<u>856,100</u>				
<u>2,542,351</u>	<u>2,422,139</u>	<u>3,130,848</u>	<u>2,708,966</u>	<u>2,085,095</u>
5,614,724	6,678,843	7,003,764	6,807,782	7,784,450
2,823,869	2,970,992	3,038,754	3,015,623	3,036,999
1,637,741	1,847,418	1,869,731	1,550,705	1,571,415
		53,182	99,687	14,445
<u>10,076,334</u>	<u>11,497,253</u>	<u>11,965,431</u>	<u>11,473,797</u>	<u>12,407,309</u>
<u>\$ 12,618,685</u>	<u>\$ 13,919,392</u>	<u>\$ 15,096,279</u>	<u>\$ 14,182,763</u>	<u>\$ 14,492,404</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2002	2003	2004	2005	2006
Net (Expense)/Revenue:					
Governmental activities	\$(14,378,465)	\$(14,477,968)	\$(15,793,825)	\$(16,461,628)	\$(17,137,201)
Business-type activities	<u>1,181,524</u>	<u>1,110,582</u>	<u>1,027,803</u>	<u>137,136</u>	<u>(256,974)</u>
Total primary governmental net expense	<u>(13,196,941)</u>	<u>(13,367,386)</u>	<u>(14,766,022)</u>	<u>(16,324,492)</u>	<u>(17,394,175)</u>
General Revenues & Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Ad valorem	3,723,962	4,196,420	4,459,509	4,627,407	4,850,943
Sales	5,667,768	5,589,800	5,715,688	5,871,195	6,392,501
Occupancy	216,608	148,933	127,660	208,377	239,924
Franchise	1,436,347	1,301,930	1,327,269	1,391,393	1,683,612
Industrial district	2,603,775	2,702,800	2,693,480	2,672,510	2,881,045
Other	49,977	46,634	49,640	49,647	54,768
Investment earnings	387,668	290,464	218,164	467,505	687,327
Miscellaneous	89,291	65,242	94,481	72,298	124,902
Gain on sale/retirement of capital assets	19,630	(87,850)		23,505	
Transfers	<u>376,263</u>	<u>459,138</u>	<u>(7,617,499)</u>	<u>(79,913)</u>	<u>517,117</u>
Total governmental activities	<u>14,571,289</u>	<u>14,713,511</u>	<u>7,068,392</u>	<u>15,303,924</u>	<u>17,432,139</u>
Business-type Activities:					
Investment earnings	761,289	191,440	123,215	243,037	395,581
Gain on sale/retirement of capital assets		13,143			(4,074)
Miscellaneous			31,312		
Transfers	<u>(376,263)</u>	<u>(459,138)</u>	<u>7,617,499</u>	<u>79,913</u>	<u>(495,032)</u>
Total business-type activities	<u>385,026</u>	<u>(254,555)</u>	<u>7,772,026</u>	<u>322,950</u>	<u>(103,525)</u>
Total primary government	<u>14,956,315</u>	<u>14,458,956</u>	<u>14,840,418</u>	<u>15,626,874</u>	<u>17,328,614</u>
Change in Net Assets					
Governmental activities	192,824	235,543	(8,725,433)	(1,157,704)	294,938
Business-type activities	<u>1,566,550</u>	<u>856,027</u>	<u>8,799,829</u>	<u>460,086</u>	<u>(360,499)</u>
Total primary government	<u>\$ 1,759,374</u>	<u>\$ 1,091,570</u>	<u>\$ 74,396</u>	<u>\$ (697,618)</u>	<u>\$ (65,561)</u>

Source: Comprehensive Annual Financial Report

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2002	2003	2004	2005	2006
General Fund:					
Reserved for other*	\$ 63,746	\$ 57,388	\$ 67,614	\$ 538,565	\$ 199,512
Unreserved	6,524,769	7,387,749	7,741,804	7,242,862	7,504,971
Total general fund	\$ 6,588,515	\$ 7,445,137	\$ 7,809,418	\$ 7,781,427	\$ 7,704,483
All Other Governmental Funds:					
Reserved For:					
Debt service	\$ 784,047	\$ 795,592	\$ 768,321	\$ 604,045	\$ 550,663
Capital projects	8,986,602	7,071,280	5,978,847	3,998,032	1,706,433
Unreserved, Reported In:					
Special Revenue	4,372,503	3,241,768	1,694,660	1,551,229	1,593,812
Capital projects	-0-	423,844	1,616,002	1,989,716	1,515,074
Total all other governmental funds	\$ 14,143,152	\$ 11,532,484	\$ 10,057,830	\$ 8,143,022	\$ 5,365,982
Restricted:					
Debt Service					
Capital Projects					
Economic Development					
Encourage Tourism					
Law enforcement					
Traffic safety					
Contributor purpose					
Committed:					
General Contingencies					
Assigned:					
Unemployment Insurance					
Equipment Replacement					
Special Events					
Park improvement					
General construction					
Total all other governmental funds					

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 125,301	\$ 442,782	\$ 331,434	\$ 262,501	\$ 179,575
<u>9,010,029</u>	<u>7,914,743</u>	<u>9,290,235</u>	<u>10,273,711</u>	<u>5,503,023</u>
\$ <u>9,135,330</u>	\$ <u>8,357,525</u>	\$ <u>9,621,669</u>	\$ <u>10,536,212</u>	\$ <u>5,682,598</u>
\$ 534,831	\$ 527,608	\$ 719,637	\$ 705,816	
6,344,497	5,648,872	4,838,804	9,470,729	
1,843,390	2,432,834	2,578,102	2,784,937	
<u>1,132,586</u>	<u>2,299,863</u>	<u>1,612,184</u>	<u>1,378,000</u>	
\$ <u>9,855,304</u>	\$ <u>10,909,177</u>	\$ <u>9,748,727</u>	\$ <u>14,339,482</u>	

671,628
5,562,372
2,526,505
60,661
121,667
131,313
4,157

1,032,819

203,627
4,033,149
6,660
336,842
1,353,206

\$ 16,044,606

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2002	2003	2004	2005	2006
Revenues:					
Taxes	\$ 13,742,689	\$ 13,991,874	\$ 14,341,593	\$ 14,808,784	\$ 16,102,183
Intergovernmental	272,471	326,496	103,345	221,208	724,144
Charges for services	994,180	958,594	889,460	900,630	877,552
Fines and fees	353,082	325,470	304,200	327,720	306,426
Licenses and permits	208,169	211,309	315,555	187,044	213,750
Special assessment	4,098	3,736	3,597		
Investment earnings	387,668	290,464	218,164	467,505	687,327
Contributions		550,000	23,065	600	1,025
Miscellaneous	85,193	61,506	90,884	71,698	124,902
	<u>16,047,550</u>	<u>16,719,449</u>	<u>16,289,863</u>	<u>16,985,189</u>	<u>19,037,309</u>
Total revenues					
Expenditures:					
General government administration	1,978,733	2,111,361	2,047,348	2,181,307	2,404,638
Public safety	4,190,707	4,113,458	4,135,938	4,323,056	4,585,013
Public works	2,159,844	2,237,529	2,184,224	2,267,855	2,640,909
Culture and recreation	3,418,071	3,577,880	3,502,390	3,728,855	3,900,092
Capital outlay	3,867,639	8,904,603	6,380,274	2,817,025	5,478,274
Debt Service:					
Principal	1,580,000	1,855,000	2,110,000	2,285,000	2,285,000
Interest and fiscal charges	1,213,076	1,470,118	1,374,354	1,338,466	1,232,899
	<u>18,408,070</u>	<u>24,269,949</u>	<u>21,734,528</u>	<u>8,941,564</u>	<u>22,526,825</u>
Total expenditures					
Excess of revenues over (under) expenditures	<u>(2,360,520)</u>	<u>(7,550,500)</u>	<u>(5,444,665)</u>	<u>(1,956,375)</u>	<u>(3,489,516)</u>
Other Financing Sources (Uses):					
Bonds issued	6,000,000	7,415,000	3,600,000		
Discount on bonds issued	(8,398)	(3,079)			
Premium on bonds issued		27,166			
Sale of capital asset	19,630	25,863	137,058	71,558	9,250
Payment to bond refunding escrow agent		(2,549,996)			
Transfers in	3,662,513	3,423,562	3,492,943	4,659,251	3,815,160
Transfers out	(3,286,250)	(2,964,424)	(2,895,709)	(4,717,233)	(3,320,128)
	<u>6,387,495</u>	<u>5,374,092</u>	<u>4,334,292</u>	<u>13,576</u>	<u>504,282</u>
Total other financing sources (uses)					
Net change in fund balances	<u>\$ 4,026,975</u>	<u>\$ (2,176,408)</u>	<u>\$ (1,110,373)</u>	<u>\$ (1,942,799)</u>	<u>\$ (2,985,234)</u>
Debt Service as a percentage of noncapital Expenditures	19.2%	21.6%	22.7%	22.5%	20.6%

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 17,130,142	\$ 17,628,611	\$ 18,612,438	\$ 18,187,067	\$ 18,526,662
646,100	744,892	1,566,242	1,025,417	405,794
974,310	986,604	931,477	1,035,350	1,005,931
442,892	429,564	425,746	383,023	418,536
244,049	239,063	186,017	237,964	213,772
3,246	100	655	2,349	4,712
819,379	656,900	191,524	99,729	100,646
2,020	515			
<u>97,857</u>	<u>182,275</u>	<u>140,307</u>	<u>282,518</u>	<u>160,567</u>
<u>20,359,995</u>	<u>20,868,524</u>	<u>22,054,406</u>	<u>21,253,417</u>	<u>20,836,620</u>
2,737,126	2,707,090	2,874,769	2,984,712	2,862,240
4,663,457	4,949,286	5,189,939	5,410,431	5,559,479
2,298,989	3,882,411	3,679,429	3,637,437	2,671,957
3,863,375	4,227,705	4,102,208	4,199,311	4,067,243
2,568,700	2,393,437	6,007,292	4,615,889	5,355,135
2,345,000	2,580,000	2,260,000	2,530,000	2,715,000
<u>1,267,213</u>	<u>1,238,338</u>	<u>1,273,840</u>	<u>1,318,896</u>	<u>1,272,263</u>
<u>19,743,860</u>	<u>21,978,267</u>	<u>25,387,477</u>	<u>24,696,676</u>	<u>24,503,317</u>
<u>616,135</u>	<u>(1,109,743)</u>	<u>(3,333,071)</u>	<u>(3,443,259)</u>	<u>(3,666,697)</u>
5,300,000		9,245,000	8,000,000	
613				
56,533	54,638	144,553	133,249	28,330
		386,858	70,055	
		(6,894,852)		
3,107,252	5,217,473	3,608,298	4,172,617	4,058,123
<u>(3,160,364)</u>	<u>(4,509,967)</u>	<u>(3,053,092)</u>	<u>(3,427,364)</u>	<u>(3,638,009)</u>
<u>5,304,034</u>	<u>762,144</u>	<u>3,436,765</u>	<u>8,948,557</u>	<u>448,444</u>
<u>\$ 5,920,169</u>	<u>\$ (347,599)</u>	<u>\$ 103,694</u>	<u>\$ 5,505,298</u>	<u>\$ (3,218,253)</u>
21.0%	19.5%	18.2%	19.2%	20.8%

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			
2002	\$1,140,783,950	\$ 104,976,810	\$ 177,158,100	\$1,068,602,660	\$ 0.35000
2003	1,208,631,980	103,229,290	194,432,481	1,117,428,789	0.37500
2004	1,289,587,900	100,857,740	203,374,329	1,187,071,311	0.37030
2005	1,340,800,620	106,550,060	212,386,376	1,234,964,304	0.37000
2006	1,414,404,750	112,102,800	252,573,630	1,273,933,920	0.38000
2007	1,497,758,792	114,426,600	265,668,634	1,346,516,758	0.37000
2008	1,548,589,780	117,138,400	274,123,140	1,391,605,040	0.38500
2009	1,598,884,378	121,221,910	280,572,592	1,439,533,696	0.39000
2010	1,627,373,340	124,429,670	295,147,652	1,456,655,358	0.39000
2011	1,619,266,640	120,047,810	299,801,676	1,439,512,774	0.39000

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
2002	\$ 0.2371	\$ 0.1129	\$ 0.3500	\$ 0.3995	\$ 1.4228	\$ 0.0725	\$ 0.0850	\$ 0.0714
2003	0.2292	0.1458	0.3750	0.4195	1.4228	0.0721	0.0850	0.7137
2004	0.2351	0.1352	0.3703	0.3595	1.4728	0.0700	0.1050	0.0739
2005	0.2369	0.1331	0.3700	0.3620	1.5228	0.0675	0.1140	0.0762
2006	0.2493	0.1307	0.3800	0.3480	1.5728	0.0650	0.1190	0.0821
2007	0.2390	0.1310	0.3700	0.3217	1.4237	0.0597	0.1220	0.0821
2008	0.2332	0.1518	0.3850	0.3114	1.1339	0.0560	0.1210	0.0821
2009	0.2332	0.1568	0.3900	0.3300	1.1922	0.0535	0.1565	0.0821
2010	0.2340	0.1560	0.3900	0.4031	1.2415	0.0535	0.1902	0.0909
2011	0.2345	0.1555	0.3900	0.4131	1.2415	0.0535	0.2392	0.0942

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

2011			2002		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Brazos Outlets (Mall)	\$ 18,716,440	1.30%	Southwest Mall	\$ 19,557,850	1.75%
Wal-Mart Stores Inc.	17,428,690	1.21%	Wal-Mart Stores Inc.	15,249,620	1.36%
Lowe's	11,253,250	0.78%	Dow Chemical Company	12,368,570	1.11%
Dow Chemical Company	9,641,350	0.67%	Petula Associates LTD (Lowe's)	11,292,170	1.01%
Home Depot	9,172,638	0.64%	Houston Lighting & Power	9,271,540	0.83%
Centerpoint Energy	9,025,390	0.63%	The Village of Lake Jackson LTD	7,219,190	0.65%
Partners of Lake Jackson	8,886,000	0.62%	Southwestern Bell Telephone Co.	6,820,140	0.61%
Texas Dow Employee C.U.	8,629,980	0.60%	Dayton Hudson Corp. (Target)	6,750,080	0.60%
Buc-ee's LTD	6,284,290	0.44%	Don Davis Buick/Pontiac/GMC	5,640,610	0.50%
Ling Villages of Lake Jackson	<u>6,231,979</u>	<u>0.43%</u>	Leo martin Chevrolet/Olds	<u>4,993,290</u>	<u>0.45%</u>
Total	<u>\$ 105,270,007</u>	<u>7.32%</u>	Total	<u>\$ 99,163,060</u>	<u>8.87%</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
2002	\$ 3,772,400	\$ 3,720,173	98.6%	\$ 50,669	\$ 3,770,842	100.0%
2003	4,224,129	4,164,483	98.6%	54,887	4,219,370	99.9%
2004	4,425,124	4,368,949	98.7%	52,775	4,421,724	99.9%
2005	4,608,542	4,563,655	99.0%	41,583	4,605,237	99.9%
2006	4,855,562	4,818,745	99.2%	33,819	4,852,565	99.9%
2007	4,980,528	4,940,579	99.2%	35,966	4,976,545	99.9%
2008	5,348,657	5,294,887	99.0%	42,318	5,340,205	98.8%
2009	5,636,199	5,582,960	99.1%	35,079	5,618,040	99.7%
2010	5,706,573	5,606,421	98.2%	41,097	5,647,518	99.0%
2011	5,599,633	5,545,788	99.0%		5,545,788	99.0%

Source: Brazoria County Tax Office

¹ Adjusted Tax Levy

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 9
Sales Tax Analysis
Last Ten Fiscal Years

Fiscal Year	General Fund Sales Tax Collections	Half-Cent Sales Tax Collections ¹	Total Sales Tax Collections	Percentage Growth	Sales Tax as a % of Total Revenues	Per Capita ²
2002	\$ 3,778,512	\$ 1,889,256	\$ 5,667,768	1.7%	35.3%	210.85
2003	3,726,533	1,863,267	5,589,800	(1.4%)	33.4%	207.52
2004	3,810,459	1,905,229	5,715,688	2.3%	35.1%	211.55
2005	3,914,130	1,957,065	5,871,196	2.7%	34.6%	214.46
2006	4,261,667	2,130,834	6,392,501	8.9%	33.6%	231.49
2007	4,618,469	2,353,998	6,972,467	9.1%	34.2%	252.50
2008	4,553,842	2,337,052	6,890,894	(1.2%)	33.0%	249.54
2009	4,634,553	2,408,688	7,043,241	2.2%	31.9%	255.06
2010	4,432,443	2,277,196	6,709,639	(4.7%)	31.6%	242.98
2011	4,562,725	2,355,777	6,918,501	3.1%	33.2%	250.54

Source: Finance Department

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

² See Table 14 for population data.

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Water and Sewer Revenue Bonds	Capital Leases			
2002	\$ 17,570,000	\$ 9,525,000	\$ 17,380,000	\$ -0-	\$ 44,475,000	6.33%	1,655
2003	20,250,000	9,885,000	16,410,000	-0-	46,545,000	6.61%	1,728
2004	22,640,000	8,985,000	15,440,000	546,742	47,611,742	6.74%	1,762
2005	21,255,000	8,085,000	14,470,000	437,964	44,247,964	6.18%	1,616
2006	19,895,000	7,160,000	13,500,000	298,684	40,853,684	5.66%	1,479
2007	23,775,000	6,235,000	14,530,000	326,074	44,686,074	6.22%	1,625
2008	22,120,000	5,310,000	13,460,000	653,017	41,543,017	5.76%	1,504
2009	22,895,368	4,674,632	12,390,000	542,143	40,502,143	5.61%	1,467
2010	26,780,000	6,260,000	13,025,000	561,044	46,626,044	6.46%	1,688
2011	24,540,000	5,785,000	11,765,000	230,875	42,320,875	5.86%	1,533

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

*See Table 14 for personal income and population data.

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

Fiscal Year	Gross Bonded Debt ⁰	Less: Amounts Available in Debt Service Fund	Less: Amounts Payable from Half-Cent Optional Tax ¹	Net Bonded Debt	Percentage of Actual Taxable Value of Property ²	Per Capita ³
2002	\$ 27,095,000	\$ 784,047	\$ 9,525,000	\$ 16,785,953	2.54%	1,008
2003	30,135,000	795,592	9,885,000	19,454,408	2.70%	1,119
2004	31,625,000	768,321	14,790,000	16,066,679	2.66%	1,171
2005	29,340,000	603,990	13,690,000	15,046,010	2.38%	1,072
2006	27,055,000	550,608	12,555,000	13,949,392	2.12%	980
2007	30,010,000	534,776	11,410,000	18,065,224	2.23%	1,087
2008	27,430,000	527,553	10,255,000	16,647,447	1.97%	993
2009	27,570,000	719,582	9,379,632	17,470,786	1.96%	998
2010	33,040,000	679,125	13,456,365	18,904,510	2.27%	1,196
2011	30,325,000	648,230	12,278,528	17,398,243	2.11%	1,098

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

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, 2011

Governmental Unit	Debt Outstanding	As of	Estimated Percentage Applicable**	Estimated Share of Overlapping Debt
Debt repaid with property taxes:				
Velasco Drainage District	\$ --		16.86%	\$ --
Brazosport I.S.D.	131,867,037	08/31/11	17.65%	23,274,532
Brazosport Jr. College	64,340,000	08/31/11	17.65%	11,356,010
Port Freeport	8,000,000	09/30/11	13.51%	1,080,800
Brazoria County	61,315,000	09/30/11	6.91%	4,236,867
Angleton Drainage District	--	09/30/11	3.44%	--
Angleton/Danbury Hospital District	15,320,000	09/30/11	0.60%	91,920
Columbia-Brazoria I.S.D.	37,391,961	08/31/11	0.71%	265,483
Angleton I.S.D.	501,163,737	08/31/11	0.40%	<u>2,004,655</u>
Subtotal, overlapping debt				42,310,267
City of Lack Jackson (direct debt)	30,325,000	* 09/30/11	100.00%	<u>30,325,000</u>
Total direct and overlapping debt				<u>\$ 72,635,267</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
2002	\$ 6,384,672	\$ 3,881,134	\$ 2,503,538	\$ 1,285,888	1.95	\$ 1,725,920	1.45
2003	5,794,570	3,849,608	1,944,962	1,263,482	1.54	1,689,195	1.15
2004	5,676,717	3,768,023	1,908,694	1,240,652	1.54	1,651,600	1.16
2005	6,063,698	3,908,603	2,155,095	1,217,347	1.77	1,613,535	1.34
2006	6,242,509	4,150,183	2,092,326	1,193,530	1.75	1,574,600	1.33
2007	6,052,858	4,425,545	1,627,313	959,150	1.70	1,678,355	0.97
2008	6,937,654	4,417,633	2,520,021	921,297	2.74	1,634,680	1.54
2009	7,078,385	4,692,032	2,386,353	881,665	2.71	1,590,720	1.50
2010	6,843,586	4,998,514	1,845,072	806,403	2.29	1,654,081	1.12
2011	7,819,019	5,116,318	2,702,701	763,512	3.54	1,603,350	1.69

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
2002	26,881	\$ 702,481,173	\$ 26,133	--	6,424	5.1%	14,526
2003	26,936	703,918,488	26,133	--	6,445	5.0%	14,951
2004	27,018	706,061,394	26,133	--	6,536	5.3%	14,960
2005	27,377	715,443,141	26,133	--	6,476	4.7%	14,180
2006	27,614	721,636,662	26,133	--	6,409	3.6%	14,467
2007	27,614	721,636,662	26,133	--	6,472	3.8%	14,439
2008	27,614	721,636,662	26,133	--	6,921	5.8%	14,266
2009	27,614	721,636,662	26,133	--	6,422	7.1%	13,735
2010	27,614	721,636,662	26,133	--	6,276	8.4%	13,886
2011	27,614	721,636,662	26,133	--	6,867	7.5%	14,462

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

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

School enrollment provided by Brazosport Independent School District.

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

¹ Median age only available in Census Years.

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table 15
Principal Employers
Current Year and Nine Years Ago

2011			2002		
Employer	Employees	Percentage of Total City Employment	Employer	Estimated Employees	Percentage of Total City Employment
Brazosport Memorial Hospital	676	4.67%	Wal Mart Stores Inc.	510	3.71%
Wal-Mart	470	3.25%	Brazosport Memorial Hospital	486	3.54%
Brazosport I.S.D.	380	2.63%	Brazosport I.S.D.	405	2.95%
Dow Credit Union	215	1.49%	City of Lake Jackson	208	1.51%
City of Lake Jackson	206	1.42%	Dow Credit Union	190	1.38%
Target	158	1.09%	Lowes	120	0.87%
Lowes	135	0.93%	Target	130	0.95%
Home Depot	95	0.66%	Home Depot	89	0.65%
Ryan's Steakhouse	70	0.48%	Ryan's Steakhouse	60	0.44%
Randall's	63	0.44%	Albertson's	48	0.35%
Jerry's Food King	38	0.26%	Stanley Supermarket	48	0.35%
Total	<u>2,506</u>	<u>17.32%</u>	Total	<u>2,294</u>	<u>16.70%</u>

Source: Principal Employers

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government and Administration	31	31	32	31	31	31	35	35	35	35
Public Safety:										
Police	57	57	57	57	58	58	59	59	61	60
Fire	2	2	2	1	1	1	1	1	1	1
Humane	3	3	3	3	3	3	3	3	3	3
Culture and Recreation	27	27	27	27	27	27	27	27	27	27
Public Works:										
Streets	7	7	7	7	7	7	7	7	7	7
Drainage	15	15	15	15	15	15	15	15	15	15
Code Enforcement	6	6	6	6	6	6	8	8	8	8
Garbage	9	9	9	9	9	9	9	9	9	9
Water and Sewer	41	40	38	38	37	37	37	37	37	37
Sanitation	<u>25</u>									
	<u>223</u>	<u>222</u>	<u>221</u>	<u>219</u>	<u>219</u>	<u>219</u>	<u>226</u>	<u>226</u>	<u>228</u>	<u>227</u>

Source: City Budget

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	Est. 2011
Public Safety:										
Police:										
% Criminal Offenses Cleared	79%	73%	64%	52%	55%	54%	55%	57%	43%	50%
Traffic contacts	15,955	15,822	17,119	16,406	18,039	18,296	14,406	13,515	15,169	22,500
Fire:										
Fire calls	455	455	469	486	519	537	532	520	520	550
EMS calls	1,488	1,468	1,514	1,629	1,891	2,183	2,197	2,448	2,730	2,730
Inspections	330	n/a	226	253	243	408	319	368	257	350
Public Works:										
Streets:										
Potholes repaired	598	559	486	481	314	363	235	223	469	650
Gutter sweeping (cu yd)	1,137	1,293	1,176	1,676	1,430	1,300	1,707	1,570	1,864	2,100
Culture and Recreation:										
Recreation Center members	5,415	5,091	5,586	4,937	5,864	5,800	6,204	5,738	4,926	6,100
Recreation Center Attendance	246,631	251,638	241,350	168,967	142,234	190,000	240,600	251,750	229,059	225,000
Water and Sewer:										
Number of sewer leaks Repaired										
Linear feet of sewer mains cleaned	107	16	45	133	3	5	3	8	3	6
	60,150	11,100	39,085	122,216	47,735	108,464	45,215	29,430	20,232	25,000
Sanitation:										
Refuse Collected: ¹										
Residential garbage (cu yd)	23,851	23,237	25,000	27,060	27,031	27,200	28,000	24,070	22,214	24,000
Commercial garbage (cu yd)	34,934	35,934	37,000	26,698	40,459	40,800	42,000	36,106	22,898	36,000

Source: City Departments

¹ Does not include non-compacted refuse collection.

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Culture and Recreation:										
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Community Center	2	2	2	2	2	2	2	2	2	2
Recreation Center	1	1	1	1	1	1	1	1	1	1
Parks Acreage ¹	1,296	1,296	1,296	1,296	1,296	1,306	1,306	1,306	1,306	1,306
Parks	23	23	23	23	23	23	23	23	23	23
Baseball/softball fields	23	23	23	23	23	23	23	23	23	23
Soccer fields	24	24	24	24	24	24	24	24	24	24
Water:										
Water mains (miles)	130	130	130	130	130	130	130	130	130	130
Fire Hydrants	917	917	917	917	917	917	917	917	917	917
Wastewater²										
Maximum daily treatment capacity (thousands of gallons)	2,150	2,150	2,150	6,150	6,150	6,150	6,150	6,150	6,150	6,150

Source: Various City departments

¹ In 2007 Dow donated 9.86 acres of land.

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

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CONTINUING FINANCIAL DISCLOSURES

As of 01/31/12

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-1 Bond Summary and Authorization (As of 1/31/12)

Summary of Bonds Outstanding

General Obligation Bonds and Certificates of Obligation

2002A Limited Tax General Obligation Bonds	\$ 360,000
2002 Limited Tax General Obligation Bonds *	550,000
2003 Combination Tax & Revenue Certificates of Obligations *	60,000
2003 Limited Tax Refunding Bonds	315,000
2004 Limited Tax Bonds	2,340,000
2007 Limited Tax Bonds	4,240,000
2009 Limited Tax Bonds	2,160,000
2009 Limited Tax Refunding Bonds	4,750,000
2009 Certificates of Obligation	2,311,472
2009 Certificates of Obligation *	2,608,528
2010 Limited Tax Bonds	2,900,000
2011 Limited Tax Refunding Bonds *	4,000,000
2011 Limited Tax Refunding Bonds *	<u>3,360,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>29,955,000</u>

* Secured by a pledge of Ad Valorem Tax Revenues; but paid from revenues generated from Optional Half Cent Sales Tax.

Waterworks and Sewer System Bonds

2007 Waterworks and Sewer System Bonds	\$ 1,600,000
2009 Waterworks and Sewer System Bonds	1,605,000
2009 Waterworks and Sewer System Refunding Bonds	670,000
2010 Waterworks and Sewer System Refunding Bonds	<u>7,890,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>11,765,000</u>

General Obligation Bonds Authorized but not Issued as of 01/31/12

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

Waterworks and Sewer System Bonds Authorized but not Issued as of 01/31/12

None.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-2 Financial Information (As of 1/31/2012)

2011 Assessed Valuation (100% of Actual) ¹	\$ <u>1,414,924,084</u>
<u>General Obligation Bonds and Certificates of Obligation Outstanding²</u>	
Presently outstanding (01/31/12)	\$ 29,955,000
Other Bonds issued to date	<u>-0-</u>
Gross debt	29,955,000
Less: Amounts payable for ½ Cent Optional Tax	7,218,528
Less: Debt Service Cash Balance	<u>2,562,980</u>
Net Debt	\$ <u>20,173,492</u>
Ratio of Net Debt to 2011 Assessed Valuation	1.43%
2012 Estimated Population	28,000
2011 Assessed Valuation per Capita	\$ 50,533.00
Net Debt per Capita	\$ 720.48
Area of the City	18 square miles

¹ Tax Year; Net of exemptions in the amount of \$ 308,946,874.

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		
Velasco Drainage District	\$ -0-	09/30/11	16.86%	-0-
Brazosport I.S.D.	131,867,037	08/31/11	17.65%	23,274,532
Brazosport Jr. College	64,340,000	08/31/11	17.65%	11,356,010
Port Freeport	8,000,000	09/30/11	13.51%	1,080,800
Brazoria County	61,315,000	09/30/11	6.91%	4236,867
Angleton Drainage District	-0-	09/30/11	3.44%	-0-
Angleton-Danbury Hospital District	15,320,000	09/30/11	0.60%	91,920
Columbia-Brazoria I.S.D.	37,391,961	08/31/11	0.71%	265,483
Angleton I.S.D.	501,163,737	08/31/11	0.40%	<u>2,004,655</u>
Total Overlapping Debt				42,310,267
City of Lake Jackson (direct debt)				<u>29,955,000*</u>
Total Direct and Overlapping Debt				<u>\$ 72,265,267</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 CD-4
Outstanding Debt Service Requirements
General Obligation Debt

Fiscal Year Ending 09/30	Existing Debt Service*	Refunded Debt Service*	\$ 7,360,000 Limited Tax Refunding Series 2011**		Total Debt Service Requirements
			Principal	Interest	
2012	\$ 3,959,705	\$(534,350)	\$ 200,000	\$ 249,024	\$ 3,874,379
2013	3,799,791	(585,110)	275,000	255,950	3,745,631
2014	3,321,895	(1,034,375)	740,000	242,100	3,269,620
2015	3,239,281	(1,017,846)	740,000	219,900	3,181,335
2016	3,156,268	(1,000,303)	740,000	197,700	3,093,665
2017	3,071,516	(981,546)	750,000	171,600	3,011,570
2018	2,624,642	(961,605)	755,000	141,500	2,559,537
2019	2,339,533	(944,970)	745,000	111,500	2,251,063
2020	2,221,920	(926,475)	745,000	81,700	2,122,145
2021	2,164,210	(906,975)	740,000	52,000	2,049,235
2022	1,929,850	(711,155)	555,000	26,100	1,799,795
2023	1,702,485	(522,615)	375,000	7,500	1,562,370
2024	1,140,955				1,140,955
2025	925,595				925,595
2026	893,710				893,710
2027	861,637				861,637
2028	569,740				569,740
2029	547,923				547,923
2030	408,469				408,469
	<u>\$ 38,879,125</u>	<u>\$ 10,127,325</u>	<u>\$ 7,360,000</u>	<u>\$ 1,756,574</u>	<u>\$ 37,868,374</u>

* Includes Principal and Interest

** Bonds issued October, 2011

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2012	\$ 1,215,000	\$ 388,350	\$ 1,603,350
2013	1,205,000	359,350	1,564,350
2014	1,100,000	331,050	1,431,050
2015	1,085,000	301,025	1,386,025
2016	1,065,000	271,125	1,336,125
2017	955,000	237,750	1,192,750
2018	950,000	207,675	1,157,675
2019	950,000	170,100	1,120,100
2020	945,000	132,100	1,077,100
2021	940,000	94,300	1,034,300
2022	185,000	56,700	241,700
2023	185,000	49,300	234,300
2024	185,000	41,687	226,687
2025	185,000	34,075	219,075
2026	185,000	26,463	211,463
2027	185,000	18,850	203,850
2028	85,000	11,025	96,025
2029	80,000	7,200	87,200
2030	<u>80,000</u>	<u>3,600</u>	<u>83,600</u>
	<u>\$ 11,765,000</u>	<u>\$ 2,741,725</u>	<u>\$ 14,506,725</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-6 Tax Adequacy

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

	<u>Average Requirements (2012-2030)</u>	<u>Maximum Requirement 2012</u>
General Obligation Debt Service Requirements	\$ 1,198,511	\$ 2,282,881
Debt Service Fund tax rate required on 2011 Assessed Taxable Valuation of \$ 1,414,924,084 @ 98% collection	\$ 0.086	\$ 0.165

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

	<u>Average Requirements (2012-2030)</u>	<u>Maximum Requirement 2012</u>
General Obligation Debt Service Requirements	\$ 1,993,072	\$ 3,874,379
Debt Service Fund tax rate required on 2011 Assessed Taxable Valuation of \$ 1,414,924,084 @ 98% collection	\$ 0.144	\$ 0.279

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-7 Tax Rate and Tax Collection Information

Tax Collection Period

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

Tax Collection Record

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

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	2011	2010	2009	2008	2007
General Fund	\$ 0.2315	\$ 0.2345	\$ 0.2340	\$ 0.2332	\$ 0.2329
Debt Service Fund	<u>0.1585</u>	<u>0.1555</u>	<u>0.1560</u>	<u>0.1568</u>	<u>0.1521</u>
Total Tax Rate	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>	<u>\$ 0.3850</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

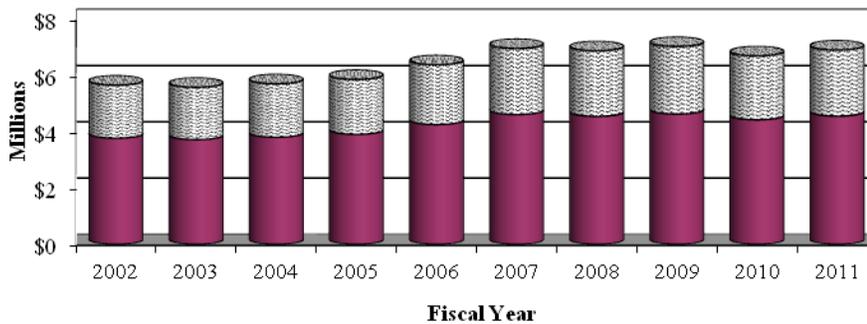
Table CD-8
Sales Tax Collection History

City Sales Tax Collection

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

Sales Tax Collection History

<u>Fiscal Year</u>	<u>One Cent Sales Tax</u>	<u>Optional Half Cent Sales Tax¹</u>
2002	\$ 3,778,512	\$ 1,889,256
2003	3,726,533	1,863,267
2004	3,810,459	1,905,229
2005	3,914,130	1,957,065
2006	4,261,667	2,130,834
2007	4,618,469	2,353,998
2008	4,553,842	2,337,052
2009	4,634,553	2,408,688
2010	4,432,443	2,277,196
2011	4,562,724	2,355,777



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

CITY OF LAKE JACKSON

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Table CD-9
Economic Development Fund

<u>Resources</u>	<u>ACTUAL 2009-10</u>	<u>BUDGET 2010-11</u>	<u>ACTUAL 2010-11</u>	<u>ADOPTED 2011-12</u>
Fund Balance	\$ 2,134,946	\$ 1,926,409	\$ 2,404,126	\$ 2,526,506
Revenues:				
Half Cent Sales Tax	2,277,196	2,341,768	2,355,777	2,373,500
Interest income	<u>11,664</u>	<u>17,134</u>	<u>13,038</u>	<u>12,225</u>
	<u>2,288,860</u>	<u>2,358,902</u>	<u>2,368,815</u>	<u>2,385,725</u>
 Total Resources	 <u>\$ 4,423,806</u>	 <u>\$ 4,285,311</u>	 <u>\$ 4,772,941</u>	 <u>\$ 4,912,231</u>
<u>Expenditures</u>	<u>ACTUAL 2009-10</u>	<u>BUDGET 2010-11</u>	<u>ACTUAL 2010-11</u>	<u>ADOPTED 2011-12</u>
Transfer to Economic Development Debt Service	\$ 877,822	\$ 1,141,074	\$ 1,139,074	\$ 1,104,389
Downtown Street Masterplan	142,633	-0-	-0-	-0-
Downtown Maintenance	-0-	50,000	8,061	50,000
S. Parking Place – Design	-0-	150,000	-0-	150,000
Future Park Projects	-0-	-0-	-0-	350,000
Transfer to Golf Course Debt Service	549,225	550,000	549,300	550,000
Golf Course Operating Contingency	100,000	100,000	200,000	100,000
Transfer to General Fund	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
 Total Expenditures	 <u>\$ 2,019,680</u>	 <u>\$ 2,341,047</u>	 <u>\$ 2,246,435</u>	 <u>\$ 2,654,389</u>
 Ending Fund Balance	 <u>\$ 2,404,126</u>	 <u>\$ 1,944,264</u>	 <u>\$ 2,526,506</u>	 <u>\$ 2,257,842</u>

The transfer to the Economic Development Debt Service Fund is to provide funds for the payment of Debt Service obligations on the \$ 7.3 million Recreation Center Certificates of Obligation and the \$ 5.9 million Civic Center/Plaza and Youth Sportsplex Certificates of Obligation and the \$ 5 million Downtown Revitalization Certificates of Obligation.

The \$ 350,000 transfer to the General Fund is to subsidize the Recreation Center operations.

The Lake Jackson Development Corporation has approved providing an annual subsidy of \$ 550,000 for Golf Course debt service through the 2022-23 fiscal year.

The Lake Jackson Development Board has recommended for approval of \$ 150,000 to repair drought damage to MacLean Jogging Trail.

The Lake Jackson Development Board has approved providing \$ 50,000 per year through fiscal year 2014-15 for maintenance of new landscaping and walks downtown.

The Lake Jackson Development Corporation recommended, and City Council approved, an additional \$ 100,000 be budgeted through the 2012-13 fiscal year to provide a contingency for golf course operations.

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Table CD-10
Debt Service Fund Management Index

General Debt Service Fund

Debt Service Fund Balance as of 9/30/11	\$ 671,628
Debt Service Tax Levy of \$.158486 per \$ 100 of Assessed Valuation on 2011 Assessed Valuation of \$ 1,414,924,084 at 98% collection	2,197,607
Interest Earnings on Debt Service Fund	<u>8,000</u>
Total Available for 2012 Debt Service	2,877,235
Less: 2012 Debt Service Requirements	<u>2,282,881</u>
Projected Debt Service Fund Balance at 9/30/12	\$ <u><u>594,354</u></u>

Economic Development and Golf Course Debt Service Funds

These funds were established to account for the debt service on all bond issues which are to be repaid with the revenue from the optional half-cent sales tax. As of 01/31/12, there are four outstanding issues, the 2003 & 2009 Refunding CO's for the Recreation Center Civic Center and Golf Course, the 2002 Golf Course GO's, and the \$ 4 million of the 2011 Limited Tax Refund Bonds.

	<u>Golf Course</u>	<u>Economic Development</u>
Debt Service Fund Balance as of 9/30/11	\$ -0-	\$ -0-
Transfer from Golf Course Operations	3,360	
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>486,249</u>	<u>1,104,389</u>
Total Available for 2012 Debt Service	489,609	1,104,389
Less: 2012 Debt Service Requirements	<u>489,609</u>	<u>1,104,389</u>
Projected Debt Service Fund Balance at 9/30/12	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

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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 9/30/11	\$ 2,171,380
Transfer from Utility Operating Fund (as budgeted)	1,585,494
Transfer from Debt Service Reserve (as budgeted)	-0-
2012 Projected Interest Earnings	<u>10,000</u>
Total Available for 2012 Debt Service	3,766,874
Less: 2012 Debt Service Requirements (including agent fees)	<u>1,607,350</u>
Projected Debt Service Fund Balance at 9/30/12	<u><u>\$ 2,159,524</u></u>

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

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

	Fiscal Year	
	2011	2010
Revenues:		
Taxes	\$ 18,526,662	\$ 18,187,067
Intergovernmental	405,794	1,025,417
Charges for services	1,005,931	1,035,350
Fines and fees	418,536	383,023
Licenses and permits	213,772	237,964
Special assessment	4,712	2,349
Investment earnings	100,646	99,729
Miscellaneous	160,567	282,518
Total revenues	20,836,620	21,253,417
Expenditures:		
General government and administration	2,862,240	2,984,712
Public safety	5,559,479	5,410,431
Public works	2,671,957	3,637,437
Culture and recreation	4,067,243	4,199,311
Capital Outlay	5,355,135	4,615,889
Debt Service:		
Principal	2,715,000	2,530,000
Interest and fiscal charges	1,272,263	1,318,896
Total expenditures	24,503,317	24,696,676
Excess of revenues over (under) expenditures	(3,666,697)	(3,443,259)
Other Financing Sources (Uses):		
Bonds issued		8,000,000
Premium on bonds issued		133,249
Sale of capital assets	28,330	70,055
Transfers in	4,058,123	4,172,617
Transfers out	(3,638,009)	(3,427,364)
Total other financing sources (uses)	448,444	8,948,557
Net change in fund balances	\$(3,218,253)	\$ 5,505,298

CITY OF LAKE JACKSON

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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, 2011 and 2010.

	2011	2010
Revenues:		
Water and sewer services	\$ 7,370,832	\$ 6,477,558
Sanitation service	3,036,999	3,015,623
Tapping and connection fees	214,696	210,686
Golf course fees and charges	1,571,411	1,545,419
Other	198,926	124,824
	12,392,864	11,374,110
Operating Expenses:		
Utility administration	408,299	384,896
Reimbursed administrative	438,389	438,389
Water and sewer	4,708,019	4,654,541
Golf course	1,656,250	1,802,204
Sanitation	2,298,919	2,299,300
	9,509,876	9,579,330
Net revenues as described by Bond ordinance	2,882,988	1,794,780
Nonoperating Revenues (Expenses):		
Depreciation	(2,390,913)	(2,265,925)
Interest earnings	36,825	38,844
Interest expense and fiscal charges	(441,339)	(550,603)
Capital Contributions	200,000	99,687
Transfers:		
for franchise fee	(102,000)	(102,000)
for equipment replacement	(658,723)	(626,150)
for Contingency	70,000	
for Golf Course debt service	(6,430)	(4,030)
Assets purchased by general fund	529,873	425,316
	(2,762,707)	(2,984,861)
Net income	\$ 120,281	\$(1,190,081)
Coverage of average annual debt service requirements	2.29%	2.29%
Customer count (residential & commercial)	8,758	8,790

CITY OF LAKE JACKSON
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Table CD-14
Water and Sewer Information

Water and Sewer Rates

Current water and sewer rates became effective October 1, 2011.

Water:	First 2000 gallons	\$ 11.00 Minimum
	Over 2000 gallons	\$ 3.05 per 1,000 gallons
	Over 20,000 gallons	\$ 3.30 per 1,000 gallons
Sewer:	First 2000 gallons	\$ 11.00 Minimum
	Over 2000 gallons	\$ 3.30 per 1,000 gallons

Residential sewer charges stop at 15,000 gallons.

Water Supply Facilities

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

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

Wastewater Treatment Plant

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

Water and Sewer Customers

Currently, the City has 23 apartment complexes (2,906 units); 485 Commercial businesses and 8,220 residences utilizing the City’s water and sewer services.

CITY OF LAKE JACKSON

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Table CD-15
Top Ten Utility Customers

<u>Name of Business</u>	<u>Type of Business</u>	<u>FY 2011 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Brazosport Hospital	Hospital	23,629	2.08%
Oyster Creek Apartments	Apartments	14,520	1.28%
Oakwood Apartments	Apartments	10,704	0.94%
Jackson Square #1	Apartments	10,484	0.92%
Buc-ee's #29	Gas Station/Car Wash	10,362	0.91%
TAJ Properties LLC	Apartments	9,161	0.81%
Star Bright Market	Gas Station/Car Wash	8,987	0.79%
Gateway Housing	Apartments	8,661	0.76%
Linmark Oaks, LLC	Apartments	7,823	0.69%
Raamco Raintree LP	Apartments	<u>7,778</u>	<u>0.69%</u>
		<u>112,109</u>	<u>9.87%</u>

Total water consumption for the period October 1, 2010 to September 30, 2011 in thousands of gallons was 1,134,607.

CITY OF LAKE JACKSON

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Table CD-16
Principal Taxpayers and Assessed Valuation

Principal Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Tax Year 2011 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Shawnee Brazos LLC	Retail	\$ 20,257,128	1.43%
Wal-Mart Stores Inc.	Retail	17,781,140	1.26%
Redwood Edgewater TIC 12 thru 22	Apartments	11,456,570	0.81%
Lowe's	Retail	10,086,840	0.71%
Dow Chemical Company	Various property	9,641,350	0.68%
Texas Dow Employees Credit Union	Financial Institution	9,500,020	0.67%
Home Depot	Retail	9,227,514	0.65%
Centerpoint Energy, Inc.	Utility	8,955,520	0.63%
Partners of Lake Jackson LTD	Apartments	7,915,410	0.56%
Ling Villages of Lake Jackson	Apartments	6,231,979	0.44%
Buc-ee's Ltd.	Retail	6,201,610	0.44%
Lake Jackson Crossing Ltd Prt.	Retail	5,404,680	0.38%
Dillard Texas Operating LTD	Retail	5,026,310	0.36%
Dayton Hudson Corp (Target)	Retail	4,696,040	0.33%
Leo Martin Chevrolet Inc.	Dealership	4,645,790	0.33%
Kohl's Illinois, Inc.	Retail	4,507,830	0.32%
Carriage Inn – Lake Jackson LTD	Assisted Living	4,072,950	0.29%
Clark Richard A.	Various property	4,031,970	0.28%
Southwestern Bell	Utility	3,816,990	0.27%
Raamco Raintree LP	Apartments	3,599,330	0.25%
		<u>\$ 157,056,971</u>	<u>11.10%</u>

Assessed Valuation by Classification

<u>Classification</u>	<u>2011 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,066,865,398	75.40%
Real, Vacant Platted Lots/Tracts	15,864,670	1.12%
Commercial & Industrial	297,321,776	21.01%
Real Acreage (Land Only)	12,193,000	0.86%
Utilities and Pipelines	17,920,460	1.27%
Special Inventory and other	4,758,780	0.34%
	<u>\$ 1,414,924,084</u>	<u>100.00%</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-17
General Fund - Budget Summary

On September 6, 2011 the 2011-12 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	2009-10 <u>Actual</u>	2010-11 <u>Actual</u>	2011-12 <u>Adopted Budget</u>
Revenues:			
Property tax	\$ 3,411,203	\$ 3,396,094	\$ 3,286,757
Sales tax	4,432,443	4,562,724	4,608,100
Franchise fees	1,712,076	1,721,883	1,732,000
Industrial district	3,843,335	3,984,300	4,100,000
Licenses and permits	237,964	213,772	174,700
Fines and fees	339,784	392,875	347,900
Civic Center fees	228,454	249,145	245,300
Recreation Center fees	806,895	756,785	706,900
Intergovernmental *	69,205	245,349	120,500
Interest and other	484,635	66,754	187,850
Utility Administrative fee	438,389	438,389	438,389
Transfer from Economic Development	350,000	350,000	350,000
Transfer from General Contingency	<u>260,000</u>	<u>260,000</u>	<u>242,600</u>
Total revenues	<u>\$ 16,614,383</u>	<u>\$ 16,638,070</u>	<u>\$ 16,540,996</u>
Expenditures:			
General government services	\$ 1,725,439	\$ 1,418,426	\$ 1,564,650
Financial services	1,129,418	1,186,482	1,258,886
Legal services	158,637	154,394	161,961
Public safety services *	5,869,430	6,039,012	6,092,779
Engineering services	411,229	416,095	402,285
Public works services	2,686,629	2,697,646	3,044,076
Parks & recreation services	3,546,794	3,542,867	3,687,908
Miscellaneous services	331,468	377,689	328,451
Budget saving transfers	<u>900,000</u>	<u>750,000</u>	<u></u>
Total expenditures	<u>\$ 16,759,044</u>	<u>\$ 16,582,611</u>	<u>\$ 16,540,996</u>

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Table CD-18
Utility Fund - Budget Summary

On September 6, 2011 the 2011-12 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2009-10</u> Actual	<u>2010-11</u> Actual	<u>2011-12</u> Adopted Budget
Revenues:			
Plumbing fees	\$ 15,352	\$ 12,590	\$ 9,500
FEMA Hurricane reimbursement	-0-	-0-	-0-
Tap fees	17,557	4,495	7,000
Administrative fees	177,778	197,611	180,700
Water sales	3,417,985	3,989,110	3,717,738
Sewer sales	3,220,292	3,548,656	3,493,776
Senior discount	(160,719)	(166,934)	(180,000)
Sanitation sales	3,015,623	3,036,999	3,116,123
Other revenues	119,538	197,936	125,120
Interest & sales tax discount	16,566	15,967	15,000
Transfer from General Contingency	<u>70,000</u>	<u>70,000</u>	<u>70,400</u>
 Total revenues	 <u>\$ 9,909,972</u>	 <u>\$ 10,906,430</u>	 <u>\$ 10,555,357</u>
Expenditures:			
Utility administration	\$ 411,416	\$ 433,844	\$ 444,960
Water	2,492,819	2,828,513	2,731,375
Wastewater	2,162,291	2,015,966	2,282,441
Sanitation	2,714,078	2,794,144	2,900,298
Non-departmental	<u>2,573,252</u>	<u>2,223,230</u>	<u>2,196,283</u>
 Total expenditures	 <u>\$ 10,353,856</u>	 <u>\$ 10,295,697</u>	 <u>\$ 10,555,357</u>