

CITY OF LAKE JACKSON, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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

PAM EAVES, FINANCE DIRECTOR

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CITY OF LAKE JACKSON

Lake Jackson, Texas

*Comprehensive Annual Financial Report
For the Year Ended September 30, 2008*

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CITY OF LAKE JACKSON

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

March 16, 2009

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, 2008. 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 complement 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 eleven water wells. The water wells have a peak production capacity of 7.6 million gallons per day.

Water storage capacity includes five elevated tanks (2.55 million gallons total capacity) and four ground storage tanks (2.0 million gallons total capacity). The City distributes an average of 3.5 million gallons per day.

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 three “master” lift stations that pump directly to the treatment plant, and 39 lift stations that serve various subdivisions and convey wastewater to a “master” lift station.

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, the world’s leading producer of chemicals and plastics, continues to be the major contributor to the area economy. Dow employs over 40,000 people globally. Texas Operations in Freeport, TX is Dow’s largest integrated 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. Other area petrochemical companies include ConocoPhillips, BASF, Shintech and BP Amoco.

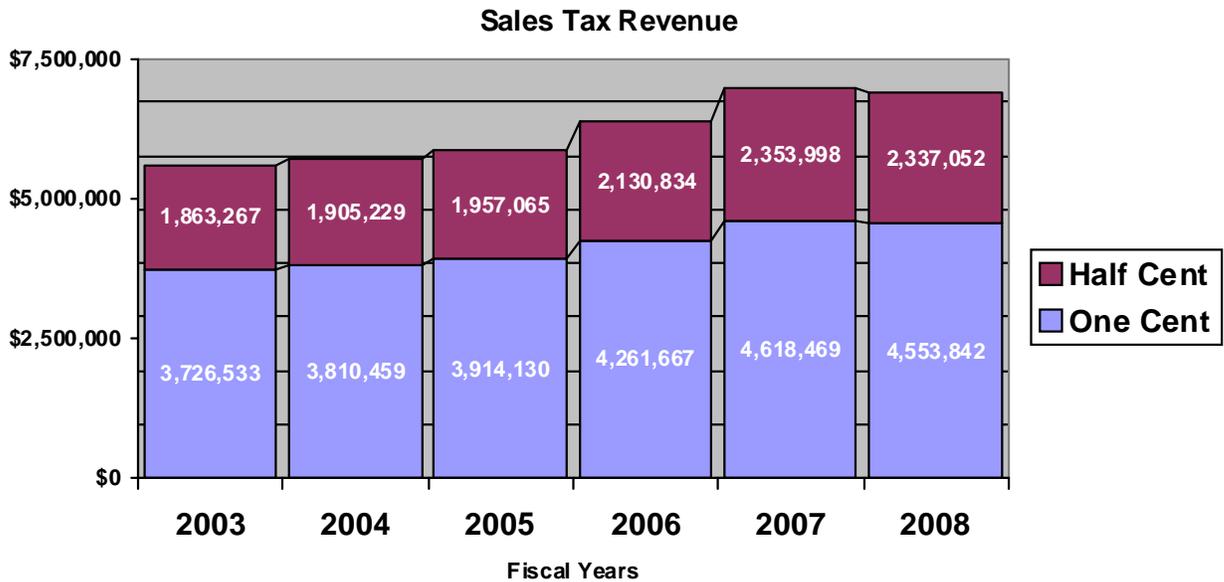
The Port Freeport is currently the 14th largest port in United States in terms of foreign tonnage. The primary cargo shipped through the port includes rice, bananas, fruits, chemicals and aggregate. In an effort to increase commerce from the high seas, the Port Freeport began construction of the Velasco Terminal. Port Freeport is investing almost \$50 million in development of the Velasco Terminal's initial phase, to include an 800-foot-long berth. It will take two to three years to construct. Completion of the first-phase development is slated for spring, 2009.

The Port Freeport officials are working with the U.S. congress in the final stages of a feasibility study on widening and deepening 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. Freeport is aiming for a summer 2009 completion of the five-year feasibility study. 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).

Freeport LNG received approval from the Federal Energy Regulatory Commission (FERC) to expand the liquefied natural gas (LNG) terminal capacity from 1.5 billion cubic feet of gas per day to 4 billion cubic feet of gas per day. The expansion of the plant will include an additional LNG vessel berth, LNG tank storage and vaporization capacity. The additional berth would allow two ships to offload at the terminal at one time. The expansion is at least two to three years away from construction and will start only if demand for natural gas supports it.

CITY ECONOMY

The overall economy of the City reflects a slow, sustained growth. In fiscal year 2008, sales tax collections decreased .5% (\$ 24,615) after experiencing rapid growth during prior years. A declining economy and rising energy costs have conspired to keep shoppers at home. The growth in taxable assessed value remains steady. The tax base has grown by about 24% since fiscal 2003 to \$ 1.39 billion in fiscal 2008. Total assessed values for all residential and commercial property in the City exceeded \$ 1.6 billion – up 70.3% from 1998 (\$977,658,060). At 5.8% through December, 2008, the City's unemployment rate was below the state's and nation's rate of 6.0% and 7.2%, respectively.



MAJOR ISSUES AND INITIATIVES

Section 380 Agreement. The City signed a section 380 sales tax agreement with Kohl's. As part of this agreement the City will reimburse Kohl's one-half of the one-cent sales tax generated by the store for the next ten years up to a maximum of \$ 750,000. The City is participating in a similar agreement with Prime Retail -- owners of the Brazos Mall. As part of their agreement, Prime Retail added a theatre and food court complex to the mall as well as renovated the outside appearance. In addition, Prime Retail purchased and demolished the only other theatre complex in town; and built a center containing Best Buy, Pet Smart and Office Depot.

2007 Infrastructure Improvement Bond. In May 2005 voters approved an additional \$ 7.7 million in infrastructure and facility bonds. The original plan called for these bonds to be issued in three phases:

Phase I - \$ 2.8 million for the reconstruction of streets and drainage in the Brazos Oaks Subdivision

Phase II - \$ 2.5 million to provide renovations of the old Fire Station into an expanded Municipal Court Facility, Emergency Dispatch and Emergency Operations Center; and

Phase III - \$ 2.4 million for the reconstruction of streets and drainage on Jasmine, Oak Drive, and Winding Way Street.

The first phase was originally projected to be issued in 2006. However, due to the availability of the previously issued \$ 600,000 from the 2004 Infrastructure Improvement Bond, we were able to pay for engineering and design cost. As a result, phase I and phase II were issued together in 2007. Phase III was issued February, 2009.

Industrial District Contract. The contract between the cities of Clute, Freeport, Lake Jackson and local industry signed in 2001, will expire in 2010. The parties agreed to set a valuation floor so that a minimum, guaranteed payment will be received each year. The minimum payment will increase annually reaching \$ 4,687,100 in 2010.

The contract provides a formula for determining industries' annual payment. The assessed values of industrial properties within the Industrial District are determined. A percentage of that value is subjected to a weighted tax rate, determined by each city's tax rate, and the value of industrial district properties within their individual extraterritorial jurisdictions. In fiscal 2007 and 2008, the City received \$ 3,220,061 and \$ 3,422,770 respectfully from the industrial district.

Looking ahead.

Cresco Companies (a development group) has purchased the 980 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 municipal utility districts and municipal management districts to be utilized in developing this area and our other growth areas. The owners of "Alden Lake" have placed legislation in Austin to create a Municipal Management District. A development plan for this area is forthcoming.

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.

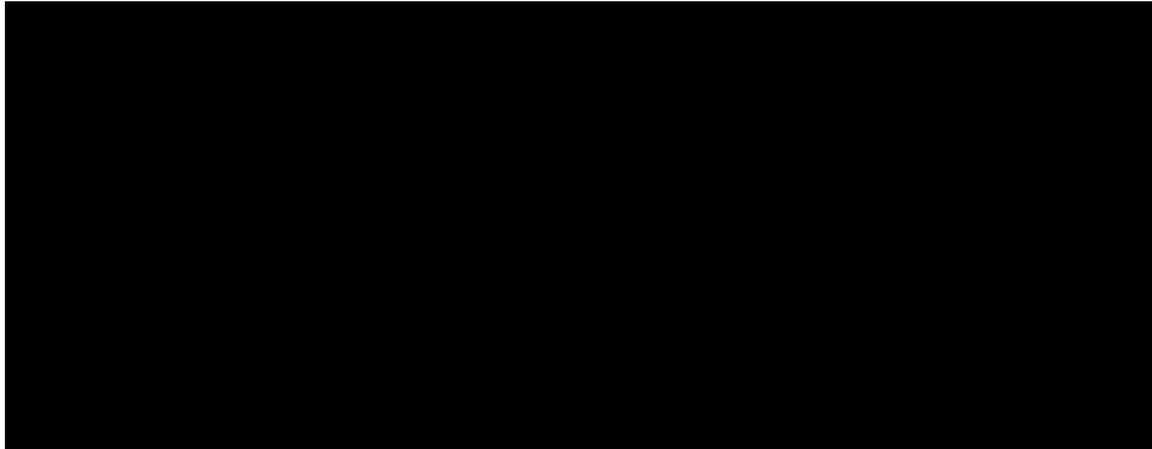
Budgetary Controls. The City maintains a system of budgetary controls. The objective of these budgetary controls is to ensure compliance with the annual budget appropriations ordinance approved by City Council. Activities of each of the City's funds are included in the appropriations ordinance. Annual 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 quarterly basis. The City continues to follow and improve upon its strong and fiscally conservative policies that lead to its sound financial condition.

DEBT ADMINISTRATION

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

CASH MANAGEMENT

The City's investment policy adopted by City Council states that investments shall be made in a manner that will provide the maximum security of principal invested, employing limitations on maturities and diversification of the portfolio, while meeting the daily cash flow needs of the City. The receipt of a market rate of return will be secondary to safety and liquidity requirements. It is the intent of the City of Lake Jackson to pursue a passive investment strategy in which investments are held to maturity as opposed to an active strategy in which investments may be sold prior to maturity. At September 30, 2008 the City's investment portfolio consisted of the following:



RISK MANAGEMENT

The City contracts with the Texas Municipal League's Intergovernmental Risk Pool for property, liability and workers' compensation insurance. The Assistant City Manager administers insurance programs, and the Texas Municipal League manages workers' compensation claims. Property and liability insurance provide varying and appropriate coverage, with most claims subject to a \$5,000 deductible. The Assistant City Manager, with programming and guidance provided by a cross-departmental Safety Steering Committee, conducts monthly safety programs.

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, 2007. 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 thirteen years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

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

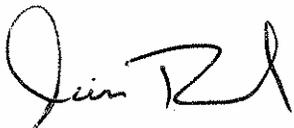
Respectfully submitted,



William P. Yenne
City Manager



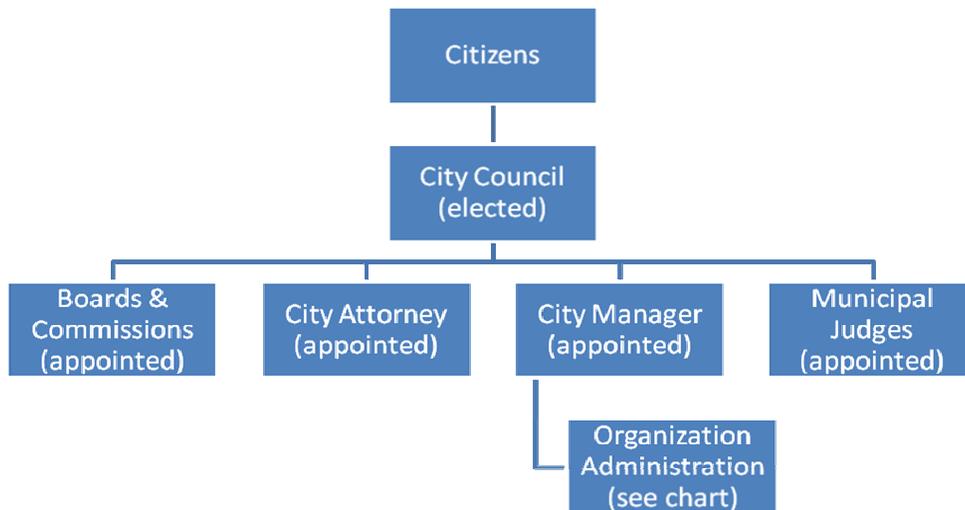
Pamela K. Eaves, CPA
Finance Director



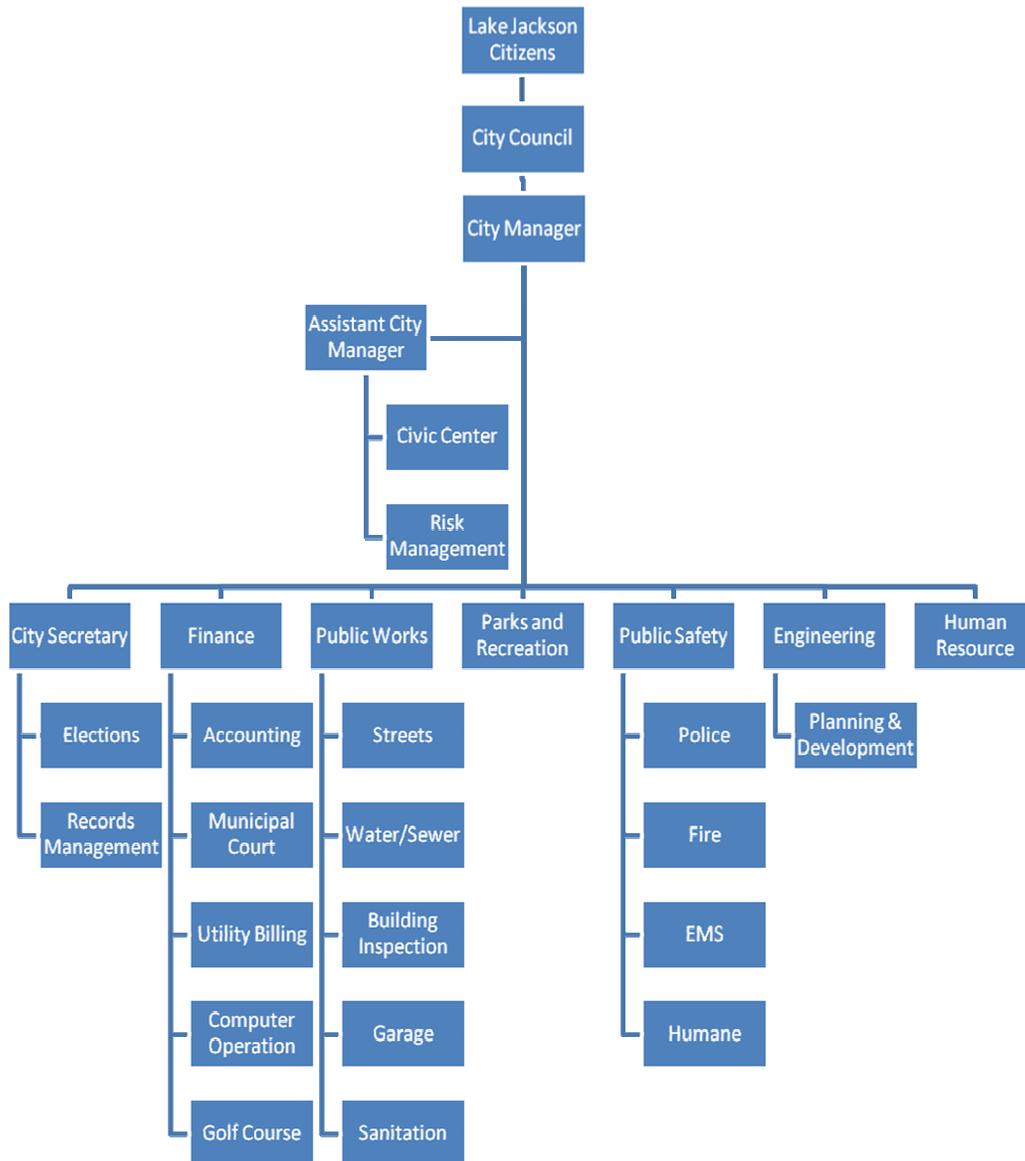
Junru Roland, CPA, CGFO
Assistant Finance Director

City of Lake Jackson

Council-Manager Government



Organization Administration Chart



Elected Officials

Official	Title	Years of Service	Term Expires	Occupation
* Bob Sipple	Mayor	3	2010	VP of Sales
Joe Rinehart	Councilmember	6	2009	Teacher
Bob Geter	Councilmember	3	2010	Insurance Agent
Gerald Roznovsky	Councilmember	4	2009	Manager
Will Brooks	Councilmember	new	2010	Inst. Lead/Designer
Vinay Singhania	Councilmember	3	2009	Purchasing Manager

* Served 1 year as Councilmember prior to Mayor.

City Officials

Name	Title	Length of Service
* <i>William P. Yenne</i>	<i>City Manager</i>	<i>29 years</i>
<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>14 years</i>
<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>19 years</i>
<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>30 years</i>
<i>Sherri Russell</i>	<i>City Attorney</i>	<i>2.5 years</i>
<i>First Southwest Company</i>	<i>Financial Advisors</i>	<i>4 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, 2007

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.



A handwritten signature in black ink, appearing to read "M. L. R. T.", written in a cursive style.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Erner", written in a cursive style.

Executive Director

FINANCIAL SECTION

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KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

February 5, 2009

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, and the aggregate remaining fund information of the City of Lake Jackson (the "City") as of and for the year ended September 30, 2008, 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, 2008, 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 February 5, 2009 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
February 5, 2009
Page 2

Required Supplementary Information

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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.

Kennemer, Masters & Hunford, LLC

CITY OF LAKE JACKSON, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2008

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, 2008. 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 - xiv](#) 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 \$ 76,606,357 (net assets). Of this amount, \$ 16,129,684 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors within the City's fund designation.
- As of the close of the current fiscal year, the City of Lake Jackson's governmental funds reported combined ending fund balances of \$ 19,266,702. 65.64% of this total amount, \$ 12,647,440 (unreserved fund balance) is available for use within the City's fund designation. Of this amount, \$ 4,732,697 has been designated for specific uses.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 7,914,743 or 49.08% of the total general fund expenditures.
- Pension Changes - Beginning with the December 31, 2007 valuation, the TMRS Board of Trustees elected to change the Actuarial Cost Method and assumptions for the City's pension plan. (See Note 8 – Pension and OPEB Supplemental Death Benefits Plan, for detailed information regarding these changes).

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.

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).

CITY OF LAKE JACKSON, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2008*

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 15-17](#) 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 fourteen (14) 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 Court/Emergency Operation Center/Brazos Oaks; all of which are considered to be major funds. Data from the other ten (10) 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 18-24](#) of this report.

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.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2008

The basic proprietary fund financial statements can be found on pages 26-31 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 32-70 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 74-126 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 federal awards section can be found on pages 180-187 of this report following the statistical section. The continuing financial disclosures can be found on pages 191-208 of this report following the federal awards 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 \$ 76,606,357 as of September 30, 2008.

The largest portion of the City's net assets (65.16%) reflects its 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. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LAKE JACKSON'S NET ASSETS

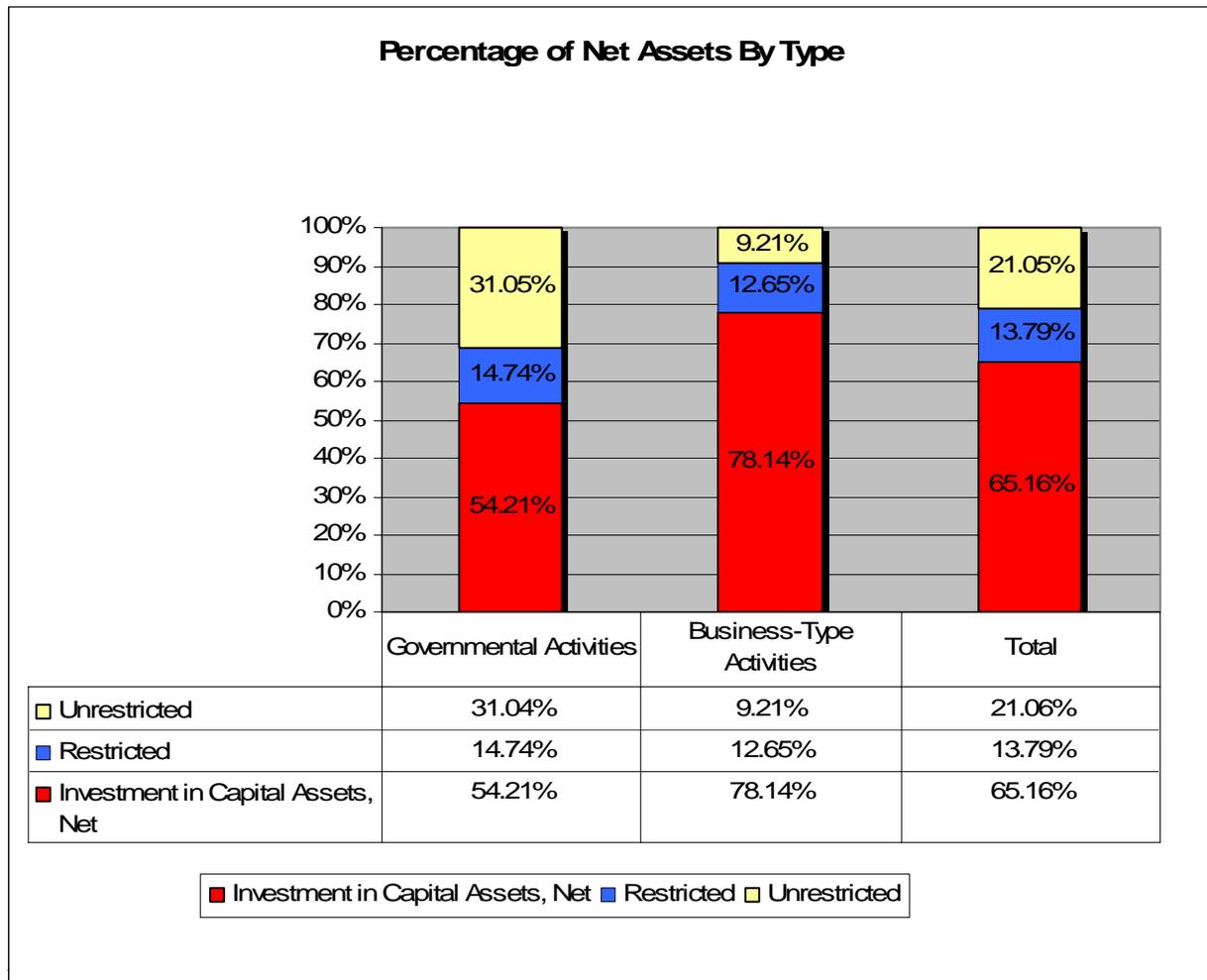
	Governmental Activities		Business-type Activities		Totals	
	2008	Restated 2007	2008	2007	2008	Restated 2007
Current and other assets	\$ 22,605,690	\$ 21,652,506	\$ 9,540,226	\$ 9,708,975	\$ 32,145,916	\$ 31,361,481
Capital assets	<u>49,648,572</u>	<u>50,777,169</u>	<u>41,165,309</u>	<u>42,061,668</u>	<u>90,813,881</u>	<u>92,838,837</u>
Total assets	<u>72,254,262</u>	<u>72,429,675</u>	<u>50,705,535</u>	<u>51,770,643</u>	<u>122,959,797</u>	<u>124,200,318</u>
Long-term liabilities	27,947,164	30,528,267	13,784,507	14,522,590	41,731,671	45,050,857
Other liabilities	<u>2,746,821</u>	<u>1,433,916</u>	<u>1,874,948</u>	<u>2,050,628</u>	<u>4,621,769</u>	<u>3,484,544</u>
Total liabilities	<u>30,693,985</u>	<u>31,962,183</u>	<u>15,659,455</u>	<u>16,573,218</u>	<u>46,353,440</u>	<u>48,535,401</u>
Net Assets:						
Invest in capital assets, net of related debt	22,531,131	20,767,169	27,384,565	26,931,575	49,915,696	47,698,744
Restricted	6,127,672	7,165,037	4,433,305	4,403,071	10,560,977	11,568,108
Unrestricted	<u>12,901,474</u>	<u>12,535,286</u>	<u>3,228,210</u>	<u>3,862,779</u>	<u>16,129,684</u>	<u>16,398,065</u>
Total net assets	<u>\$ 41,560,277</u>	<u>\$ 40,467,492</u>	<u>\$ 35,046,080</u>	<u>\$ 35,197,425</u>	<u>\$ 76,606,357</u>	<u>\$ 75,664,917</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2008

An additional portion of the City's net assets of \$ 10,560,977 (13.78%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$ 16,129,684 (21.06%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2008, 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 \$ 1,007,131 in restricted net assets and an increase of \$ 2,216,952 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.



Governmental Activities: Governmental activities increased the City of Lake Jackson's net assets by \$ 1,092,785. Part of the increase represents the degree to which increases in ongoing revenues have exceeded similar increases in ongoing expenses. The remainder of the increase in net assets reflects the increase in transfers in.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2008

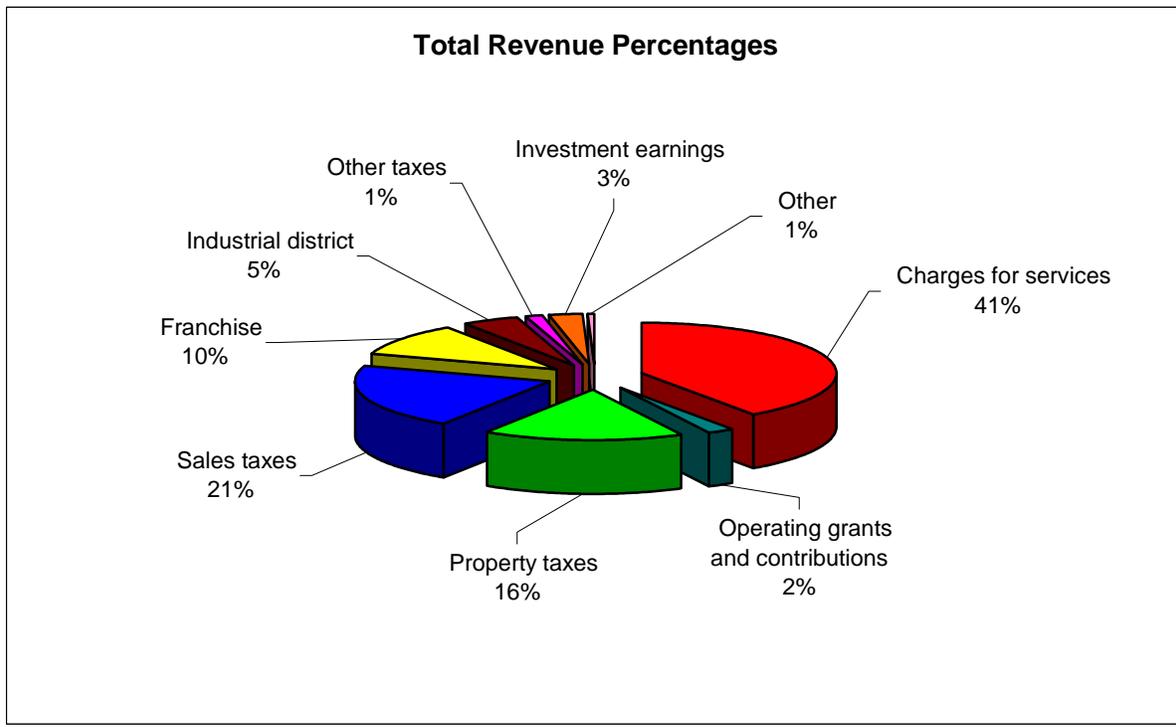
Total revenues for governmental activities increased from the previous year by \$ 250,636 (1.21%).

Program revenues decreased by \$ 102,653. This is a result of a reduction in operating and capital grants.

General revenues increased from last year by \$ 353,289. Key elements of this increase are as follows:

- Property taxes increased by \$ 346,386 (6.90%) from the prior year; primarily due to an increase in assessed value on property.
- Industrial District revenues increased \$ 202,709 (6.30%)--a result of the contractual rate increase in the percentage of value taxed.

Business-type Activities: Business activities decreased the City's net assets by \$ 151,345 (or 0.43%). Total revenues increased and total expenses increased from the prior year by \$ 1,226,128 and \$ 299,531 respectively. Total revenues increased from the prior year, due to an increase in water/sewer rates and consumption. Also, rounds at the golf course increased, resulting in a 12.8% (\$ 209,677) increase in golf course revenue. Total expenses increased at a normal rate of about 2.75%. The major increases in 2008 expenses were maintenance and repairs, utilities, and depreciation.



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2008

The following table provides a summary of the City's operations for the year ended September 30, 2008 with comparative tables for the year ended September 30, 2007.

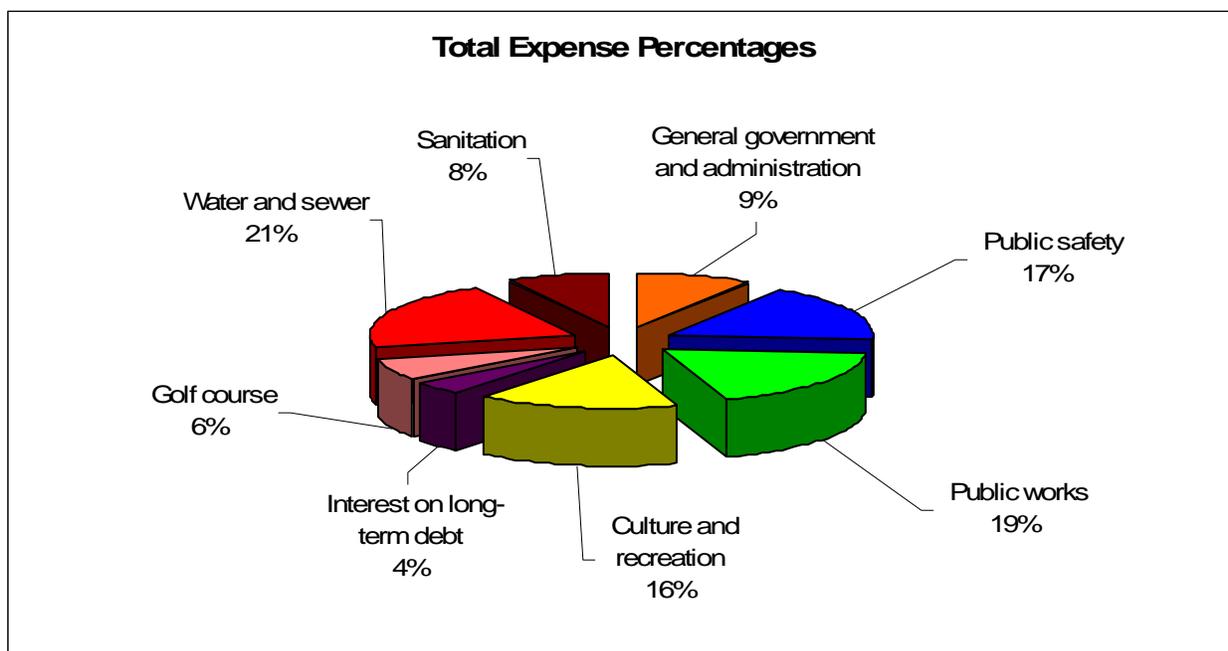
CITY OF LAKE JACKSON'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2008	Restated 2007	2008	2007	2008	Restated 2007
Revenues:						
Program Revenues:						
Charges for services	\$ 1,677,247	\$ 1,643,692	\$ 11,497,253	\$ 10,076,334	\$ 13,174,500	\$ 11,720,026
Operating grants and contributions	744,892	25,000			744,892	25,000
Capital grants and contributions		856,100			-0-	856,100
General Revenues:						
Property taxes	5,366,631	5,020,245			5,366,631	5,020,245
Sales taxes	6,890,894	6,984,109			6,890,894	6,984,109
Franchise	1,525,195	1,596,697			1,525,195	1,596,697
Industrial district	3,422,770	3,220,061			3,422,770	3,220,061
Alcoholic beverages taxes	54,581	38,696			54,581	38,696
Criminal justice taxes	28,246	20,894			28,246	20,894
Apartment fee	62,442				62,442	-0-
Occupancy taxes	272,703	272,624			272,703	272,624
Investment earnings	656,899	819,379	264,341	443,132	921,240	1,262,511
Miscellaneous	182,791	103,123			182,791	103,123
Gain on disposition of capital assets	<u>22,498</u>	<u>56,533</u>		<u>16,000</u>	<u>22,498</u>	<u>72,533</u>
Total revenues	<u>20,907,789</u>	<u>20,657,153</u>	<u>11,761,594</u>	<u>10,535,466</u>	<u>32,669,383</u>	<u>31,192,619</u>
Expenses:						
General government and administration	2,894,285	2,933,681			2,894,285	2,933,681
Public safety	5,464,662	5,238,784			5,464,662	5,238,784
Public works	5,925,876	5,346,890			5,925,876	5,346,890
Culture and recreation	4,977,391	4,621,273			4,977,391	4,621,273
Interest on long-term debt	1,260,296	1,225,583			1,260,296	1,225,583
Golf course			2,017,199	1,868,965	2,017,199	1,868,965
Water and sewer			6,614,955	6,407,376	6,614,955	6,407,376
Sanitation			<u>2,573,279</u>	<u>2,629,561</u>	<u>2,573,279</u>	<u>2,629,561</u>
Total expenses	<u>20,522,510</u>	<u>19,366,211</u>	<u>11,205,433</u>	<u>10,905,902</u>	<u>31,727,943</u>	<u>30,272,113</u>
Increase (decrease) in net assets before transfers	385,279	1,290,942	556,161	(370,436)	941,440	920,506
Transfers and contributions	<u>707,506</u>	<u>(53,112)</u>	<u>(707,506)</u>	<u>53,112</u>	<u>-0-</u>	<u>-0-</u>

(continued)

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2008

	Governmental Activities		Business-type Activities		Totals	
	2008	Restated 2007	2008	2007	2008	Restated 2007
Increase (decrease) in net assets	\$ 1,092,785	\$ 1,237,830	\$(151,345)	\$(317,324)	\$ 941,440	\$ 920,506
Net assets, October 1 (restated)	<u>40,467,492</u>	<u>39,229,662</u>	<u>35,197,425</u>	<u>35,514,749</u>	<u>75,664,917</u>	<u>74,744,411</u>
Net assets, September 30	<u>\$ 41,560,277</u>	<u>\$ 40,467,492</u>	<u>\$ 35,046,080</u>	<u>\$ 35,197,425</u>	<u>\$ 76,606,357</u>	<u>\$ 75,664,917</u>



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 \$ 19,266,702. 65.64% of this total amount (\$ 12,647,440) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for the expenditure of inventories (\$ 92,925), 2) for encumbrances (\$ 349,857), 3) to pay for debt service (\$ 527,608), and 4) for capital projects (\$ 5,648,872).

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2008

In the General Fund, the City budgeted for a \$ 1,826,643 reduction in fund balance. It is the City's policy to transfer any budget savings in the operating funds to the Capital Project Fund and/ or the Parks Fund. In the past we made the budget-savings amendment after the end of the fiscal year, and recorded the budget savings transfer(s) back to the fiscal year in which the savings occurred. However, to comply with recommendations from our auditors, the City allowed the fiscal 2007 savings to close into the fiscal 2007 General Fund fund balance; and in fiscal year 2008, the City transferred \$ 1,800,000 of fiscal 2007 budget savings to the Capital Projects Fund, and \$ 150,000 of fiscal 2007 budget savings to the Parks Fund.

The Economic Development fund is used to account for revenue from the half-cent sales tax. In 2008, the half-cent sales tax revenue and investment income in the Economic Development fund was less than the budget but more than budgeted transfers. As a result, the Economic Development fund balance increased by \$ 288,585. The Debt Service fund balance decreased by \$ 7,223 due to property tax revenue falling slightly short (.9%) of the budget. The Court/Emergency Operation Center/Brazos Oaks fund balance decreased by \$ 716,056 due to capital outlay expenditures.

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

Unrestricted net assets at September 30, 2008 amounted to \$ 3,228,210. Total net assets decreased \$ 151,345. In 2008, the reduction in net assets for proprietary funds was \$ 57,651 in the Enterprise Fund and \$ 93,694 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. Intergovernmental revenues exceeded the budget by \$ 729,892 due to the recognition of grant funds in related to Hurricane Ike. In addition, public works expenditures exceeded the budget by \$ 413,917; a result of expenditures in relation to Hurricane Ike.

Capital Assets

The City of Lake Jackson's investment in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$ 90,813,881 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was \$ 2,024,956. (\$ 1,128,597 decrease for governmental activities and \$ 896,359 decrease in business-type activities).

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

- Street and drainage improvements totaling \$ 298,000.
- \$ 326,000 in lift station improvements.
- \$ 156,000 of portable radio equipment for the public safety department; and
- Golf Course mobile equipment totaling \$ 470,000.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2008

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

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,359,934	\$ 2,359,934	\$ 3,821,585	\$ 3,821,585	\$ 6,181,519	\$ 6,181,519
Buildings	17,788,807	18,332,771	2,834,273	3,028,465	20,623,080	21,361,236
Improvements other than buildings	4,810,957	5,166,114	14,932,412	15,657,026	19,743,369	20,823,140
Furniture, equipment and vehicles	3,434,723	3,242,696	3,170,375	2,915,263	6,605,098	6,157,959
Infrastructure	19,385,171	20,958,149	15,780,141	16,365,310	35,165,312	37,323,459
Construction in progress	<u>1,868,980</u>	<u>717,505</u>	<u>626,523</u>	<u>274,019</u>	<u>2,495,503</u>	<u>991,524</u>
Total	<u>\$ 49,648,572</u>	<u>\$ 50,777,169</u>	<u>\$ 41,165,309</u>	<u>\$ 42,061,668</u>	<u>\$ 90,813,881</u>	<u>\$ 92,838,837</u>

Additional information on the City of Lake Jackson's capital assets can be found in note 5 on pages 49-52 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 \$ 40,890,000. Of this amount, \$ 27,430,000 compromises bonded debt backed by the full faith and credit of the City. These bonds will be retired with revenues from property and sales taxes. The remaining \$ 13,460,000 represents bonds secured by water and sewer revenues.

Outstanding Long-Term Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 5,690,000	\$ 6,195,000	\$	\$	\$ 5,690,000	\$ 6,195,000
Certificates of obligations	5,310,000	6,235,000			5,310,000	6,235,000
Limited tax bonds	16,430,000	17,580,000			16,430,000	17,580,000
Revenue bonds			<u>13,460,000</u>	<u>14,530,000</u>	<u>13,460,000</u>	<u>14,530,000</u>
Total	<u>\$ 27,947,164</u>	<u>\$ 30,528,267</u>	<u>\$ 14,490,298</u>	<u>\$ 15,252,349</u>	<u>\$ 42,437,462</u>	<u>\$ 45,780,616</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2008

During the fiscal year, the City's total bonded debt decreased \$ 3,650,000 or 8.19% 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 "A1" by Moody's and "AA-" by S&P.

Additional information on the City of Lake Jackson's long term debt can be found in note 7 on pages 53-58 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2008-09 Budget, General fund revenues and transfers-in are budgeted to increase by 5.29% from 2007-08 budget year with sales taxes making up about 29.4% of general fund budgeted revenues and transfers-in.

Certified assessed valuations increased approximately 4.07% over the preceding year.

The property tax rate increased from 38.5¢ to 39.0¢. The rate increase is necessary to fund the City's debt obligations -- particularly the \$ 2.4 million voter approved bonds issued in Fiscal Year 2009. The senior citizen/disability tax exemption was increased from \$ 60,000 to \$ 65,000.

The Utility Fund 2008-09 budget is 2.7% more than the proceeding year's budget. The base water rates for the 2008-09 budget year will increase from \$ 8.50/month to \$ 8.60/month; and 5¢ will be added to the water rates for usage above the 2,000 gallon base bill. The base sewer rates for the 2008-09 budget year will increase from \$ 9.50/month to \$ 9.60/month. In addition, 5¢ will be added to the sewer rates for usage above the 2,000 gallon base bill. Water purchased from Brazosport Water Authority will remain the same as the prior budget year.

Request for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET ASSETS

September 30, 2008

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 19,033,802	\$ 3,281,687	\$ 22,315,489
Taxes receivable (net)	1,301,697		1,301,697
Due from other governments	731,642		731,642
Accounts receivable (net)	513,653	787,365	1,301,018
Investments	399,000		399,000
Inventories	92,925	113,412	206,337
Internal balances	215,180	(215,180)	-0-
Deferred expenses		12,463	12,463
Bond issuance costs (net)	317,791	332,273	650,064
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		5,228,206	5,228,206
Capital Assets (Net of Accumulated Depreciation):			
Land	2,359,934	3,821,585	6,181,519
Buildings	17,788,807	2,834,273	20,623,080
Improvements other than buildings	4,810,957	14,932,412	19,743,369
Furniture, equipment, and vehicles	3,434,723	3,170,375	6,605,098
Infrastructure	19,385,171	15,780,141	35,165,312
Construction in progress	<u>1,868,980</u>	<u>626,523</u>	<u>2,495,503</u>
Total assets	<u>72,254,262</u>	<u>50,705,535</u>	<u>122,959,797</u>
Liabilities:			
Accounts payable	1,546,302	451,875	1,998,177
Cash bonds and taxes	455,940		455,940
Accrued wages	666,686	69,437	736,123
Unearned revenue	77,893	112,902	190,795
Liabilities payable from restricted assets		1,240,734	1,240,734
Noncurrent liabilities:			
Due within one year	2,774,105	878,859	3,652,964
Due in more than one year	<u>25,173,059</u>	<u>12,905,648</u>	<u>38,078,707</u>
Total liabilities	<u>30,693,985</u>	<u>15,659,455</u>	<u>46,353,440</u>
Net Assets:			
Invested in capital assets, net of related debt	22,531,131	27,384,565	49,915,696
Restricted For:			
Debt service	478,800	1,932,943	2,411,743
Capital projects	5,648,872	2,457,362	8,106,234
Maintenance		43,000	43,000
Unrestricted	<u>12,901,474</u>	<u>3,228,210</u>	<u>16,129,684</u>
Total net assets	<u>\$ 41,560,277</u>	<u>\$ 35,046,080</u>	<u>\$ 76,606,357</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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 2,894,285	\$ 451,580	\$	\$
Public safety	5,464,662		15,000	
Public works	5,925,876	239,063	729,892	
Culture and recreation	4,977,391	986,604		
Interest on long-term debt	<u>1,260,296</u>			
Total governmental activities	<u>20,522,510</u>	<u>1,677,247</u>	<u>744,892</u>	<u>-0-</u>
Business-type Activities:				
Water and sewer	6,614,955	6,678,843		
Sanitation	2,573,279	2,970,992		
Golf course	<u>2,017,199</u>	<u>1,847,418</u>		
Total business-type activities	<u>11,205,433</u>	<u>11,497,253</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 31,727,943</u>	<u>\$ 13,174,500</u>	<u>\$ 744,892</u>	<u>\$ -0-</u>

General Revenue:

Taxes:

- Property taxes
- Sales taxes
- Industrial district
- Franchise
- Occupancy
- Other

Investment earnings

Gain on the disposition of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning

Prior period adjustment

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
\$(2,442,705)	\$	\$(2,442,705)
(5,449,662)		(5,449,662)
(4,956,921)		(4,956,921)
(3,990,787)		(3,990,787)
<u>(1,260,296)</u>		<u>(1,260,296)</u>
<u>(18,100,371)</u>	<u>-0-</u>	<u>(18,100,371)</u>
	63,888	63,888
	397,713	397,713
	<u>(169,781)</u>	<u>(169,781)</u>
<u>-0-</u>	<u>291,820</u>	<u>291,820</u>
<u>(18,100,371)</u>	<u>291,820</u>	<u>(17,808,551)</u>
5,366,631		5,366,631
6,890,894		6,890,894
3,422,770		3,422,770
1,525,195		1,525,195
272,703		272,703
145,269		145,269
656,899	264,341	921,240
22,498		22,498
182,791		182,791
<u>707,506</u>	<u>(707,506)</u>	<u>-0-</u>
<u>19,193,156</u>	<u>(443,165)</u>	<u>18,749,991</u>
1,092,785	(151,345)	941,440
39,639,702	35,197,425	74,837,127
<u>827,790</u>		<u>827,790</u>
<u>\$ 41,560,277</u>	<u>\$ 35,046,080</u>	<u>\$ 76,606,357</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2008

	<u>General Fund</u>	<u>Economic Development</u>	<u>General Debt Service</u>	<u>Court/ Emergency Operations Center/ Brazos Oaks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and temporary investments	\$ 8,249,546	\$ 1,612,774	\$ 527,553	\$ 4,780,869	\$ 3,863,060	\$ 19,033,802
Receivables (Net of Allowance for Uncollectibles):						
Taxes	924,726	358,414	18,557			1,301,697
Accounts	275,087				12,427	287,514
Grants	731,642					731,642
Due from other funds	215,180				12,380	227,560
Investments	399,000					399,000
Inventories	<u>92,925</u>					<u>92,925</u>
Total assets	<u>\$ 10,888,106</u>	<u>\$ 1,971,188</u>	<u>\$ 546,110</u>	<u>\$ 4,780,869</u>	<u>\$ 3,887,867</u>	<u>\$ 22,074,140</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 1,300,327			\$ 235,559	\$ 10,416	\$ 1,546,302
Cash bonds and taxes	455,940					455,940
Accrued wages	666,686					666,686
Deferred revenue	107,628		18,502			126,130
Due to other funds					<u>12,380</u>	<u>12,380</u>
Total liabilities	<u>2,530,581</u>	<u>-0-</u>	<u>18,502</u>	<u>235,559</u>	<u>22,796</u>	<u>2,807,438</u>
Fund Balance:						
Reserved For:						
Inventory	92,925					92,925
Encumbrances	349,857					349,857
Debt service			527,608			527,608
Capital projects				4,545,310	1,103,562	5,648,872
Unreserved:						
Designated For:						
Capital projects					2,299,863	2,299,863
Economic development		1,971,188				1,971,188
Subsequent years expenditures					461,646	461,646
Undesignated	<u>7,914,743</u>					<u>7,914,743</u>
Total fund balances	<u>8,357,525</u>	<u>1,971,188</u>	<u>527,608</u>	<u>4,545,310</u>	<u>3,865,071</u>	<u>19,266,702</u>
Total liabilities and fund balances	<u>\$ 10,888,106</u>	<u>\$ 1,971,188</u>	<u>\$ 546,110</u>	<u>\$ 4,780,869</u>	<u>\$ 3,987,223</u>	<u>\$ 22,173,496</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, 2008

Total fund balances – governmental funds balance sheet	\$ 19,266,702
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 \$ 121,901,247 in assets less \$ 72,252,675 in accumulated depreciation.	49,648,572
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 \$ 29,735 and \$ 18,502, respectively.	48,237
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 \$ 610,114 net of allowance for uncollectible accounts of \$ 383,975 of the general fund amounted to \$ 226,139.	226,139
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 \$ 317,791 (issuance costs of \$ 456,970 less amortization of \$ 139,179).	317,791
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 \$ 8,015 (discount on sale of bonds of \$ 11,477 less amortization of \$ 3,462).	8,015
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 \$ 13,247 (premium on the sale of bonds of \$ 27,779 less amortization of \$ 14,532).	(13,247)
Payables for bond principal and other long-term debt are not reported in the funds.	(27,430,000)
Payables for bond interest are not reported in the funds.	(48,808)
Payables for long-term compensated absences.	(<u>463,124</u>)
Net assets of governmental activities – statement of net assets.	\$ <u><u>41,560,277</u></u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended September 30, 2008

	<u>General</u>	<u>Economic Development</u>	<u>General Debt Service</u>	<u>Court/ Emergency Operations Center/ Brazos Oaks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property	\$ 3,259,202	\$	\$ 2,112,678	\$	\$	\$ 5,371,880
Sales	4,553,842	2,337,052				6,890,894
Franchise	1,525,195					1,525,195
Occupancy					272,703	272,703
Other	145,169					145,169
Industrial district	3,422,770					3,422,770
Intergovernmental	744,892					744,892
Revenue producing facilities	986,604					986,604
Fines and fees	429,564					429,564
Licenses and permits	239,063					239,063
Special assessments					100	100
Investment income	292,699	53,066	34,525	176,193	100,417	656,900
Contributions					515	515
Miscellaneous	<u>176,410</u>				<u>5,865</u>	<u>182,275</u>
Total revenues	<u>15,775,410</u>	<u>2,390,118</u>	<u>2,147,203</u>	<u>176,193</u>	<u>379,600</u>	<u>20,868,254</u>
Expenditures:						
Current:						
General government and administration	2,707,090					2,707,090
Public safety	4,949,286					4,949,286
Public works	3,882,411					3,882,411
Culture and recreation	3,843,683				384,022	4,227,705
Capital outlay	743,949			892,249	757,239	2,393,437
Debt Service:						
Principal retirement			1,425,000		1,155,000	2,580,000
Interest and fiscal charges			<u>729,426</u>		<u>508,912</u>	<u>1,238,338</u>
Total expenditures	<u>16,126,419</u>	<u>-0-</u>	<u>2,154,426</u>	<u>892,249</u>	<u>2,805,173</u>	<u>21,978,267</u>
Excess of revenues over (under) expenditures	<u>(351,009)</u>	<u>2,390,118</u>	<u>(7,223)</u>	<u>(716,056)</u>	<u>(2,425,573)</u>	<u>(1,109,743)</u>
Other Financing Sources (Uses):						
Transfers in	1,485,058				3,732,415	5,217,473
Transfers out	<u>(2,382,270)</u>	<u>(2,101,533)</u>			<u>(26,164)</u>	<u>(4,509,967)</u>
Proceed from disposition of capital assets	<u>54,638</u>					<u>54,638</u>
Total other financing sources (uses)	<u>(842,574)</u>	<u>(2,101,533)</u>	<u>-0-</u>	<u>-0-</u>	<u>3,706,251</u>	<u>762,144</u>
Net change in fund balances	<u>(1,193,583)</u>	<u>288,585</u>	<u>(7,223)</u>	<u>(716,056)</u>	<u>1,280,678</u>	<u>(347,599)</u>
Fund balances - beginning	9,135,330	1,474,714	534,831	5,261,366	2,584,393	18,990,634
Prior period adjustment	<u>415,778</u>	<u>207,889</u>				<u>623,667</u>
Fund balances – ending	<u>\$ 8,357,525</u>	<u>\$ 1,971,188</u>	<u>\$ 527,608</u>	<u>\$ 4,545,310</u>	<u>\$ 3,865,071</u>	<u>\$ 19,266,702</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, 2008

Net change in fund balances – total governmental funds	\$(347,599)
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. This is the amount by which depreciation of \$ 3,489,894 exceeded capital outlay of \$ 2,393,437 in the current period.	(1,096,457)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund and the debt service fund increased by \$(4,882) and \$(367), respectively.	(5,249)
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.	22,016
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 \$ 2,580,000.	2,580,000
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 of \$ 28,889.	(28,889)
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.	2,748
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 \$ 574.	(574)
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.	4,757
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.	(5,828)
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 \$ 32,140 (cost of \$ 256,703 less accumulated depreciation of \$ 224,563).	(32,140)
Change in net assets of governmental activities	<u>\$ 1,092,785</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, 2008

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,261,818	\$ 3,261,818
Sales	4,935,000	4,935,000
Franchise	1,630,000	1,630,000
Other	53,000	53,000
Industrial district	3,352,000	3,352,000
Intergovernmental	15,000	15,000
Revenue producing facilities	823,600	823,600
Fines and fees	391,740	391,740
Licenses and permits	222,450	222,450
Investment income	271,000	271,000
Miscellaneous	114,220	114,220
	15,069,828	15,069,828
Total revenues		
Expenditures:		
Current:		
General government and administration	2,726,405	2,726,405
Public safety	5,143,015	5,143,015
Public works	2,976,100	2,976,100
Culture and recreation	3,896,249	3,896,249
Capital outlay	1,267,490	1,267,490
	16,009,259	16,009,259
Total expenditures		
Excess of revenues over (under) expenditures	(939,431)	(939,431)
Other Financing Sources (Uses):		
Transfers in	1,485,058	1,485,058
Transfers out	(2,382,270)	(2,382,270)
Proceeds from disposition of capital assets		
	(897,212)	(897,212)
Total other financing sources (uses)		
Net change in fund balance	(1,836,643)	(1,836,643)
Fund balance - beginning	9,135,530	9,135,330
Prior period adjustment		
Fund balance - ending	\$ 7,298,687	\$ 7,298,687

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)
\$ 3,259,202	\$	\$ 3,259,202	\$(2,616)
4,553,842		4,553,842	(381,158)
1,525,195		1,525,195	(104,805)
145,169		145,169	92,169
3,422,770		3,422,770	70,770
744,892		744,892	729,892
986,604		986,604	163,004
429,564		429,564	37,824
239,063		239,063	16,613
292,699		292,699	21,699
<u>176,410</u>		<u>176,410</u>	<u>62,190</u>
<u>15,775,410</u>	<u>-0-</u>	<u>15,775,410</u>	<u>705,582</u>
2,707,090	(14,796)	2,692,294	34,111
4,949,286	39,486	4,988,772	154,243
3,882,411	(492,394)	3,390,017	(413,917)
3,843,683	(8,393)	3,835,290	60,959
<u>743,949</u>	<u>349,857</u>	<u>1,093,806</u>	<u>173,684</u>
<u>16,126,419</u>	<u>(126,240)</u>	<u>16,000,179</u>	<u>9,080</u>
<u>(351,009)</u>	<u>126,240</u>	<u>(224,769)</u>	<u>1,034,593</u>
1,485,058		1,485,058	-0-
(2,382,270)		(2,382,270)	-0-
<u>54,638</u>		<u>54,638</u>	<u>54,638</u>
<u>(842,574)</u>	<u>-0-</u>	<u>(842,574)</u>	<u>54,638</u>
(1,193,583)	126,240	(1,067,343)	769,300
9,135,330		9,135,330	-0-
<u>415,778</u>		<u>415,778</u>	<u>(415,778)</u>
<u>\$ 8,357,525</u>	<u>\$ 126,240</u>	<u>\$ 8,483,765</u>	<u>\$ 353,522</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,509,500	\$ 2,509,500	\$ 2,337,052	\$(172,448)
Investment income	<u>40,275</u>	<u>40,275</u>	<u>53,066</u>	<u>12,791</u>
Total revenues	2,549,775	2,549,775	2,390,118	(159,657)
Expenditures				<u>-0-</u>
Excess of revenues over (under) expenditures	<u>2,549,775</u>	<u>2,549,775</u>	<u>2,390,118</u>	<u>(159,657)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(2,101,314)</u>	<u>(2,101,314)</u>	<u>(2,101,533)</u>	<u>(219)</u>
Total other financing sources (uses)	<u>(2,101,314)</u>	<u>(2,101,314)</u>	<u>(2,101,533)</u>	<u>(219)</u>
Net change in fund balance	448,461	448,461	288,585	(159,876)
Fund balances - beginning	1,474,714	1,474,714	1,474,714	-0-
Prior period adjustment			<u>207,889</u>	<u>207,889</u>
Fund balance - ending	<u>\$ 1,923,175</u>	<u>\$ 1,923,175</u>	<u>\$ 1,971,188</u>	<u>\$ 48,013</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, 2008

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 2,990,250	\$ 291,437	\$ 3,281,687
Receivables (Net of Allowance for Uncollectibles):			
Accounts	744,552	42,813	787,365
Inventory		113,412	113,412
Prepaid expenses		12,463	12,463
	<u>3,734,802</u>	<u>460,125</u>	<u>4,194,297</u>
Current Restricted Assets:			
Restricted Assets:			
Cash and cash equivalents	<u>3,719,451</u>	<u>43,000</u>	<u>3,762,451</u>
Total current restricted assets	<u>3,719,451</u>	<u>43,000</u>	<u>3,762,451</u>
Total current assets	<u>7,454,253</u>	<u>503,125</u>	<u>7,957,378</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u>1,465,755</u>		<u>1,465,755</u>
Total noncurrent restricted assets	<u>1,465,755</u>	<u>-0-</u>	<u>1,465,755</u>
Deferred charges	<u>332,273</u>		<u>332,273</u>
Capital Assets:			
Property, plant and equipment	55,637,933	9,206,999	64,844,932
Construction in progress	626,523		626,523
Less accumulated depreciation	<u>(23,130,835)</u>	<u>(1,175,311)</u>	<u>(24,306,146)</u>
Total capital assets (net of accumulated depreciation)	<u>33,133,621</u>	<u>8,031,688</u>	<u>41,165,309</u>
Total noncurrent assets	<u>34,931,649</u>	<u>8,031,688</u>	<u>42,963,337</u>
Total assets	<u>42,385,902</u>	<u>8,534,813</u>	<u>50,920,715</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - Continued

September 30, 2008

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 396,688	\$ 55,187	\$ 451,875
Accrued wages	41,780	27,657	69,437
Accrued compensated absences	117,323		117,323
Deferred revenue		112,902	112,902
Revenue bonds payable	624,167		624,167
Capital leases payable – current		137,369	137,369
Due to other funds		215,180	215,180
	<u>1,179,958</u>	<u>548,295</u>	<u>1,728,253</u>
Current Liabilities Payable from Restricted Assets:			
Accounts payable	117		117
Accrued interest	259,957		259,957
Customer deposits	534,827		534,827
Revenue bonds payable	445,833		445,833
	<u>1,240,734</u>	<u>-0-</u>	<u>1,240,734</u>
Total current liabilities payable from restricted assets			
	<u>1,240,734</u>	<u>-0-</u>	<u>1,240,734</u>
Total current liabilities	<u>2,420,692</u>	<u>548,295</u>	<u>2,968,987</u>
Noncurrent Liabilities:			
Revenue bonds payable	12,390,000		12,390,000
Capital leases payable		515,648	515,648
	<u>12,390,000</u>	<u>515,648</u>	<u>12,905,648</u>
Total noncurrent liabilities			
	<u>12,390,000</u>	<u>515,648</u>	<u>12,905,648</u>
Total liabilities	<u>14,810,692</u>	<u>1,063,943</u>	<u>15,874,635</u>
Net Assets:			
Invested in capital assets, net of related debt	20,005,894	7,378,671	27,384,565
Restricted For:			
Revenue bond retirement	1,932,943		1,932,943
Construction	2,457,362		2,457,362
Maintenance		43,000	43,000
Unrestricted	3,179,011	49,199	3,228,210
	<u>3,179,011</u>	<u>49,199</u>	<u>3,228,210</u>
Total net assets	<u>\$ 27,575,210</u>	<u>\$ 7,470,870</u>	<u>\$ 35,046,080</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, 2008

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 3,115,137	\$	\$ 3,115,137
Sewer service	3,251,097		3,251,097
Garbage fees	2,970,992		2,970,992
Tapping and connection fees	251,625		251,625
Golf course fees and charges		1,831,956	1,831,956
Other	60,984	15,462	76,446
Total operating revenues	9,649,835	1,847,418	11,497,253
Operating Expenses:			
Utility administration	323,852		323,852
Water production and treatment	2,247,364		2,247,364
Sewer collection	1,846,417		1,846,417
Sanitation	2,227,242		2,227,242
Golf course		1,672,695	1,672,695
Depreciation	1,902,114	344,504	2,246,618
Total operating expenses	8,546,989	2,017,199	10,564,188
Operating income (loss)	1,102,846	(169,781)	933,065
Non-Operating Revenues (Expenses):			
Interest revenue	258,811	5,530	264,341
Gain (loss) on disposition of capital assets	(6,000)		(6,000)
Interest expense and fiscal charges	(618,181)	(17,064)	(635,245)
Total non-operating revenues (expenses)	(365,370)	(11,534)	(376,904)
Income (loss) before contributions and transfers	737,476	(181,315)	556,161
Transfers in	319,931	100,001	419,932
Transfers out	(1,115,058)	(12,380)	(1,127,438)
Change in net assets	(57,651)	(93,694)	(151,345)
Net assets at beginning of year	27,632,861	7,564,564	35,197,425
Net assets at end of year	\$ 27,575,210	\$ 7,470,870	\$ 35,046,080

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, 2008

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 9,353,845	\$ 1,846,403	\$ 11,200,248
Payments to suppliers	(4,472,630)	(909,413)	(5,382,043)
Payments to employees	(2,588,994)	(764,790)	(3,353,784)
Net cash provided by operating activities	<u>2,292,221</u>	<u>172,200</u>	<u>2,464,421</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	319,931	100,001	419,932
Transfers out	(1,115,058)	(12,380)	(1,127,438)
Net cash provided (used) by non-capital financing activities	<u>(795,127)</u>	<u>87,621</u>	<u>(707,506)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(891,912)		(891,912)
Principal paid on capital debt	(1,070,000)	(137,404)	(1,207,404)
Interest and fiscal charges paid on capital debt	(339,056)	(17,064)	(356,120)
Net cash (used) by capital and related financing activities	<u>(2,300,968)</u>	<u>(154,468)</u>	<u>(2,455,436)</u>
Cash Flows from Investing Activities:			
Interest received	<u>258,811</u>	<u>5,530</u>	<u>264,341</u>
Net cash provided by investing activities	<u>258,811</u>	<u>5,530</u>	<u>264,341</u>
Net increase (decrease) in cash and cash equivalents	(545,063)	110,883	(434,180)
Cash and cash equivalents at the beginning of year	<u>8,720,519</u>	<u>223,554</u>	<u>8,944,073</u>
Cash and cash equivalents at the end of year	<u>\$ 8,175,456</u>	<u>\$ 334,437</u>	<u>\$ 8,509,893</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2008

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,102,846	\$(169,781)	\$ 933,065
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,902,114	344,504	2,246,618
(Increase) decrease in accounts receivable	(295,990)	(6,325)	(302,315)
(Increase) decrease in inventory		16,863	16,863
(Increase) decrease in prepaid expenses		(8,203)	(8,203)
Increase (decrease) in accounts payable	(207,693)	(7,164)	(214,857)
Increase (decrease) in accrued wages payable	1,641	(3,004)	(1,363)
Increase (decrease) in accrued compensated absences	4,974		4,974
Increase (decrease) in deferred revenue		5,310	5,310
Increase (decrease) in customer deposits	(215,671)		(215,671)
Total adjustments	<u>1,189,375</u>	<u>341,981</u>	<u>1,531,356</u>
Net cash provided by operating activities	<u>\$ 2,292,221</u>	<u>\$ 172,200</u>	<u>\$ 2,464,421</u>
Non-cash Investing, Capital, and Financing Activities:			
Capital assets acquired by capital lease	\$	\$(464,347)	\$(464,347)
Capital lease to provide for acquisition of capital assets		<u>464,347</u>	<u>464,347</u>
Net effect of non-cash transactions	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</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, 2008

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

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, 2008

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 on all of the nonfiduciary activities 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, 2008

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 Court/Emergency Operations Center/Brazos Oaks Construction 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 reconstruction of streets and drainage in the Brazos Oaks subdivision.

The City reports the following major proprietary funds:

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

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

In April of 2004, the GASB issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)". This Statement provides uniform financial reporting for OPEB plans and supersedes the interim guidance included in Statement No. 26. The statement was implemented and did not have a material impact on the City's financial statements.

In May of 2004, the GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1. This statement improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB 34. The provisions of this Statement are effective for periods beginning after June 15, 2005. The City adopted this statement during the year ended September 30, 2005.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," was issued June 2004. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is effective for periods beginning after December 15, 2008. The statement was implemented and did not have a material impact on the City's financial statements.

GASB No. 46, "Net Assets Restricted by Enabling Legislation: an amendment of GASB Statement No. 34", was issued December 2004. This statement clarifies the meaning of legally enforceable as applied to restrictions on net asset use imposed by enabling legislation. This statement is effective for periods beginning after June 15, 2006. The statement was implemented and did not have a material impact on the City's financial statements.

GASB No. 47, "Accounting for Termination Benefits", was issued April 2005. This statement provides guidance for measuring, recognizing, and reporting liabilities and expense/expenditures related to all termination benefits, both voluntary and involuntary. The statement was implemented and did not have a material impact on the City's financial statements.

GASB No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra Entity Transfers of Assets and Future Revenues", was issued September 2006. This statement provides guidance for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. This statement is effective for periods beginning after December 15, 2006. The statement was implemented and did not have an impact on the City's financial statements.

GASB No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", was issued November 2006. This statement provides guidance for pollution remediation obligations. This statement is effective for periods beginning after December 15, 2007. The statement was implemented and did not have an impact on the City's financial statements.

GASB No. 50, "Pension Disclosures", was issued May 2007. This statement provides guidance for financial reporting by pension plans and by employers that provide defined benefit and contribution plans. This statement is effective for periods beginning after June 15, 2007. The statement was implemented and did not have an impact on the City's financial statements.

GASB No. 51, "Accounting and Financial Reporting for Intangible Assets", was issued June 2007. This statement provides guidance for financial reporting of intangible assets for all state and local governments. This statement is effective for periods beginning after June 15, 2009. 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB No. 52, "Land and Other Real Estate Held as Investments by Endowments", was issued November 2007. This statement does not apply to the City as it holds no endowment funds. This statement is effective for periods beginning after June 15, 2008.

GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", was issued June 2008. This statement provides guidance for financial reporting of derivative instruments for all state and local governments. This statement is effective for periods beginning after June 15, 2009. The management of the City does not believe that the implementation of this statement will affect the financial statements of the City since it does not make direct investments in derivative instruments.

Budgetary Data

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

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

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

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

Governmental Fund Types:

1. Encumbrances which do not lapse at year-end are treated as budgeted expenditures in the year the commitment to purchase is made.
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, 2008:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - Continued

Governmental Fund Types:

	<u>General Fund</u>
Excess of revenues over (under) expenditures - GAAP basis	\$(351,009)
Adjustments of accrued wages	(223,617)
Adjustments of encumbrances	<u>349,857</u>
Excess of revenues over (under) expenditures - on budget basis	\$(<u>224,769</u>)

Proprietary Fund Types:

	<u>Enterprise Fund</u>
Change in net assets - GAAP basis	\$(57,651)
Provisions for Current Adjustments To:	
Accrued absences and accrued wages	6,615
Depreciation	1,902,114
Amortization of bond issuance costs	<u>25,655</u>
Change in net assets - budgetary basis	\$ <u>1,876,733</u>

	<u>Golf Course Operating Fund</u>
Change in net assets - GAAP basis	\$(93,694)
Provisions for Current Adjustments To:	
Accrued wages	(3,004)
Depreciation	<u>344,504</u>
Change in net assets - budgetary basis	\$ <u>247,806</u>

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, 2008, the General Fund reported \$ 349,857 in encumbrances.

Cash and Cash Equivalents

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Continued

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

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

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. No interest was capitalized during the year ended September 30, 2008.

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.

The assessed value of the property tax roll on August 1, 2007, upon which the levy for the 2007-08 fiscal year was based, was \$ 1,389,265,506. 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, 2008, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.2332 and \$ 0.1518 per \$ 100 valuation, respectively, for a total of \$ 0.3850 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2008 were 99.06% 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, 2008, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 29,680 and \$ 18,557 for the general and debt service funds, respectively.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2008, there is no maturing compensated absences payable in the General Fund. Accrued compensated absences reported in the Enterprise Fund at September 30, 2008 totaled \$ 117,323.

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 8).

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, 2008 consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 80,758	\$
Supplies held for resale	<u>12,167</u>	<u>113,412</u>
	<u>\$ 92,925</u>	<u>\$ 113,412</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are unavailable for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

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, 2008, are as follows:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 9,600	\$	\$ 9,600
Financial Institution Deposits:			
Demand deposits	3,926,037	1,015,602	4,941,639
Local Government Investment Pools:			
Texpool	9,706,957	2,224,804	11,931,761
Lone Star Investment Pool	2,282,866	523,226	2,806,092
TexSTAR	<u>6,390,029</u>	<u>1,464,574</u>	<u>7,854,603</u>
	<u>\$ 22,315,489</u>	<u>\$ 5,228,206</u>	<u>\$ 27,543,695</u>
Investments:			
Financial Institution Deposits:			
Certificates of deposit	<u>\$ 399,000</u>	<u>\$</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, 2008, in addition to petty cash of \$ 9,600, the carrying amount of the City's cash, savings, and time deposits was \$ 5,340,639. The financial institutions balances were \$ 4,885,728 at September 30, 2008. Bank balances of \$ 519,100 were covered by federal depository insurance, \$ 500,000 was covered by SIPC coverage, \$ 1,619,861 was covered by collateral pledged in the City's name, and \$ 2,246,767 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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 and "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

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

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

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

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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, 2008 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 344days, 39 days, and 36 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 44 days, 39 days, and 36 days, respectively, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The City is invested in certificates of deposit at four different local financial institutions 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, 2008.

	<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	1.00	\$ 11,931,761
Lone Star Investment Pool	N/A	Varies daily	1.00	2,806,092
TexSTAR	N/A	Varies daily	<u>1.00</u>	<u>7,854,603</u>
Total local government investment pools			<u>0.98</u>	<u>22,592,456</u>
Certificate of deposit	06-21-09	2.75%	264.00	100,000
Certificate of deposit	02-04-09	3.25%	127.00	100,000
Certificate of deposit	08-29-08	4.40%	333.00	100,000
Certificate of deposit	05-07-08	2.97%	<u>136.00</u>	<u>99,000</u>
Total certificates of deposit			<u>215.20</u>	<u>399,000</u>
Total investments			<u>6.30</u>	<u>\$ 22,991,456</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

Credit Risk - As of September 30, 2008, the LGIP's (which represent approximately 98.26% of the portfolio are rated AAAM by Standard and Poor's, while the certificates of deposits (1.74% 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, 2008, and holds no direct investments in derivatives at September 30, 2008.

NOTE 3 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are considered to be available 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, 2008, 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)	\$ 29,735	\$
Delinquent property taxes receivable (debt service fund)	18,502	
Recreation memberships and deposits	<u> </u>	<u>77,893</u>
Total deferred/unearned revenue from governmental funds	<u>\$ 48,237</u>	<u>\$ 77,893</u>

As of September 30, 2008, the components of unearned revenue reported in the proprietary funds were as follows:

	<u>Unearned</u>
Service deposits	<u>\$ 112,902</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at September 30, 2008 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	\$ 12,380	\$
Golf Course Operating Fund	<u>202,800</u>	<u> </u>
Total General Fund	<u>215,180</u>	<u>-0-</u>
Golf Course Debt Service Fund:		
Golf Course Operating Fund	12,380	
General Fund		<u>12,380</u>
Total Golf Course Debt Service Fund	<u>12,380</u>	<u>12,380</u>
Golf Course Operating Fund:		
General Fund		202,800
Golf Course Debt Service		<u>12,380</u>
Total Golf Course Operating Fund	<u>-0-</u>	<u>215,180</u>
Total	<u>\$ 227,500</u>	<u>\$ 227,500</u>

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

Interfund Transfers

Interfund transfers for the year ended September 30, 2008 consisted of the following individual fund transfers in and transfers out:

<u>Transfers Out</u>	<u>Transfers In</u>				
	<u>Governmental Funds</u>		<u>Proprietary Funds</u>		
	<u>General Fund</u>	<u>Non-Major Governmental</u>	<u>Enterprise</u>	<u>Golf Course</u>	<u>Total</u>
Governmental Funds:					
General Fund	\$	\$ 2,062,339	\$ 319,931	\$	\$ 2,382,270
Economic Development	350,000	1,651,532		100,001	2,101,533
Non-Major Governmental	20,000	6,164			26,164
Proprietary Funds:					
Enterprise	1,115,058				1,115,058
Golf Course Operating		<u>12,380</u>			<u>12,380</u>
	<u>\$ 1,485,058</u>	<u>\$ 3,732,415</u>	<u>\$ 319,931</u>	<u>\$ 100,001</u>	<u>\$ 5,637,405</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Interfund Transfers - Continued

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, 2008, was as follows:

	<u>Balance</u> <u>10/01/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/08</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,359,934	\$	\$	\$ 2,359,934
Construction in progress	<u>717,505</u>	<u>1,649,489</u>	<u>498,014</u>	<u>1,868,980</u>
Total capital assets, not being depreciated	<u>3,077,439</u>	<u>1,649,489</u>	<u>498,014</u>	<u>4,228,914</u>
Capital Assets, Being Depreciated:				
Buildings	26,202,247			26,202,247
Improvements	10,638,485	98,569		10,737,054
Equipment	9,108,249	844,644	256,703	9,696,190
Infrastructure	<u>70,738,093</u>	<u>298,749</u>		<u>71,036,842</u>
Total capital assets, being depreciated	<u>116,687,074</u>	<u>1,241,962</u>	<u>256,703</u>	<u>117,672,333</u>
Less Accumulated Depreciation For:				
Buildings	7,869,476	543,964		8,413,440
Improvements	5,472,371	453,726		5,926,097
Equipment	5,865,553	617,546	221,632	6,261,467
Infrastructure	<u>49,779,944</u>	<u>1,874,658</u>	<u>2,931</u>	<u>51,651,671</u>
Total accumulated depreciation	<u>68,987,344</u>	<u>3,489,894</u>	<u>224,563</u>	<u>72,252,675</u>
Total capital assets, being depreciated, net	<u>47,699,730</u>	<u>(2,247,932)</u>	<u>32,140</u>	<u>45,419,658</u>
Governmental activities capital assets, net	<u>\$ 50,777,169</u>	<u>\$ (598,443)</u>	<u>\$ 530,154</u>	<u>\$ 49,648,572</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/08</u>
Business-type Activities (Utility Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>274,019</u>	\$ <u>483,711</u>	\$ <u>131,207</u>	\$ <u>626,523</u>
Total capital assets, not being depreciated	<u>274,019</u>	<u>483,711</u>	<u>131,207</u>	<u>626,523</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	26,092,895	108,600		26,201,495
Equipment	5,045,742	420,757	140,872	5,325,627
Infrastructure	<u>18,700,813</u>	<u>10,051</u>		<u>18,710,864</u>
Total capital assets, being depreciated	<u>55,239,397</u>	<u>539,408</u>	<u>140,872</u>	<u>55,637,933</u>
Less Accumulated Depreciation:				
Buildings	3,378,221	132,533		3,510,754
Improvements other than buildings	12,906,390	683,494		13,589,884
Equipment	2,743,479	490,867	134,872	3,099,474
Infrastructure	<u>2,335,503</u>	<u>595,220</u>		<u>2,930,723</u>
Total accumulated depreciation	<u>21,363,593</u>	<u>1,902,114</u>	<u>134,872</u>	<u>23,130,835</u>
Total capital assets, being depreciated, net	<u>33,875,804</u>	<u>(1,362,706)</u>	<u>6,000</u>	<u>32,507,098</u>
Business-type activities capital assets, net	\$ <u>34,149,823</u>	\$ <u>(878,995)</u>	\$ <u>137,207</u>	\$ <u>33,133,621</u>
	<u>Balance</u> <u>10/01/07</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/08</u>
Business-type Activities (Golf Course Fund):				
Capital Assets, Not Being Depreciated:				
Land	\$ <u>3,821,585</u>	\$ _____	\$ _____	\$ <u>3,821,585</u>
Total capital assets, not being depreciated	<u>3,821,585</u>	<u>-0-</u>	<u>-0-</u>	<u>3,821,585</u>
Capital Assets, Being Depreciated:				
Buildings	1,222,546			1,222,546
Improvements other than buildings	2,993,723			2,993,723
Equipment	<u>704,798</u>	<u>464,347</u>		<u>1,169,145</u>
Total capital assets, being depreciated	<u>4,921,067</u>	<u>464,347</u>	<u>-0-</u>	<u>5,385,414</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/07</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/08</u>
Less Accumulated Depreciation:				
Buildings	\$ 215,807	\$ 61,659	\$	\$ 277,466
Improvements other than buildings	523,202	149,720		672,922
Equipment	<u>91,798</u>	<u>133,125</u>		<u>224,923</u>
Total accumulated depreciation	<u>830,807</u>	<u>344,504</u>	<u>-0-</u>	<u>1,175,311</u>
Total capital assets, being depreciated, net	<u>4,090,260</u>	<u>119,843</u>	<u>-0-</u>	<u>4,210,103</u>
Business-type activities capital assets, net	\$ <u>7,911,845</u>	\$ <u>119,843</u>	\$ <u>-0-</u>	\$ <u>8,031,688</u>
	<u>Balance</u> <u>10/01/07</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/08</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$	\$	\$ 3,821,585
Construction in progress	<u>274,019</u>	<u>483,711</u>	<u>131,207</u>	<u>626,523</u>
Total capital assets, not being depreciated	<u>4,095,604</u>	<u>483,711</u>	<u>131,207</u>	<u>4,448,108</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	29,086,618	108,600		29,195,218
Equipment	5,750,540	885,104	140,872	6,494,772
Infrastructure	<u>18,700,813</u>	<u>10,051</u>		<u>18,710,864</u>
Total capital assets, being depreciated	<u>60,160,464</u>	<u>1,003,755</u>	<u>140,872</u>	<u>61,023,347</u>
Less Accumulated Depreciation:				
Buildings	3,594,028	194,192		3,788,220
Improvements other than buildings	13,429,592	833,214		14,262,806
Equipment	2,835,277	623,992	134,872	3,324,397
Infrastructure	<u>2,335,503</u>	<u>595,220</u>		<u>2,930,723</u>
Total accumulated depreciation	<u>22,194,400</u>	<u>2,246,618</u>	<u>134,872</u>	<u>24,306,146</u>
Total capital assets, being depreciated, net	<u>37,966,064</u>	<u>(1,242,863)</u>	<u>6,000</u>	<u>36,717,201</u>
Business-type activities capital assets, net	\$ <u>42,061,668</u>	\$ <u>(759,152)</u>	\$ <u>137,207</u>	\$ <u>41,165,309</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 5 - CAPITAL ASSETS - Continued

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

Governmental Activities:

General government	\$ 178,409
Public safety	519,244
Public works, including depreciation of infrastructure	2,039,625
Culture and recreation	<u>752,616</u>

Total depreciation expense-governmental activities \$ 3,489,894

Business-type Activities:

Water and sewer	\$ 1,670,188
Sanitation	231,926
Golf course	<u>344,504</u>

Total depreciation expense-business-type activities \$ 2,246,618

Governmental Fund Construction Commitments

The City has entered into contracts for construction as of September 30, 2008, as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Abner Jackson Traffic Sign	\$ 161,978	\$ 158,878	\$ 3,100
Court Renovation - Design Phase	281,250	115,313	165,937
Brazos Oaks Subdivision - Phase 1	<u>1,769,786</u>	<u>794,552</u>	<u>975,234</u>
Total	\$ <u>2,213,014</u>	\$ <u>1,068,743</u>	\$ <u>1,144,271</u>

Proprietary Fund Construction Commitments

None

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	\$ 32,436
Debt Service Fund	<u>19,136</u>
Total	\$ <u>51,572</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 6 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - Continued

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, 2008 was \$ 49,172.

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 \$ 99,446 for the year ended September 30, 2008.

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, 2008 was \$ 383,975.

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.

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

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.

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2008, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/08
		Issued	Maturity	Callable	
Certificates of Obligation Series 1996	5.00 - 7.00	1996	2013	2007	\$ 3,285,000
Certificates of Obligation Series 1997	4.00 - 6.00	1997	2013	2008	1,125,000
General Obligation Bond - Series 1997	4.50 - 6.50	1997	2019	2008	1,100,000
General Obligation Bond - Series 1999	4.00 - 6.00	1999	2019	2009	2,250,000
General Obligation Bond - Series 2001	4.10 - 6.00	2001	2021	2011	2,340,000
Limited Tax Bond - Series 2002	4.00 - 5.00	2002	2023	2013	4,945,000 (continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/08
		Issued	Maturity	Callable	
Limited Tax Bond - Series 2002A	2.75 - 4.50	2002	2022	2013	\$ 2,520,000
Limited Tax Refunding Bond - Series 2003	2.50 - 3.50	2003	2013	N/A	1,050,000
Certificates of Obligation Series 2003	2.50 - 4.55	2003	2023	2012	900,000
Limited Tax Bond Series 2004	3.30 - 4.20	2004	2024	2013	2,880,000
Limited Tax Bond Series 2007	3.875 - 4.00	2007	2027	2017	<u>5,035,000</u>
Total					<u>\$ 27,430,000</u>

General obligation bond transactions for the year ended September 30, 2008 were as follows:

Bonds outstanding, October 1	\$ 30,010,000
Maturities	<u>(2,580,000)</u>
Bonds outstanding, September 30	<u>\$ 27,430,000</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, 2008, the amount of ad valorem taxes collected for interest and sinking was \$ 2,112,678. The debt service requirements for principal and interest was \$ 3,818,338. In addition, \$ 1,663,912 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, 2008:

Year Ending September 30,	Principal	Interest	Total Requirements
2009	\$ 2,260,000	\$ 1,133,407	\$ 3,393,407
2010	2,355,000	1,037,848	3,392,848
2011	2,205,000	941,212	3,146,212
2012	2,210,000	847,605	3,057,605
2013	2,215,000	754,753	2,969,753
2014-2018	9,010,000	2,539,965	11,549,965
2019-2023	6,380,000	919,015	7,299,015
2024-2027	<u>795,000</u>	<u>47,700</u>	<u>842,700</u>
Total	<u>\$ 27,430,000</u>	<u>\$ 8,221,505</u>	<u>\$ 35,651,505</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable

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

Revenue bonds payable for business-type activities at September 30, 2008, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/08
		Issued	Maturity	Callable	
Revenue Bonds	2.50 -				
Series 1993A	5.40	1993	2013	2003	\$ 360,000
Revenue Bonds -	5.00 -				
Series 1996	7.00	1996	2016	2007	800,000
Revenue Bonds -	5.00 -				
Series 2000	7.00	2000	2021	2011	10,400,000
Revenue Bonds -	4.00 -				
Series 2007	5.00	2007	2027	2017	<u>1,900,000</u>
Total					<u>\$ 13,460,000</u>

Revenue bond transactions for the year ended September 30, 2008 were as follows:

Bonds outstanding, October 1	\$ 14,530,000
Maturities	<u>(1,070,000)</u>
Bonds outstanding, September 30	<u>\$ 13,460,000</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, 2008, the required balance in the sinking fund was \$ 700,356. 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, 2008, the required balance in the reserve fund was \$ 1,489,780. At September 30, 2008, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 727,145; and the designated amount for the reserve totaled \$ 1,465,755. The total account balance of \$ 2,192,900 is sufficient to cover the combined reserve and sinking requirement of \$ 2,171,938.

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

The following is a summary of revenue bond requirements for business-type activities by year as of September 30, 2008:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 1,070,000	\$ 564,680	\$ 1,634,680
2010	1,070,000	520,720	1,590,720
2011	1,070,000	476,610	1,546,610
2012	1,070,000	432,065	1,502,065
2013	1,080,000	386,970	1,466,970
2014-2018	4,800,000	1,291,600	6,091,600
2019-2023	2,900,000	340,000	3,240,000
2024-2027	<u>400,000</u>	<u>32,000</u>	<u>432,000</u>
Total	<u>\$ 13,460,000</u>	<u>\$ 4,044,645</u>	<u>\$ 17,504,645</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 \$ 143,115 and \$ 17,064, 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 \$ 121,860 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>159,288</u>
Total	\$	<u>898,776</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, 2008:

<u>Year Ended September 30,</u>	<u>Amount</u>
2009	\$ 151,971
2010	152,019
2011	152,069
2012	230,149
2013	<u>7,906</u>
	694,114
Less amount representing interest	<u>41,097</u>
Net present value of minimum lease payments	<u>\$ 653,017</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 7 - LONG-TERM DEBT - Continued

Operating Leases

The City is involved in various operating leases as lessor. These leases are for exercise equipment utilized at the Recreation Center. These leases are for periods through 2009.

Minimum future rentals to be received on noncancelable leases, as of September 30, 2008, for each of the next five years and in the aggregate are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2009	\$ <u>5,555</u>
	\$ <u><u>5,555</u></u>

Changes in Outstanding Debt

Transactions for the year ended September 30, 2008 are summarized as follows:

	<u>Balance</u> <u>10-01-07</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09-30-08</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
General obligation bonds	\$ 6,195,000	\$	\$ 505,000	\$ 5,690,000	\$ 505,000
Certificates of obligation bonds	6,235,000		925,000	5,310,000	650,000
Limited tax bonds	17,580,000		1,150,000	16,430,000	1,105,000
Components of Bonded Debt:					
Premiums on bonds	15,994		2,747	13,247	2,747
Discounts on bonds	(8,589)	574		(8,015)	(574)
Accrued interest payable	53,565	48,808	53,565	48,808	48,808
Compensated absences	<u>457,296</u>	<u>409,394</u>	<u>403,566</u>	<u>463,124</u>	<u>463,124</u>
Total governmental activities	<u>30,528,266</u>	<u>458,776</u>	<u>3,039,878</u>	<u>27,947,164</u>	<u>2,774,105</u>
Business-Type Activities:					
Revenue bonds	14,530,000		1,070,000	13,460,000	1,070,000
Capital leases	326,074	470,058	143,115	653,017	137,369
Components of Bonded Debt:					
Accrued interest payable	283,926	259,958	283,926	259,958	259,958
Compensated absences	<u>112,349</u>	<u>92,688</u>	<u>87,714</u>	<u>117,323</u>	<u>117,323</u>
Total business-type activities	15,252,349	822,704	1,584,755	14,490,298	1,584,650
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	445,833			445,833	445,833
Accrued interest payable	<u>283,926</u>	<u>259,958</u>	<u>283,926</u>	<u>259,958</u>	<u>259,958</u>
Net business-type activities	<u>14,522,590</u>	<u>562,746</u>	<u>1,300,829</u>	<u>13,784,507</u>	<u>878,859</u>
Total government (net)	\$ <u>45,050,856</u>	\$ <u>1,021,522</u>	\$ <u>4,340,707</u>	\$ <u>41,731,671</u>	\$ <u>3,652,964</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 8 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN

Pension Trust Fund

The City, as an employer, participates as one of the 827 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 costs and contributions to the Pension Trust Fund for the years ended September 30, 2008, 2007 and 2006 were \$ 976,229, \$ 841,045, and \$ 721,744, respectively, which equaled 100% of the required contributions each year.

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 (which equal the required contributions) based on the calculated rates for the City's fiscal year. The rate is 11.12% of covered payroll for the months in calendar year 2007, and 11.19% for the months in calendar year 2008. 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 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, 2009 contribution rate is based on the December 31, 2007 valuation results. If a change in plan provisions is elected by the City, this rate can change.

Plan Provisions -	2005	2006	2007*	2007
1) Total number of participating entities	811	821	827	827
City Specific:				
2) Employee deposit rate	5.0%	6.0%	6.0%	6.0%
3) Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1	2 to 1
4) Years required for vesting	5	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	60/5, 0/20

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 8 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN - Continued

Pension Trust Fund - Continued

Plan Provisions -	2005	2006	2007*	2007
6) Updated service credit annually repeating (Y/N)	100% Y	100% Y	100% Y	100% Y
7) Annuity increase to retirees annually repeating (Y/N)	70% Y	70% Y	70% Y	70% Y
8) Supplemental death benefit: For active employees (Y/N)	Y	Y	Y	Y
For retirees (Y/N)	Y	Y	Y	Y

Actuarial Information -	2005	2006	2007*	2007
1) Actuarial cost method	Unit Credit	Unit Credit	Unit Credit	Projected Unit Credit
2) Amortization method	Level % of payroll			
3) Amortization period	25 years - open period amortized	25 years - open period amortized	25 years - open period amortized	30 years – closed period amortized
4) Asset valuation method (cost)				
5) Assumptions:				
Investment return	7.0%	7.0%	7.0%	7.0%
Projected salary increases	None	None	None	varies - age and service
Inflation	3.5%	3.5%	3.5%	3.0%
Cost-of-living adjustments	low/low	low/low	low/low	mid/mid
6) City specific assumptions				
Payroll growth assumption	low/low	low/low	low/low	mid/mid

Funding Information -

Actuarial Valuation Date	Actuarial Value of Assets*** (a)	Actuarial Accrued Liability** (AAL)- (b)	Unfunded AAL (UAAL) (b-a)	Percentage Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2005	\$ 20,498,844	\$ 22,693,304	\$ 2,194,460	90.30%	\$ 7,858,991	27.90%
2006	21,427,796	24,948,118	3,520,322	85.89%	8,041,269	43.78%
2007*	20,970,892	24,965,647	3,994,755	84.00%	7,910,024	50.50%
2007 ****	20,970,892	27,954,309	6,983,417	75.00%	7,910,024	88.30%

* Under old assumptions (for comparative purposes only).

** As of December 31 of the preceding year, the date of the actuarial valuation.

*** Assets are stated cost as of December 31 of the preceding year.

**** The drop in funded ratio in 2007 is due primarily to a funding method change adopted by the TMRS Board to advance fund annually repeating USC and AI.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 8 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN - Continued

Pension Trust Fund - Continued

At its December 8, 2007, meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 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).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial liability would have been \$ 3,994,755 and the funded ratio would have been 84.0%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio that includes equities as well. If legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

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 full (required) rate. The City's full contribution rate for calendar year 2009 is 15.51%, and the (elected) phase-in rate for calendar year 2009 is 12.00%.

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.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 8 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN - Continued

OPEB-Supplemental Death Benefits Fund - Continued

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 0.29% and 0.28% in 2008 and 2007, 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, 2008, 2007, and 2006 were \$ 24,074, \$ 22,546, and \$ 21,018, respectively, which equaled 100% of the required contributions each year.

Plan Provisions -	<u>2007</u>
1) Total number of participating entities offering supplemental death to retirees	714
City Specific:	
2) Supplemental death benefit:	
For active employees (Y/N)	Y
For retirees (Y/N)	Y
Actuarial Information -	<u>2007</u>
1) Valuation date	12-31-07
2) Actuarial cost method	Projected Unit Credit
3) Amortization method	Level percent of payroll
4) Amortization period	25 years – open period
5) Asset valuation method	Fund value
6) Assumptions:	
Investment return	4.25%
Projected salary increases	None
Inflation	3.0%
Cost-of-living adjustments	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.

NOTE 9 - 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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 9 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND - Continued

Plan Description - Continued

August 31, 2008, there were 186 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, 2008:

Retirees and beneficiaries currently receiving benefits	1,939
Terminated participants entitled to benefits but not yet receiving them	1,975
Current active participants (vested and nonvested)	4,340

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 4,340 current members, 8 were covered by Lake Jackson Emergency Services Department (ESD) and 33 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. Average monthly contribution by the City is \$ 125 per member.

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

Funding Policy

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

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2008 total contributions (dues and prior service) of \$ 2,439,339 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 9 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND - Continued

Annual Required Contributions - Continued

In addition, the state appropriated \$ 8,800,000 for the fiscal year ending August 31, 2008. 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, 2006 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, 2008 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, 2009 (\$ 415,405 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 \$ 425,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009 are equal to the contributions required. Since the amount of contributions from the state for the City's participants is not sum certain and is both unavailable and immaterial, no income or expenditures have been recorded for on-behalf payments of fringe benefits.

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)
8/31/04	\$ 38,140,501	\$ 51,567,426	\$ 13,426,925	74.0%	7,994	\$ 1,680
8/31/06	42,268,305	58,082,828	15,814,523	72.8%	8,061	1,962
8/31/08	60,987,157	64,227,341	3,240,184	95.0%	8,254	393

Notes:

- ¹ The actuarial accrued liability is based upon the entry age actuarial cost method.
- ² Changes in actuarial assumptions and methods as well as benefit and contribution provisions were first reflected in this valuation.
- ³ Changes in actuarial assumptions were reflected in this valuation.

Fiscal Year Ending	Three-Year Trend Information		
	Annual Required Contributions (ARC)	Actual Contributions	Percentage of ARC Contributed
August 31, 2006	\$ 2,753,035 ¹	\$ 2,753,035 ³	100%
August 31, 2007	3,162,742 ²	3,162,742 ⁴	100%
August 31, 2008	3,160,764 ³	11,239,339 ⁵	356%

- ¹ Based on the August 31, 2004 actuarial valuation.
- ² Based on the original August 31, 2006 actuarial valuation.
- ³ Includes a State contribution of \$ 675,307.
- ⁴ Includes a State contribution of \$ 709,072.
- ⁵ Includes a State contribution of \$ 8,800,000.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 9 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND - Continued

Required Supplementary Information - Schedule of Funding Progress - Continued

The actuarial assumptions and methods for the two most recent biennial valuations are shown below.

Valuation date	August 31, 2006	August 31, 2008
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	6 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 90%/110% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 90%/110% corridor on market value
Actuarial assumptions:		
Investment rate of return*	8.00% per year, net of investment expenses	8.00% per year, net of investment expenses
Projected salary increases	N/A	N/A
* Included inflation at	3.75%	3.5%
Cost-of-living adjustments	None	None

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

NOTE 10 - DEFERRED COMPENSATION PLAN

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 11 - CONTINGENT LIABILITIES

In accordance with Financial Accounting Standards Board Statement No. 5, the City has recorded an arbitrage liability for fiscal year ended September 30, 2006 totaling \$ 10,155 on the City's Certificates of Obligation, Series 1997. The City has recorded the arbitrage rebate as a reduction of interest income on the invested debt proceeds with a related liability in the appropriate Capital Projects Fund. During the year ended September 30, 2007, the City's arbitrage liability was paid.

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, 2008.

NOTE 12 - 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 13 - 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, a new industrial district contract was negotiated. The term of this contract is for ten (10) years from April 1, 2001 through March 31, 2011. Contract payments are payable in semi-annual installments each June 30 and December 31. The amount of the payments are to be calculated each year based upon the industrial district's taxable value times contracted rate (ranging from 0.325 in 2001 to 0.500 in 2010) times the value weighted tax rate. Total industrial district revenues received during the year ended September 30, 2008 amounted to \$ 3,422,770.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 14 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2008, the City applied for and received federal 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.

	<u>General Fund</u>
Federal Grants:	
U.S. Department of Homeland Security:	
Public Assistance Grants (Hurricane Ike)	\$ 729,892
U.S. Department of Justice:	
COPS Universal Hiring Award	<u>15,000</u>
Total	<u>\$ 744,892</u>

As of September 30, 2008, 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.

NOTE 15 - 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, 2008, the City paid the Shelter \$ 102,000 under this agreement.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 16 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2008, expenditures exceeded appropriations in the funds as follows:

Special Revenue Funds:		
Motel Occupancy Tax	\$	47,633
Memorial Garden		2,455

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

NOTE 17 – RESTATEMENT OF NET ASSETS AND FUND BALANCES

During the year ended September 30, 2008 the City determined that sales tax receivable in the General Fund and the Economic Development (Special Revenue) Fund, for the years ended September 30, 2007 and 2006, was understated in the amount of \$ 415,778 and \$ 207,887, and \$ 408,017 and \$ 204,008, respectively. The City has been accruing sales tax receivable based on amounts collected in October deemed by the state to be the September payment. In actuality, sales tax receivable received from the state for September are for August collections, therefore accruals were understated by one month. This adjustment resulted in an increase of General (Fund) and Economic Development (Fund) fund balance as noted above and Governmental Activities net assets by \$ 623,667 and \$ 612,025. This also resulted in an increase in General Fund and Economic Development Fund sales tax revenue and net change in fund balance, and Governmental Activities general revenue and change in net assets for the year ended September 30, 2007, in the amounts of \$ 7,761, \$ 3,881, and \$ 11,642, respectively.

During the year ended September 30, 2008 the City determined that net judicial receivables for the years ended September 30, 2007 and 2006, was understated in the amount of \$ 204,123 and \$ 221,682, respectively. This adjustment resulted in an increase of Governmental Activities net assets, as noted above. This also resulted in a decrease in Governmental Activities program revenues (charges for services) and change in net assets for the year ended September 30, 2007, in the amount of \$ 17,559.

These amounts have been restated for the appropriate years as follows:

<u>Governmental Activities</u>	<u>2007</u>	<u>2006</u>
Net assets, September 30, previously reported	\$ 39,639,702	\$ 38,395,955
Increase in judicial receivables	204,123	221,682
Increase in sales tax receivables	<u>623,667</u>	<u>612,025</u>
Net assets, September 30, restated	<u>\$ 40,467,492</u>	39,229,662

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 17 – RESTATEMENT OF NET ASSETS AND FUND BALANCES - Continued

Change in net assets for the year ended September 30, 2007, previously reported	\$ 1,243,747	\$
Revenues:		
Taxes:		
Increase in sales tax revenue	11,642	
Fines and Fees:		
Decrease in municipal court revenue	(17,559)	
Change in net assets for the year ended September 30, 2007, restated	\$ <u>1,237,830</u>	<u>1,237,830</u>
Net assets, September 30, 2007, restated		\$ <u>40,467,492</u>
<u>General Fund</u>	<u>2007</u>	<u>2006</u>
Fund balance, September 30, previously reported	\$ 9,135,330	\$ 7,585,399
Increase in sales tax receivables	<u>415,778</u>	<u>408,017</u>
Fund balance, September 30, restated	\$ <u>9,551,108</u>	7,993,416
Change in fund balance for the year ended September 30, 2007, previously reported	\$ 1,549,931	
Revenues:		
Taxes:		
Increase in sales tax revenue	<u>7,761</u>	
Change in fund balance for the year ended September 30, 2007, restated	\$ <u>1,557,692</u>	<u>1,557,692</u>
Fund balance, September 30, 2007, restated		\$ <u>9,551,108</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2008

NOTE 17 – RESTATEMENT OF NET ASSETS AND FUND BALANCES - Continued

<u>Economic Development Fund</u>	<u>2007</u>	<u>2006</u>
Fund balance, September 30, previously reported	\$ 1,474,714	\$ 1,197,762
Increase in sales tax receivables	<u>207,889</u>	<u>204,008</u>
Fund balance, September 30, restated	<u>\$ 1,682,603</u>	1,401,770
Change in fund balance for the year ended September 30, 2007, previously reported	\$ 276,952	
Revenues:		
Taxes:		
Increase in sales tax revenue	<u>3,881</u>	
Change in fund balance for the year ended September 30, 2007, restated	<u>\$ 280,833</u>	<u>280,833</u>
Fund balance, September 30, 2007, restated		<u>\$ 1,682,603</u>

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***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Park Fund – This fund is used to account for resources and expenditures dedicated to small park improvements. Projects primarily include ball fields and general park enhancements, as well as some small park facility and equipment acquisitions. This fund was primarily supported by developer cash donations in lieu of park land, but more recently has been funded by general fund transfers.

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.

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. In general, funding is provided by general fund transfers.

1992 Bond Construction Fund – This fund is used to account for capital projects supported by the August 1992 bond election.

Youth Sportsplex Fund – This fund is used to account for the proceeds of a \$ 2,700,000 bond issue for the construction of the Youth Sports Complex.

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds - Continued

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

The Fire/EMS Capital Projects Fund – This fund accounts for the resources accumulated for Council authorized acquisition, construction, as well as furnishing and equipping of the Fire/EMS facility. The major revenue sources include investment earnings and other resources from the sale of general obligation bonded debt.

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2008

	Special Revenue Funds		
	Park	Motel Occupancy Tax	Memorial Garden
Assets:			
Cash and temporary investments	\$ 317,313	\$ 143,605	\$ 1,186
Receivables (Net of Allowance for Uncollectibles):			
Accounts			
Due from other funds			
Total assets	\$ 317,313	\$ 143,605	\$ 1,186
Liabilities:			
Accounts payable	\$	\$ 458	\$
Due to other funds			
Total liabilities	-0-	458	-0-
Fund Balances:			
Reserved:			
Capital projects			
Unreserved, undesignated	317,313	143,147	1,186
Total fund balances	317,313	143,147	1,186
Total liabilities and fund balances	\$ 317,313	\$ 143,605	\$ 1,186

Debt Service Funds

<u>Economic Development</u>	<u>Golf Course</u>
\$	\$
_____	<u>12,380</u>
<u>\$ -0-</u>	<u>\$ 12,380</u>
\$	\$
_____	<u>12,380</u>
<u>-0-</u>	<u>12,380</u>
_____	_____
<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 12,380</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - Continued

September 30, 2008

	<u>Capital Projects</u>		
	<u>General Construction</u>	<u>1992 Bond Construction</u>	<u>Youth Sportsplex</u>
Assets:			
Cash and temporary investments	\$ 2,297,394	\$	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	12,427		
Due from other funds			
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>2,309,821</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Liabilities:			
Accounts payable	\$ 9,958	\$	\$
Due to other funds			
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>9,958</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:			
Reserved:			
Capital projects			
Unreserved, undesignated	<u>2,299,863</u>	<u> </u>	<u> </u>
Total fund balances	<u>2,299,863</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities and fund balances	\$ <u>2,309,821</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

<u>Funds</u>		Total Nonmajor Governmental Funds
2004 Infrastructure	Fire/EMS	
\$ 1,103,562	\$	\$ 3,863,060
		12,427
		<u>12,380</u>
<u>\$ 1,103,562</u>	<u>\$ -0-</u>	<u>\$ 3,887,867</u>
\$	\$	\$ 10,416
		<u>12,380</u>
<u>-0-</u>	<u>-0-</u>	<u>22,796</u>
1,103,562		1,103,562
		<u>2,761,509</u>
<u>1,103,562</u>	<u>-0-</u>	<u>3,865,071</u>
<u>\$ 1,103,562</u>	<u>\$ -0-</u>	<u>\$ 3,887,867</u>

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, 2008

	Special Revenue Funds		
	Park	Motel Occupancy Tax	Memorial Garden
Revenues:			
Motel occupancy tax	\$	\$ 272,703	\$
Special assessments			
Interest	8,507	4,872	87
Contributions			515
Other			
Total revenues	8,507	277,575	602
Expenditures:			
Current:			
Cultural and Recreation:			
Contribution to Fine Arts Council		42,223	
Contribution to Museum of Natural Science		63,335	
Contribution to Chamber of Commerce		80,000	
Contribution to Historical Museum		63,335	
Other	29,690	18,010	2,455
Capital outlay	24,666		
Debt Service:			
Principal			
Interest and fiscal charges			
Total expenditures	54,356	266,903	2,455
Excess (deficiency) of revenues over (under) expenditures	(45,849)	10,672	(1,853)
Other Financing Sources (Uses):			
Transfers in	150,000		
Transfers out		(20,000)	
Total other financing sources (uses)	150,000	(20,000)	-0-
Net changes in fund balances	104,151	(9,328)	(1,853)
Fund balance – beginning	213,162	152,475	3,039
Fund balance – ending	\$ 317,313	\$ 143,147	\$ 1,186

Debt Service Funds

<u>Economic Development</u>	<u>Golf Course</u>
\$	\$
_____	_____
_____ -0-	_____ -0-
865,000	290,000
<u>237,957</u>	<u>270,955</u>
<u>1,102,957</u>	<u>560,955</u>
(<u>1,102,957</u>)	(<u>560,955</u>)
1,102,957	560,955
_____	_____
<u>1,102,957</u>	<u>560,955</u>
-0-	-0-
_____	_____
<u>\$ -0-</u>	<u>\$ -0-</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2008

	Capital Projects		
	General Construction	1992 Bond Construction	Youth Sportsplex
Revenues:			
Motel occupancy tax	\$	\$	\$
Special assessments	100		
Interest	52,791		
Contributions			
Other	5,530		
Total revenues	58,421	-0-	-0-
Expenditures:			
Current:			
Cultural and Recreation:			
Contribution to Fine Arts Council			
Contribution to Museum of Natural Science			
Contribution to Chamber of Commerce			
Contribution to Historical Museum			
Other	77,074		
Capital outlay	732,573		
Debt Service:			
Principal			
Interest and fiscal charges			
Total expenditures	809,647	-0-	-0-
Excess of revenues over (under) expenditures	(751,226)	-0-	-0-
Other Financing Sources (Uses):			
Transfers in	1,918,503		
Transfers out		(1,132)	(1,988)
Total other financing sources (uses)	1,918,503	(1,132)	(1,988)
Net change in fund balances	1,167,277	(1,132)	(1,988)
Fund balance – beginning	1,132,586	1,132	1,988
Fund balance – ending	\$ 2,299,863	\$ -0-	\$ -0-

<u>Funds</u>		Total Nonmajor Governmental Funds
<u>2004 Infrastructure</u>	<u>Fire/EMS</u>	
\$	\$	\$ 272,703
		100
34,098	62	100,417
		515
<u>335</u>	<u></u>	<u>5,865</u>
<u>34,433</u>	<u>62</u>	<u>379,600</u>
		42,223
		63,335
		80,000
		63,335
7,900		135,129
		757,239
		1,155,000
		<u>508,912</u>
<u>7,900</u>	<u>-0-</u>	<u>2,805,173</u>
<u>26,533</u>	<u>62</u>	<u>(2,425,573)</u>
		3,732,415
	<u>(3,044)</u>	<u>(26,164)</u>
<u>-0-</u>	<u>(3,044)</u>	<u>3,706,251</u>
26,533	(2,982)	1,280,678
<u>1,077,029</u>	<u>2,982</u>	<u>2,584,393</u>
<u>\$ 1,103,562</u>	<u>\$ -0-</u>	<u>\$ 3,865,071</u>

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***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**

Park Fund

For the Year Ended September 30, 2008

With Comparative Actual Total for 2007

	2008			Variance with Final Budget- Positive (Negative)	2007
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$ 8,000	\$ 8,000	\$ 8,507	\$ 507	\$ 12,577
Contribution				-0-	
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>8,507</u>	<u>507</u>	<u>12,577</u>
Expenditures:					
Current:					
Other	72,500	72,500	29,690	42,810	57,079
Capital outlay			<u>24,666</u>	<u>(24,666)</u>	
Total expenditures	<u>72,500</u>	<u>72,500</u>	<u>54,356</u>	<u>18,144</u>	<u>57,079</u>
Excess of revenues over (under) expenditures	<u>(64,500)</u>	<u>(64,500)</u>	<u>(45,849)</u>	<u>18,651</u>	<u>(44,502)</u>
Other Financing Sources (Uses):					
Transfers in			<u>150,000</u>	<u>(150,000)</u>	
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>150,000</u>	<u>(150,000)</u>	<u>-0-</u>
Net changes in fund balance	<u>(64,500)</u>	<u>(64,500)</u>	<u>104,151</u>	<u>(131,349)</u>	<u>(44,502)</u>
Fund balance – beginning	<u>213,162</u>	<u>213,162</u>	<u>213,162</u>	<u>-0-</u>	<u>257,664</u>
Fund balance – ending	<u>\$ 148,662</u>	<u>\$ 148,662</u>	<u>\$ 317,313</u>	<u>\$(131,349)</u>	<u>\$ 213,162</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2008
With Comparative Actual Totals for 2007

	2008			Variance with Final Budget- Positive (Negative)	2007
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Occupancy tax	\$ 200,000	\$ 200,000	\$ 272,703	\$ 72,703	\$ 272,624
Investment income	<u>4,000</u>	<u>4,000</u>	<u>4,872</u>	<u>872</u>	<u>6,862</u>
Total revenues	<u>204,000</u>	<u>204,000</u>	<u>277,575</u>	<u>73,575</u>	<u>279,486</u>
Expenditures:					
Current:					
Culture and recreation	<u>219,270</u>	<u>219,270</u>	<u>266,903</u>	<u>(47,633)</u>	<u>240,374</u>
Total expenditures	<u>219,270</u>	<u>219,270</u>	<u>266,903</u>	<u>(47,633)</u>	<u>240,374</u>
Excess of revenues over (under) expenditures	<u>(15,270)</u>	<u>(15,270)</u>	<u>10,672</u>	<u>25,942</u>	<u>39,112</u>
Other Financing Sources (Uses):					
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-0-</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-0-</u>	<u>(20,000)</u>
Net changes in fund balance	<u>(35,270)</u>	<u>(35,270)</u>	<u>(9,328)</u>	<u>25,942</u>	<u>19,112</u>
Fund balance – beginning	<u>152,475</u>	<u>152,475</u>	<u>152,475</u>	<u>-0-</u>	<u>133,363</u>
Fund balance – ending	<u>\$ 117,205</u>	<u>\$ 117,205</u>	<u>\$ 143,147</u>	<u>\$ 25,942</u>	<u>\$ 152,475</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, 2008

With Comparative Actual Totals for 2007

	2008			Variance with Final Budget- Positive (Negative)	2007
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$	\$	\$ 87	\$ 87	\$ 231
Contributions			515	515	2,020
Total revenues	-0-	-0-	602	602	2,251
Expenditures:					
Current:					
Culture and recreation			2,455	(2,455)	4,235
Total expenditures			2,455	(2,455)	4,235
Excess of revenues over (under) expenditures	-0-	-0-	(1,853)	(1,853)	(1,984)
Other financing sources (uses)				-0-	
Net changes in fund balance	-0-	-0-	(1,853)	(1,853)	(1,984)
Fund balance – beginning	3,039	3,039	3,039	-0-	5,023
Fund balance – ending	\$ 3,039	\$ 3,039	\$ 1,186	\$ (1,853)	\$ 3,039

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, 2008

With Comparative Actual Total for 2007

	2008			Variance with Final Budget- Positive (Negative)	2007
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	865,000	865,000	865,000	-0-	865,000
Interest and fiscal charges	<u>238,814</u>	<u>238,814</u>	<u>237,957</u>	<u>857</u>	<u>279,629</u>
Total expenditures	<u>1,103,814</u>	<u>1,103,814</u>	<u>1,102,957</u>	<u>857</u>	<u>1,144,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,103,814)</u>	<u>(1,103,814)</u>	<u>(1,102,957)</u>	<u>857</u>	<u>(1,144,629)</u>
Other Financing Sources (Uses):					
Transfers in	<u>1,103,814</u>	<u>1,103,814</u>	<u>1,102,957</u>	<u>(857)</u>	<u>1,144,629</u>
Total other financing sources (uses)	<u>1,103,814</u>	<u>1,103,814</u>	<u>1,102,957</u>	<u>(857)</u>	<u>1,144,629</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, 2008

With Comparative Actual Totals for 2007

	2008			Variance with Final Budget- Positive (Negative)	2007
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	290,000	290,000	290,000	-0-	280,000
Interest and fiscal charges	<u>271,730</u>	<u>271,730</u>	<u>270,955</u>	<u>775</u>	<u>281,605</u>
Total expenditures	<u>561,730</u>	<u>561,730</u>	<u>560,955</u>	<u>775</u>	<u>561,605</u>
Excess of revenues over (under) expenditures	(<u>561,730</u>)	(<u>561,730</u>)	(<u>560,955</u>)	<u>775</u>	(<u>561,605</u>)
Other Financing Sources (Uses):					
Transfers in	<u>561,730</u>	<u>561,730</u>	<u>560,955</u>	(<u>775</u>)	<u>561,605</u>
Total other financing sources (uses)	<u>561,730</u>	<u>561,730</u>	<u>560,955</u>	(<u>775</u>)	<u>561,605</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 8,249,546	\$ 8,775,665
Receivable (Net of Allowance for Uncollectibles):		
Taxes	924,726	574,066
Accounts	275,087	268,299
Grants	731,642	111,913
Due from other funds	215,180	215,180
Investments	399,000	399,000
Inventories	<u>92,925</u>	<u>125,301</u>
 Total assets	 <u>\$ 10,888,106</u>	 <u>\$ 10,469,424</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 1,300,327	\$ 658,144
Cash bonds and taxes	455,940	375,980
Accrued wages	666,686	190,589
Deferred revenue	<u>107,628</u>	<u>109,381</u>
 Total liabilities	 <u>2,530,581</u>	 <u>1,334,094</u>
Fund Balance:		
Reserved For:		
Inventory	92,925	125,301
Encumbrances	349,857	
Unreserved:		
Undesignated	<u>7,914,743</u>	<u>9,010,029</u>
 Total fund balance	 <u>8,357,525</u>	 <u>9,135,330</u>
 Total liabilities and fund balance	 <u>\$ 10,888,106</u>	 <u>\$ 10,469,424</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, 2008

With Comparative Actual Totals for 2007

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,261,818	\$ 3,261,818
Sales	4,935,000	4,935,000
Franchise	1,630,000	1,630,000
Other	53,000	53,000
Industrial district	3,352,000	3,352,000
Intergovernmental	15,000	15,000
Revenue producing facilities	823,600	823,600
Fines and fees	391,740	391,740
Licenses and permits	222,450	222,450
Investment income	271,000	271,000
Miscellaneous	114,220	114,220
Total revenues	<u>15,069,828</u>	<u>15,069,828</u>
Expenditures:		
Current:		
General government and administration	2,726,405	2,726,405
Public safety	5,143,015	5,143,015
Public works	2,976,100	2,976,100
Culture and recreation	3,896,249	3,896,249
Capital outlay	<u>1,267,490</u>	<u>1,267,490</u>
Total expenditures	<u>16,009,259</u>	<u>16,009,259</u>
Excess of revenues over (under) expenditures	<u>(939,431)</u>	<u>(939,431)</u>
Other Financing Sources (Uses):		
Transfers in	1,485,058	1,485,058
Transfers out	<u>(2,382,270)</u>	<u>(2,382,270)</u>
Proceeds from disposition of capital assets		
Total other financing sources (uses)	<u>(897,212)</u>	<u>(897,212)</u>
Net change in fund balance	<u>(1,836,643)</u>	<u>(1,836,643)</u>
Fund balance - beginning	9,135,330	9,135,330
Prior period adjustment		
Fund balance - ending	<u>\$ 7,298,687</u>	<u>\$ 7,298,687</u>

2008			2007	
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,259,202	\$	\$ 3,259,202	\$ (2,616)	\$ 3,236,792
4,553,842		4,553,842	(381,158)	4,618,469
1,525,195		1,525,195	(104,805)	1,596,697
145,169		145,169	92,169	59,590
3,422,770		3,422,770	70,770	3,220,061
744,892		744,892	729,892	132,663
986,604		986,604	163,004	974,310
429,564		429,564	37,824	442,892
239,063		239,063	16,613	244,049
292,699		292,699	21,699	444,172
176,410		176,410	62,190	85,668
<u>15,775,410</u>	<u>-0-</u>	<u>15,775,410</u>	<u>705,582</u>	<u>15,055,363</u>
2,707,090	(14,796)	2,692,294	34,111	2,737,126
4,949,286	39,486	4,988,772	154,243	4,663,457
3,882,411	(492,394)	3,390,017	(413,917)	2,298,989
3,843,683	(8,393)	3,835,290	60,959	3,481,039
743,949	349,857	1,093,806	173,684	785,863
<u>16,126,419</u>	<u>(126,240)</u>	<u>16,000,179</u>	<u>9,080</u>	<u>13,966,474</u>
<u>(351,009)</u>	<u>126,240</u>	<u>(224,769)</u>	<u>714,662</u>	<u>1,088,889</u>
1,485,058		1,485,058	-0-	1,401,018
(2,382,270)		(2,382,270)	-0-	(996,509)
54,638		54,638	54,638	56,533
<u>(842,574)</u>	<u>-0-</u>	<u>(842,574)</u>	<u>54,638</u>	<u>461,042</u>
(1,193,583)	126,240	(1,067,343)	769,300	1,549,931
9,135,330	-0-	9,135,330	-0-	7,585,399
415,778		415,778	(415,778)	
<u>\$ 8,357,525</u>	<u>\$ 126,240</u>	<u>\$ 8,483,765</u>	<u>\$ 353,522</u>	<u>\$ 9,135,330</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and temporary investments	\$ 1,612,774	\$ 1,291,592
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>358,414</u>	<u>183,122</u>
Total assets	<u>\$ 1,971,188</u>	<u>\$ 1,474,714</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Liabilities	\$ <u>-0-</u>	\$ <u>-0-</u>
Fund Balance:		
Unreserved:		
Undesignated	<u>1,971,188</u>	<u>1,474,714</u>
Total fund balance	<u>1,971,189</u>	<u>1,474,714</u>
Total liabilities and fund balance	<u>\$ 1,971,188</u>	<u>\$ 1,474,714</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, 2008
With Comparative Actual Totals for 2007

	2008				2007
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 2,509,500	\$ 2,509,500	\$ 2,337,052	\$ (172,448)	\$ 2,353,998
Investment income	<u>40,275</u>	<u>40,275</u>	<u>53,066</u>	<u>12,791</u>	<u>66,809</u>
Total revenues	<u>2,549,775</u>	<u>2,549,775</u>	<u>2,390,118</u>	<u>(159,657)</u>	<u>2,420,807</u>
Expenditures:					
Capital outlay				-0-	
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of revenues over (under) expenditures	<u>2,549,775</u>	<u>2,549,775</u>	<u>2,390,118</u>	<u>(159,657)</u>	<u>2,420,807</u>
Other Financing Sources (Uses):					
Transfers out	<u>(2,101,314)</u>	<u>(2,101,314)</u>	<u>(2,101,533)</u>	<u>(219)</u>	<u>(2,143,855)</u>
Total other financing sources (uses)	<u>(2,101,314)</u>	<u>(2,101,314)</u>	<u>(2,101,533)</u>	<u>(219)</u>	<u>(2,143,855)</u>
Net changes in fund balance	448,461	448,461	288,585	(159,876)	276,952
Fund balances - beginning (restated)	1,474,714	1,474,714	1,474,714	-0-	1,197,762
Prior period adjustment			<u>207,889</u>	<u>207,889</u>	
Fund balances – ending	<u>\$ 1,923,175</u>	<u>\$ 1,923,175</u>	<u>\$ 1,971,188</u>	<u>\$ 48,013</u>	<u>\$ 1,474,714</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and temporary investments	\$ 527,553	\$ 534,776
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>18,557</u>	<u>18,924</u>
Total assets	<u>\$ 546,110</u>	<u>\$ 553,700</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Deferred revenue	\$ <u>18,502</u>	\$ <u>18,869</u>
Total liabilities	<u>18,502</u>	<u>18,869</u>
Fund Balance:		
Reserved For:		
Debt service	<u>527,608</u>	<u>534,831</u>
Total fund balance	<u>527,608</u>	<u>534,831</u>
Total liabilities and fund balance	<u>\$ 546,110</u>	<u>\$ 553,700</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, 2008
With Comparative Actual Totals for 2007

	2008			Variance with Final Budget- Positive (Negative)	2007
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Taxes	\$ 2,131,323	\$ 2,131,323	\$ 2,112,678	\$ (18,645)	\$ 1,771,911
Investment income	<u>25,000</u>	<u>25,000</u>	<u>34,525</u>	<u>9,525</u>	<u>50,115</u>
Total revenues	<u>2,156,323</u>	<u>2,156,323</u>	<u>2,147,203</u>	<u>(9,120)</u>	<u>1,822,026</u>
Expenditures:					
Debt Service:					
Principal	1,425,000	1,425,000	1,425,000	-0-	1,200,000
Interest and fiscal charges	<u>731,323</u>	<u>731,323</u>	<u>729,426</u>	<u>1,897</u>	<u>705,979</u>
Total expenditures	<u>2,156,323</u>	<u>2,156,323</u>	<u>2,154,426</u>	<u>1,897</u>	<u>1,905,979</u>
Excess of revenues over (under) expenditures	<u>-0-</u>	<u>-0-</u>	<u>(7,223)</u>	<u>(7,223)</u>	<u>(83,953)</u>
Other Financing Sources (Uses):					
Proceeds from bond sales				-0-	68,121
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>68,121</u>
Net changes in fund balance	-0-	-0-	(7,223)	(7,223)	(15,832)
Fund balance – beginning	<u>534,831</u>	<u>534,831</u>	<u>534,831</u>	<u>-0-</u>	<u>550,663</u>
Fund balance – ending	<u>\$ 534,831</u>	<u>\$ 534,831</u>	<u>\$ 527,608</u>	<u>\$ (7,223)</u>	<u>\$ 534,831</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 2,990,250	\$ 3,509,501
Receivables (Net of Allowance for Uncollectibles):		
Accounts	<u>744,552</u>	<u>448,562</u>
	<u>3,734,802</u>	<u>3,958,063</u>
Restricted Assets:		
Cash and temporary investments	<u>3,719,451</u>	<u>3,715,663</u>
Total restricted assets	<u>3,719,451</u>	<u>3,715,663</u>
Total current assets	<u>7,454,253</u>	<u>7,673,726</u>
Noncurrent Assets:		
Restricted Cash and Temporary Investments:		
Revenue bond covenant accounts	<u>1,465,755</u>	<u>1,495,355</u>
Total noncurrent restricted assets	<u>1,465,755</u>	<u>1,495,355</u>
Deferred charges	<u>332,273</u>	<u>360,497</u>
Capital Assets:		
Property, plant and equipment	55,637,933	55,239,397
Construction in process	626,523	274,019
Less accumulated depreciation	<u>(23,130,835)</u>	<u>(21,363,593)</u>
Total capital assets (net of accumulated depreciation)	<u>33,133,621</u>	<u>34,149,823</u>
Total noncurrent assets	<u>34,931,649</u>	<u>36,005,675</u>
Total assets	<u>42,385,902</u>	<u>43,679,401</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Enterprise Fund - Continued

September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 396,688	\$ 582,441
Accrued wages	41,780	40,139
Accrued compensated absences	117,323	112,349
Revenue bonds payable	<u>624,167</u>	<u>624,167</u>
	<u>1,179,958</u>	<u>1,359,096</u>
Current Liabilities Payable from Restricted Assets:		
Accounts payable	117	22,057
Accrued interest	259,957	283,926
Customer deposits	534,827	475,628
Revenue bonds payable	<u>445,833</u>	<u>445,833</u>
Total current liabilities payable from restricted assets	<u>1,240,734</u>	<u>1,227,444</u>
Total current liabilities	2,420,692	2,586,540
Noncurrent Liabilities:		
Revenue bonds payable (net of unamortized discounts)	<u>12,390,000</u>	<u>13,460,000</u>
Total liabilities	<u>14,810,692</u>	<u>16,046,540</u>
Net Assets:		
Invested in capital assets, net of related debt	20,005,894	19,345,804
Restricted For:		
Revenue bond retirement	1,932,943	1,494,985
Construction	2,457,362	2,874,986
Unrestricted	<u>3,179,011</u>	<u>3,917,086</u>
Total net assets	<u>\$ 27,575,210</u>	<u>\$ 27,632,861</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Water service	\$ 3,115,137	\$ 2,550,999
Sewer service	3,251,097	2,777,004
Garbage fees	2,970,992	2,823,869
Tapping and connection fees	251,625	232,050
Other	<u>60,984</u>	<u>54,671</u>
Total operating revenues	<u>9,649,835</u>	<u>8,438,593</u>
Operating Expenses:		
Utility administration	323,852	326,437
Water production, treatment and distribution	2,247,364	2,143,635
Sewer collection and treatment	1,846,417	1,955,473
Sanitation	2,227,242	2,157,050
Depreciation	<u>1,902,114</u>	<u>1,838,931</u>
Total operating expenses	<u>8,546,989</u>	<u>8,421,526</u>
Operating income	<u>1,102,846</u>	<u>17,067</u>
Non-Operating Revenues (Expenses):		
Interest revenue	258,811	438,134
Gain on sale of capital assets	(6,000)	16,000
Interest expense and fiscal charges	<u>(618,181)</u>	<u>(615,411)</u>
Total non-operating revenues (expenses)	<u>(365,370)</u>	<u>(161,277)</u>
Income (loss) before contributions and transfers	737,476	(144,210)
Transfers in	319,931	996,509
Transfers out	<u>(1,115,058)</u>	<u>(1,031,018)</u>
Change in net assets	(57,651)	(178,719)
Net assets at beginning of year	<u>27,632,861</u>	<u>27,811,580</u>
Net assets at end of year	<u>\$ 27,575,210</u>	<u>\$ 27,632,861</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 9,353,845	\$ 8,520,146
Payments to suppliers	(4,472,630)	(4,280,421)
Payments to employees	(2,588,994)	(2,534,418)
Net cash provided by operating activities	<u>2,292,221</u>	<u>1,705,307</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	319,931	996,509
Transfers out	(1,115,058)	(1,031,018)
Net cash (used) by non-capital financing activities	<u>(795,127)</u>	<u>(34,509)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(891,912)	(2,408,843)
Proceeds from the sale of capital assets		16,000
Proceeds from the issuance of revenue bonds		2,000,000
Principal paid on capital debt	(1,070,000)	(970,000)
Interest and fiscal charges paid on capital debt	(339,056)	(615,272)
Net cash (used) by capital and related financing activities	<u>(2,300,968)</u>	<u>(1,978,115)</u>
Cash Flows from Investing Activities:		
Interest received	<u>258,811</u>	<u>438,134</u>
Net cash provided by investing activities	<u>258,811</u>	<u>438,134</u>
Net (decrease) in cash and cash equivalents	(545,063)	130,817
Cash and cash equivalents at the beginning of year	<u>8,720,519</u>	<u>8,589,702</u>
Cash and cash equivalents at the end of year	<u>\$ 8,175,456</u>	<u>\$ 8,720,519</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ <u>1,102,846</u>	\$ <u>17,067</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	1,902,114	1,838,931
(Increase) decrease in accounts receivable	(295,990)	49,113
Increase (decrease) in accounts payable	(207,693)	(245,957)
Increase (decrease) in accrued wages payable	1,641	(1,583)
Increase (decrease) in accrued compensated absences	4,974	15,296
Increase (decrease) in customer deposits	(<u>215,671</u>)	<u>32,440</u>
Total adjustments	<u>1,189,375</u>	<u>1,688,240</u>
Net cash provided by operating activities	\$ <u><u>2,292,221</u></u>	\$ <u><u>1,705,307</u></u>
Non-cash Investing, Capital, and Financing Activities:		
Net effect of non-cash transactions	\$ <u><u>-0-</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 Enterprise Fund

For the Year Ended September 30, 2008
With Comparative Actual Totals for 2007

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 3,193,094	\$ 3,193,094
Sewer service	3,143,290	3,143,290
Garbage fees	2,941,795	2,941,795
Tapping and connection fees	241,500	241,500
Operating grant revenue		
Other	<u>52,800</u>	<u>52,800</u>
Total revenues	<u>9,572,479</u>	<u>9,572,479</u>
Operating Expenses:		
Utility administration	354,680	354,680
Water production, treatment and distribution	2,417,880	2,417,880
Sewer collection and treatment	1,988,072	1,988,072
Sanitation	2,248,689	2,248,689
Depreciation		
Total operating expenses	<u>7,009,321</u>	<u>7,009,321</u>
Operating income	<u>2,563,158</u>	<u>2,563,158</u>
Non-operating Revenues (Expenses):		
Interest revenue	170,800	170,800
Gain (loss) on disposition of capital assets		
Interest expense and fiscal charge	<u>(614,855)</u>	<u>(614,855)</u>
Total non-operating revenues (expenses)	<u>(444,055)</u>	<u>(444,055)</u>
Income before contributions and transfers	2,119,103	2,119,103
Transfers in	1,689,500	1,689,500
Transfers out	<u>(2,733,558)</u>	<u>(2,733,558)</u>
Change in net assets	1,075,045	1,075,045
Fund balances - beginning	<u>27,632,861</u>	<u>27,632,861</u>
Net assets ending	<u>\$ 28,707,906</u>	<u>\$ 28,707,906</u>

2008			2007	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 3,115,137	\$	\$ 3,115,137	\$(77,957)	\$ 2,550,999
3,251,097		3,251,097	107,807	2,777,004
2,970,992		2,970,992	29,197	2,823,869
251,625		251,625	10,125	232,050
60,984		60,984	8,184	54,671
<u>9,649,835</u>	<u>-0-</u>	<u>9,649,835</u>	<u>77,356</u>	<u>8,438,593</u>
323,852	(253)	323,599	31,081	326,437
2,247,364	2,177	2,249,541	168,339	2,143,635
1,846,417	(5,464)	1,840,953	147,119	1,955,473
2,227,242	(3,075)	2,224,167	24,522	2,157,050
1,902,114	(1,902,114)	-0-	-0-	1,838,931
<u>8,546,989</u>	<u>(1,908,729)</u>	<u>6,638,260</u>	<u>371,061</u>	<u>8,421,526</u>
<u>1,102,846</u>	<u>1,908,729</u>	<u>3,011,575</u>	<u>448,417</u>	<u>17,067</u>
258,811		258,811	88,011	438,134
(6,000)		(6,000)	(6,000)	16,000
(618,181)	25,655	(592,526)	22,329	(615,411)
<u>(365,370)</u>	<u>25,655</u>	<u>(339,715)</u>	<u>104,340</u>	<u>(161,277)</u>
737,476	1,934,384	2,671,860	552,757	(144,210)
319,931		319,931	(1,369,569)	996,509
(1,115,058)		(1,115,058)	1,618,500	(1,031,018)
(57,651)	1,934,384	1,876,733	801,688	(178,719)
<u>27,632,861</u>		<u>27,632,861</u>	<u>-0-</u>	<u>27,811,580</u>
<u>\$ 27,575,210</u>	<u>\$ 1,934,384</u>	<u>\$ 29,509,594</u>	<u>\$ 801,688</u>	<u>\$ 27,632,861</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Golf Course Operating Fund

September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 291,437	\$ 190,454
Receivables (Net of Allowance for Uncollectibles):		
Accounts	42,813	36,488
Inventory	113,412	130,275
Prepays	<u>12,463</u>	<u>4,260</u>
	<u>460,125</u>	<u>361,477</u>
Restricted Assets:		
Cash and temporary investments	<u>43,000</u>	<u>33,100</u>
Total restricted assets	<u>43,000</u>	<u>33,100</u>
Total current assets	<u>503,125</u>	<u>394,577</u>
Capital Assets:		
Property, plant and equipment	9,206,999	8,742,652
Less accumulated depreciation	<u>(1,175,311)</u>	<u>(830,807)</u>
Total capital assets (net of accumulated depreciation)	<u>8,031,688</u>	<u>7,911,845</u>
Total assets	<u>8,534,813</u>	<u>8,306,422</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Golf Course Operating Fund - Continued

September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 55,187	\$ 62,351
Accrued wages	27,657	30,661
Deferred revenues	112,902	107,592
Capital leases payable - current	137,369	47,950
Due to other funds	<u>215,180</u>	<u>215,180</u>
Total current liabilities	546,295	463,734
Noncurrent Liabilities:		
Capital leases payable - net of current	<u>515,648</u>	<u>278,124</u>
Total liabilities	<u>1,063,943</u>	<u>741,858</u>
Net Assets:		
Invested in capital assets, net of related debt	7,378,671	7,585,771
Restricted For:		
Maintenance	43,000	33,100
Unrestricted	<u>49,199</u>	<u>(54,307)</u>
Total net assets	<u>\$ 7,470,870</u>	<u>\$ 7,564,564</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Course and ground	\$ 937,167	\$ 825,323
Cart	279,759	271,909
Pro shop	289,999	248,467
Range	68,987	65,616
Food and beverage	256,044	226,420
Other	<u>15,462</u>	<u>6</u>
Total operating revenues	<u>1,847,418</u>	<u>1,637,741</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	198,398	168,897
Food and beverage	99,704	84,860
Payroll and related benefits	761,786	737,375
Other expenses	531,868	493,174
Management fee	80,939	84,000
Depreciation	<u>344,504</u>	<u>291,242</u>
Total operating expenses	<u>2,017,199</u>	<u>1,859,548</u>
Operating income (loss)	<u>(169,781)</u>	<u>(221,807)</u>
Non-Operating Revenues (Expenses):		
Interest revenue	5,530	4,998
Interest expense and fiscal charges	<u>(17,064)</u>	<u>(9,417)</u>
Total non-operating revenues (expenses)	<u>(11,534)</u>	<u>(4,419)</u>
Income (loss) before contributions and transfers	<u>(181,315)</u>	<u>(226,226)</u>
Transfers in	100,001	100,001
Transfers out	<u>(12,380)</u>	<u>(12,380)</u>
Change in net assets	<u>(93,694)</u>	<u>(138,605)</u>
Net assets at beginning of year	<u>7,564,564</u>	<u>7,703,169</u>
Net assets at end of year	<u>\$ 7,470,870</u>	<u>\$ 7,564,564</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,846,403	\$ 1,679,361
Payments from (to) other funds		604
Payments to suppliers	(909,413)	(708,824)
Payments to employees	(764,790)	(822,290)
Net cash provided (used) by operating activities	<u>172,200</u>	<u>148,851</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	100,001	100,001
Transfers out	(12,380)	(12,380)
Net cash (used) by non-capital financing activities	<u>87,621</u>	<u>87,621</u>
Cash Flows from Capital and Related Financing Activities:		
Principal paid on capital debt	(137,404)	(131,188)
Interest and fiscal charges paid on capital debt	(17,064)	(9,417)
Net cash (used) by capital and related financing activities	<u>(154,468)</u>	<u>(140,605)</u>
Cash Flows from Investing Activities:		
Interest received	<u>5,530</u>	<u>4,998</u>
Net cash provided by investing activities	<u>5,530</u>	<u>4,998</u>
Net increase (decrease) in cash and cash equivalents	110,883	100,865
Cash and cash equivalents at the beginning of year	<u>223,554</u>	<u>122,689</u>
Cash and cash equivalents at the end of year	<u>\$ 334,437</u>	<u>\$ 223,554</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$(<u>169,781</u>)	\$(<u>221,807</u>)
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	344,504	291,242
(Increase) decrease in accounts receivable	(6,325)	(7,149)
(Increase) decrease in inventory	16,863	21,232
(Increase) decrease in prepaids	(8,203)	1,924
Increase (decrease) in accounts payable	(7,164)	5,395
Increase (decrease) in accrued wages	(3,004)	8,641
Increase (decrease) in deferred revenues	5,310	48,769
Increase (decrease) in due to other funds	<u> </u>	<u>604</u>
Total adjustments	<u>341,981</u>	<u>370,658</u>
Net cash provided by operating activities	<u>\$ 172,200</u>	<u>\$ 148,851</u>
Noncash Investing, Capital, and Financing Activities:		
Capital assets acquired by capital lease	\$(464,347)	\$(158,578)
Capital lease to provide for acquisition of capital assets	<u>464,347</u>	<u>158,578</u>
Net effect of noncash transactions	<u>\$ -0-</u>	<u>\$ -0-</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, 2008
With Comparative Actual Totals for 2007

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 916,327	\$ 916,327
Cart	282,659	282,659
Pro shop	97,681	97,681
Range	77,747	77,747
Food and beverage	152,920	152,920
Other	22,443	22,443
Total operating revenues	<u>1,549,777</u>	<u>1,549,777</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	89,810	89,810
Food and beverage	31,294	31,294
Payroll and related benefits	798,410	798,410
Other expenses	531,024	531,024
Management fee	84,000	84,000
Depreciation		
Total operating expenses	<u>1,534,538</u>	<u>1,534,538</u>
Operating income (loss)	<u>15,239</u>	<u>15,239</u>
Non-operating Revenues (Expenses):		
Interest revenue		
Interest expense and fiscal charge		
Total non-operating revenues (expenses)	<u>-0-</u>	<u>-0-</u>
Income (loss) before contributions and transfers	15,239	15,239
Transfers in		
Transfers out	<u>(12,384)</u>	<u>(12,384)</u>
Change in net assets	2,855	2,855
Fund balances - beginning	<u>7,564,564</u>	<u>7,564,564</u>
Fund balances - ending	<u>\$ 7,567,419</u>	<u>\$ 7,567,419</u>

2008			2007	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 937,167	\$	\$ 937,167	\$ 20,840	\$ 825,323
279,759		279,759	(2,900)	271,909
289,999		289,999	192,318	248,467
68,987		68,987	(8,760)	65,616
256,044		256,044	103,124	226,420
15,462		15,462	(6,981)	6
<u>1,847,418</u>	<u>-0-</u>	<u>1,847,418</u>	<u>297,641</u>	<u>1,637,741</u>
198,398		198,398	(108,588)	168,897
99,704		99,704	(68,410)	84,860
761,786	3,004	764,790	33,620	737,375
531,868		531,868	(844)	493,174
80,939		80,939	3,061	84,000
344,504	(344,504)	-0-	-0-	291,242
<u>2,017,199</u>	<u>(341,500)</u>	<u>1,675,699</u>	<u>(141,161)</u>	<u>1,859,548</u>
<u>(169,781)</u>	<u>341,500</u>	<u>171,719</u>	<u>156,480</u>	<u>(221,807)</u>
5,530		5,530	5,530	4,998
(17,064)		(17,064)	(17,064)	(9,417)
(11,534)	-0-	(11,534)	(11,534)	(4,419)
(181,315)	341,500	160,185	144,946	(226,226)
100,001		100,001	100,001	100,001
(12,380)		(12,380)	4	(12,380)
(93,694)	341,500	247,806	244,951	(138,605)
<u>7,564,564</u>		<u>7,564,564</u>	<u>-0-</u>	<u>7,703,169</u>
<u>\$ 7,470,870</u>	<u>\$ 341,500</u>	<u>\$ 7,812,370</u>	<u>\$ 244,951</u>	<u>\$ 7,564,564</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Governmental Funds Capital Assets:		
Land	\$ 2,359,934	\$ 2,359,934
Buildings	26,202,247	26,202,247
Improvements other than buildings	10,737,054	10,638,485
Machinery and equipment	9,696,190	9,108,249
Infrastructure	71,036,842	70,738,093
Construction in progress	<u>1,868,980</u>	<u>717,505</u>
Total governmental funds capital assets	<u>\$ 121,901,247</u>	<u>\$ 119,764,513</u>
Investments in Governmental Funds Capital Assets by Source:		
General fund	\$ 9,396,126	\$ 8,908,881
Special revenue fund	2,645,023	2,620,357
Capital projects fund	86,676,759	85,051,936
Contributed	<u>23,183,339</u>	<u>23,183,339</u>
Total governmental funds capital assets	<u>\$ 121,901,247</u>	<u>\$ 119,764,513</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, 2008

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government	\$ 1,057,663	\$ 2,071,442	\$ 1,055,727
Public safety		7,316,573	464,849
Public works		1,877,845	111,610
Culture and recreation	<u>1,302,271</u>	<u>14,936,387</u>	<u>9,104,868</u>
Total governmental funds capital assets	<u>\$ 2,359,934</u>	<u>\$ 26,202,247</u>	<u>\$ 10,737,054</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>
\$ 1,117,204	\$	\$ 313,975	\$ 5,616,011
4,839,102			12,620,524
2,188,167	71,036,842	976,734	76,191,198
<u>1,551,717</u>	<u></u>	<u>578,271</u>	<u>27,473,514</u>
<u>\$ 9,696,190</u>	<u>\$ 71,036,842</u>	<u>\$ 1,868,980</u>	<u>\$ 121,901,247</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2008

<u>Function</u>	<u>Governmental Funds Capital Assets 10/01/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 09/30/08</u>
General government	\$ 5,500,259	\$ 115,752	\$	\$ 5,616,011
Public safety	12,250,311	603,603	233,390	12,620,524
Public works	74,674,708	1,526,243	9,753	76,191,198
Culture and recreation	<u>27,339,235</u>	<u>147,839</u>	<u>13,560</u>	<u>27,473,514</u>
Total governmental funds capital assets	<u>\$ 119,764,513</u>	<u>\$ 2,393,437</u>	<u>\$ 256,703</u>	<u>\$ 121,901,247</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, 2008

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 6,900	\$ 8,242,646	\$	\$
Receivables (Net of Allowance for Uncollectibles):				
Taxes	29,680			
Customer accounts	275,087			
Sales tax	716,828			
Franchise tax	178,218			
Grants	731,642			
Due from clearing fund	5,036,292		96,013	1,077,159
Due from other funds		215,180		
Investments		399,000		
Inventories:				
Resale items	12,167			
Supplies	<u>80,758</u>			
 Total assets	 <u>\$ 7,067,572</u>	 <u>\$ 8,856,826</u>	 <u>\$ 96,013</u>	 <u>\$ 1,077,159</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 964,004	\$	\$ 91,013	\$
Cash bonds and taxes	455,940			
Accrued wages	666,686			
Deferred revenue	107,628			
Due to other funds		<u>8,856,826</u>		
 Total liabilities	 <u>2,194,258</u>	 <u>8,856,826</u>	 <u>91,013</u>	 <u>-0-</u>
<u>Fund Balances:</u>				
<u>Reserved:</u>				
Inventory	92,925			
Encumbrances				
<u>Unreserved:</u>				
<u>Designated:</u>				
Unemployment insurance				
Noncurrent liabilities				1,077,159
Equipment replacement				
Special events				
Undesignated	<u>4,780,389</u>		<u>5,000</u>	
 Total fund balances	 <u>4,873,314</u>	 <u>-0-</u>	 <u>5,000</u>	 <u>1,077,159</u>
 Total liabilities and fund balances	 <u>\$ 7,067,572</u>	 <u>\$ 8,856,826</u>	 <u>\$ 96,013</u>	 <u>\$ 1,077,159</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Red Light Camera</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 8,249,546
					29,680
					275,087
					716,828
					178,218
					731,642
2,372,959	226,121	727	47,555	(8,856,826)	-0-
					215,180
					399,000
					12,167
					<u>80,758</u>
<u>\$ 2,372,959</u>	<u>\$ 226,121</u>	<u>\$ 727</u>	<u>\$ 47,555</u>	<u>\$(8,856,826)</u>	<u>\$ 10,888,106</u>
\$ 223,112	\$	\$ 88	\$ 22,110	\$	\$ 1,300,327
					455,940
					666,686
					107,628
				(8,856,826)	-0-
<u>223,112</u>	<u>-0-</u>	<u>88</u>	<u>22,110</u>	<u>(8,856,826)</u>	<u>2,530,581</u>
					92,925
349,857					349,857
	226,121				226,121
					1,077,159
1,799,990					1,799,990
		639			639
			25,445		<u>4,810,834</u>
<u>2,149,847</u>	<u>226,121</u>	<u>639</u>	<u>25,445</u>	<u>-0-</u>	<u>8,357,525</u>
<u>\$ 2,372,959</u>	<u>\$ 226,121</u>	<u>\$ 727</u>	<u>\$ 47,555</u>	<u>\$(8,856,826)</u>	<u>\$ 10,888,106</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, 2008

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Revenues:				
Taxes:				
Property	\$ 3,259,202	\$	\$	\$
Sales	4,553,842			
Franchise	1,525,195			
Other	145,169			
Industrial district	3,422,770			
Recreation	986,604			
Fines and fees	404,119			
Licenses and permits	239,063			
Interest	200,801			24,186
Miscellaneous	161,341			
Intergovernmental	744,892			
Total revenues	15,642,998	-0-	-0-	24,186
Expenditures:				
General Government and Administration:				
General administration	1,114,466			
Finance	732,407			
Elections	6,748			
Legal	132,445			
Municipal court	270,649			
Engineering	369,311			
Public Safety:				
Police	3,953,986			
Fire	397,151			
EMS department	306,597			
Humane	252,290			
Public works:				
Garage	582,104			
Street	822,281			
Drainage	637,025			
Building inspection	543,562			
Sanitation				
Hurricane Ike	1,238,902			
Culture and recreation:				
Parks	1,020,886			
Recreation	1,826,411			
Civic Center & Jasmine Hall	558,207			
Commissions and Boards	284,830			
Special Events	60,717			
Capital outlay	165,000			
Total expenditures	15,275,975	-0-	-0-	-0-

(Continued)

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Red Light Camera</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$
					3,259,202
					4,553,842
					1,525,195
					145,169
					3,422,770
					986,604
			25,445		429,564
					239,063
60,522	7,190				292,699
		15,069			176,410
					<u>744,892</u>
<u>60,522</u>	<u>7,190</u>	<u>15,069</u>	<u>25,445</u>	<u>-0-</u>	<u>15,775,410</u>
51,784	3,188				1,169,438
5,155					737,562
					6,748
					132,445
14,727					285,376
6,210					375,521
39,262					3,993,248
					397,151
					306,597
					252,290
					582,104
3,474					825,755
17,281					654,306
2,052					545,614
35,730					35,730
					1,238,902
18,734					1,039,620
16,220					1,842,631
					558,207
					284,830
		57,678			118,395
<u>578,949</u>					<u>743,949</u>
<u>789,578</u>	<u>3,188</u>	<u>57,678</u>	<u>-0-</u>	<u>-0-</u>	<u>16,126,419</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, 2008

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess of revenues over (under) expenditures	\$ <u>367,023</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>24,186</u>
Other Financing Sources (Uses):				
Transfers in	890,389			308,000
Transfers out	(3,260,216)			
Proceeds from sale of capital assets	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>(2,369,827)</u>	<u>-0-</u>	<u>-0-</u>	<u>308,000</u>
Excess of revenues and other sources Over (under) expenditures and other uses	(2,002,804)	-0-	-0-	332,186
Fund balances, October 1 (restated)	<u>6,876,118</u>	<u> </u>	<u>5,000</u>	<u>744,973</u>
Fund balances, September 30	<u><u>\$ 4,873,314</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 1,077,159</u></u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Red Light Camera</u>	<u>Consolidation</u>	<u>Total</u>
\$ (729,056)	\$ 4,002	\$ (42,609)	\$ 25,445	\$ -0-	\$ (351,009)
1,444,546		40,000		(1,197,877)	1,485,058
(319,931)				1,197,877	(2,382,270)
<u>54,638</u>					<u>54,638</u>
<u>1,179,253</u>	<u>-0-</u>	<u>40,000</u>	<u>-0-</u>	<u>-0-</u>	<u>(842,574)</u>
450,197	4,002	(2,609)	25,445	-0-	(1,193,583)
<u>1,699,650</u>	<u>222,119</u>	<u>3,248</u>			<u>9,551,108</u>
<u>\$ 2,149,847</u>	<u>\$ 226,121</u>	<u>\$ 639</u>	<u>\$ 25,445</u>	<u>\$ -0-</u>	<u>\$ 8,357,525</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2008

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
<u>Assets</u>			
Current Assets:			
Cash and temporary investments	\$ 2,088,709	\$ 421,781	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	<u>744,552</u>	<u> </u>	<u> </u>
	<u>2,833,261</u>	<u>421,781</u>	<u>-0-</u>
Current Restricted Assets:			
Cash and temporary investments	<u>534,827</u>	<u> </u>	<u>727,145</u>
Total restricted current assets	<u>534,827</u>	<u>-0-</u>	<u>727,145</u>
Total current assets	<u>3,368,088</u>	<u>421,781</u>	<u>727,145</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u> </u>	<u> </u>	<u>238,555</u>
Total noncurrent restricted assets	<u>-0-</u>	<u>-0-</u>	<u>238,555</u>
Deferred charges	<u> </u>	<u> </u>	<u>269,343</u>
Capital Assets:			
Property, plant and equipment	55,637,933		
Construction in progress			
Less accumulated depreciation	<u>(23,130,835)</u>	<u> </u>	<u> </u>
Total capital assets (net of accumulated depreciation)	<u>32,507,098</u>	<u>-0-</u>	<u>-0-</u>
Total noncurrent assets	<u>32,507,098</u>	<u>-0-</u>	<u>507,898</u>
Total assets	<u>35,875,186</u>	<u>421,781</u>	<u>1,235,043</u>

(Continued)

<u>Utility Construction</u>	<u>1996 Utility Bond</u>	<u>Wastewater Treatment Bond</u>	<u>Wastewater Treatment Bond Reserve</u>	<u>2007 Utility Bond</u>	<u>Total</u>
\$ 479,760	\$	\$	\$	\$	\$ 2,990,250
					744,552
<u>479,760</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,734,802</u>
	544,741			1,912,738	3,719,451
<u>-0-</u>	<u>544,741</u>	<u>-0-</u>	<u>-0-</u>	<u>1,912,738</u>	<u>3,719,451</u>
<u>479,760</u>	<u>544,741</u>	<u>-0-</u>	<u>-0-</u>	<u>1,912,738</u>	<u>7,454,253</u>
			1,227,200		1,465,755
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,227,200</u>	<u>-0-</u>	<u>1,465,755</u>
	15,101			47,829	332,273
568,123	25,900			32,500	55,637,933
					626,523
					(23,130,835)
<u>568,123</u>	<u>25,900</u>	<u>-0-</u>	<u>-0-</u>	<u>32,500</u>	<u>33,133,621</u>
<u>568,123</u>	<u>41,001</u>	<u>-0-</u>	<u>1,227,200</u>	<u>80,329</u>	<u>34,931,649</u>
<u>1,047,883</u>	<u>585,742</u>	<u>-0-</u>	<u>1,227,200</u>	<u>1,993,067</u>	<u>42,385,902</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2008

	<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	\$ 396,688	\$	\$
Accrued wages	41,780		
Accrued compensated absences	117,323		
Revenue bonds payable	<u>624,167</u>		
	<u>1,179,958</u>	<u>-0-</u>	<u>-0-</u>
Current Liabilities Payable from Restricted Assets:			
Accounts payable			
Accrued interest			259,957
Customer deposits	534,827		
Revenue bonds payable			<u>445,833</u>
Total current liabilities payable from restricted assets	<u>534,827</u>	<u>-0-</u>	<u>705,790</u>
Total current liabilities	1,714,785	-0-	705,790
Noncurrent Liabilities:			
Revenue bonds payable	<u>12,390,000</u>		
Total liabilities	<u>14,104,785</u>	<u>-0-</u>	<u>705,790</u>
Net Assets:			
Invested in capital assets, net of related debt	19,492,931		(176,490)
Restricted For:			
Revenue bond retirement			705,743
Construction			
Unrestricted	<u>2,277,470</u>	<u>421,781</u>	
Total net assets	<u>\$ 21,770,401</u>	<u>\$ 421,781</u>	<u>\$ 529,253</u>

<u>Utility Construction</u>	<u>1996 Utility Bond</u>	<u>Wastewater Treatment Bond</u>	<u>Wastewater Treatment Bond Reserve</u>	<u>2007 Utility Bond</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$
					396,688
					41,780
					117,323
					624,167
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,179,958</u>
	117				117
					259,957
					534,827
					445,833
<u>-0-</u>	<u>117</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,240,734</u>
	117		-0-	-0-	2,420,692
					12,390,000
<u>-0-</u>	<u>117</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>14,810,692</u>
568,123	41,001			80,329	20,005,894
			1,227,200		1,932,943
	544,624			1,912,738	2,457,362
<u>479,760</u>					<u>3,179,011</u>
<u>\$ 1,047,883</u>	<u>\$ 585,625</u>	<u>\$ -0-</u>	<u>\$ 1,227,200</u>	<u>\$ 1,993,067</u>	<u>\$ 27,575,210</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, 2008

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 3,115,137	\$	\$
Sewer service	3,251,097		
Garbage fees	2,970,992		
Tapping and connection fees	251,625		
Other	<u>60,984</u>		
Total operating revenues	<u>9,649,835</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	323,852		
Water production and treatment	2,247,364		
Sewer collection	1,844,805		
Sanitation	2,227,242		
Depreciation	<u>1,902,114</u>		
Total operating expenses	<u>8,545,377</u>	<u>-0-</u>	<u>-0-</u>
Operating income (loss)	<u>1,104,458</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	82,104	10,735	70,374
Gain on sale/retirement of capital assets	(6,000)		
Interest expense and fiscal charges			<u>(613,725)</u>
Total non-operating revenues (expenses)	<u>76,104</u>	<u>10,735</u>	<u>(543,351)</u>
Income (loss) before contributions and transfers	1,180,562	10,735	(543,351)
Transfers in	319,931		
Transfers out	(1,115,058)		
Intrafund transfers	<u>(495,251)</u>	<u>85,500</u>	<u>834,419</u>
Change in net assets	(109,816)	96,235	291,068
Net assets at beginning of year	<u>21,880,217</u>	<u>325,546</u>	<u>238,185</u>
Net assets at end of year	<u>\$ 21,770,401</u>	<u>\$ 421,781</u>	<u>\$ 529,253</u>

Utility Construction	1996 Utility Bond	Wastewater Treatment Bond	Wastewater Treatment Bond Reserve	2007 Utility Bond	Total
\$	\$	\$	\$	\$	\$
					3,115,137
					3,251,097
					2,970,992
					251,625
					60,984
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>		<u>9,649,835</u>
					323,852
					2,247,364
	142			1,470	1,846,417
					2,227,242
					1,902,114
<u>-0-</u>	<u>142</u>	<u>-0-</u>	<u>-0-</u>	<u>1,470</u>	<u>8,546,989</u>
<u>-0-</u>	<u>(142)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,470)</u>	<u>1,102,846</u>
19,705	20,882	1,892		53,119	258,811
	(1,888)			(2,568)	(6,000)
<u>19,705</u>	<u>18,994</u>	<u>1,892</u>	<u>-0-</u>	<u>50,551</u>	<u>(365,370)</u>
19,705	18,852	1,892	-0-	49,081	737,476
					319,931
					(1,115,058)
<u>(28,949)</u>		<u>(366,119)</u>	<u>(29,600)</u>		<u>-0-</u>
(9,244)	18,852	(364,227)	(29,600)	49,081	(57,651)
<u>1,057,127</u>	<u>566,773</u>	<u>364,227</u>	<u>1,256,800</u>	<u>1,943,986</u>	<u>27,632,861</u>
<u>\$ 1,047,883</u>	<u>\$ 585,625</u>	<u>\$ -0-</u>	<u>\$ 1,227,200</u>	<u>\$ 1,993,067</u>	<u>\$ 27,575,210</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

CONSOLIDATED SCHEDULE OF CASH FLOWS ENTERPRISE FUND - SUB-FUNDS

For the Year Ended September 30, 2008

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 9,353,845	\$	\$
Payments to customers and suppliers	(4,227,619)		(23,969)
Payments to employees	(2,588,994)		
Net cash provided (used) by operating activities	2,537,232	-0-	(23,969)
Cash Flows from Non-Capital Financing Activities:			
Transfers in	319,931		
Transfers out	(1,115,058)		
Intrafund transfers	(495,251)	85,500	834,419
Net cash provided (used) by non-capital financing activities	(1,290,378)	85,500	834,419
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(539,408)		
Principal paid on capital debt	(1,070,000)		
Interest and fiscal charges paid on capital debt	250,901		(875,876)
Net cash provided (used) by capital and related financing activities	(1,358,507)	-0-	(875,876)
Cash Flows from Investing Activities:			
Interest on investments	82,104	10,735	70,374
Net cash provided by investing activities	82,104	10,735	70,374
Net increase (decrease) in cash and cash equivalents	(29,549)	96,235	4,948
Cash and cash equivalents at the beginning of year	2,653,085	325,546	960,752
Cash and cash equivalents at the end of year	\$ 2,623,536	\$ 421,781	\$ 965,700
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:			
Operating income (loss)	\$ 1,104,458	\$	\$
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,902,114		
(Increase) decrease in accounts receivable	(295,990)		
Increase (decrease) in accounts payable	35,706		(23,969)
Increase (decrease) in accrued wages payable	1,641		
Increase (decrease) in accrued compensated absences	4,974		
Increase (decrease) in customer deposits	(215,671)		
Total adjustments	1,432,774	-0-	(23,969)
Net cash provided (used) by operating activities	\$ 2,537,232	\$ -0-	\$(23,969)

Utility Construction	1996 Utility Bond	Wastewater Treatment Bond	Wastewater Treatment Bond Reserve	2007 Utility Bond	Total
\$	\$	\$	\$	\$	\$ 9,353,845
(197,490)	(25)	(22,057)		(1,470)	(4,472,630)
					(2,588,994)
<u>(197,490)</u>	<u>(25)</u>	<u>(22,057)</u>	<u>-0-</u>	<u>(1,470)</u>	<u>2,292,221</u>
					319,931
(28,949)		(366,119)	(29,600)		(1,115,058)
					-0-
<u>(28,949)</u>	<u>-0-</u>	<u>(366,119)</u>	<u>(29,600)</u>	<u>-0-</u>	<u>(795,127)</u>
(320,004)				(32,500)	(891,912)
					(1,070,000)
		285,919			(339,056)
<u>(320,004)</u>	<u>-0-</u>	<u>285,919</u>	<u>-0-</u>	<u>(32,500)</u>	<u>(2,300,968)</u>
19,705	20,882	1,892		53,119	258,811
<u>19,705</u>	<u>20,882</u>	<u>1,892</u>	<u>-0-</u>	<u>53,119</u>	<u>258,811</u>
(526,738)	20,857	(100,365)	(29,600)	19,149	(545,063)
1,006,498	523,884	100,365	1,256,800	1,893,589	8,720,519
<u>\$ 479,760</u>	<u>\$ 544,741</u>	<u>\$ -0-</u>	<u>\$ 1,227,200</u>	<u>\$ 1,912,738</u>	<u>\$ 8,175,456</u>
\$	\$(142)	\$	\$	\$(1,470)	\$ 1,102,846
					1,902,114
(197,490)	117	(22,057)			(295,990)
					(207,693)
					1,641
					4,974
					(215,671)
<u>(197,490)</u>	<u>117</u>	<u>(22,057)</u>	<u>-0-</u>	<u>-0-</u>	<u>1,189,375</u>
<u>\$(197,490)</u>	<u>\$(25)</u>	<u>\$(22,057)</u>	<u>\$ -0-</u>	<u>\$(1,470)</u>	<u>\$ 2,292,221</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS
DEBT SERVICE SCHEDULE**

September 30, 2008

Year Ending 09/30	Series 1996		Series 1997	
	Principal	Interest	Principal	Interest
2009	\$ 365,000	\$ 161,239	\$ 225,000	\$ 40,500
2010	365,000	140,799	225,000	31,500
2011	365,000	119,994	225,000	22,500
2012	365,000	100,375	225,000	13,500
2013	365,000	82,125	225,000	4,500
2014	365,000	63,875		
2015	365,000	45,625		
2016	365,000	27,375		
2017	365,000	9,125		
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
TOTAL	<u>\$ 3,285,000</u>	<u>\$ 750,532</u>	<u>\$ 1,125,000</u>	<u>\$ 112,500</u>

(Continued)

Series 1997		Series 1999		Series 2001	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 100,000	\$ 49,150	\$ 225,000	\$ 85,500	\$ 180,000	\$ 106,290
100,000	44,325	225,000	76,500	180,000	98,640
100,000	39,450	225,000	67,500	180,000	90,810
100,000	34,500	225,000	58,500	180,000	82,800
100,000	29,500	225,000	49,500	180,000	74,610
100,000	24,750	225,000	40,500	180,000	66,240
100,000	20,250	225,000	31,500	180,000	57,735
100,000	15,750	225,000	22,500	180,000	49,140
100,000	11,250	225,000	13,500	180,000	40,410
100,000	6,750	225,000	4,500	180,000	31,500
100,000	2,250			180,000	22,500
				180,000	13,500
				180,000	4,500
<hr/>		<hr/>		<hr/>	
<u>\$ 1,100,000</u>	<u>\$ 227,925</u>	<u>\$ 2,250,000</u>	<u>\$ 450,000</u>	<u>\$ 2,340,000</u>	<u>\$ 738,675</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2008

Year Ending 09/30	Series 2002		Series 2002	
	Principal	Interest	Principal	Interest
2009	\$ 240,000	\$ 225,000	\$ 180,000	\$ 104,175
2010	245,000	215,300	180,000	96,075
2011	260,000	205,070	180,000	87,525
2012	270,000	194,070	180,000	79,425
2013	280,000	182,380	180,000	71,775
2014	290,000	169,980	180,000	64,125
2015	305,000	156,661	180,000	56,700
2016	320,000	142,283	180,000	49,500
2017	335,000	126,886	180,000	42,300
2018	350,000	110,530	180,000	35,100
2019	370,000	93,065	180,000	27,450
2020	390,000	74,250	180,000	19,350
2021	410,000	54,250	180,000	11,475
2022	430,000	33,250	180,000	3,825
2023	450,000	11,250		
2024				
2025				
2026				
2027				
TOTAL	<u>\$ 4,945,000</u>	<u>\$ 1,994,225</u>	<u>\$ 2,520,000</u>	<u>\$ 748,800</u>

(Continued)

Series 2003		Series 2003		Series 2004	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 290,000	\$ 29,562	\$ 60,000	\$ 34,230	\$ 180,000	\$ 101,520
280,000	20,802	60,000	32,355	180,000	95,580
165,000	13,629	60,000	30,360	180,000	89,640
160,000	8,145	60,000	28,290	180,000	83,700
155,000	2,713	60,000	26,190	180,000	77,760
		60,000	24,030	180,000	71,820
		60,000	21,750	180,000	65,835
		60,000	19,380	180,000	59,715
		60,000	16,950	180,000	53,370
		60,000	14,475	180,000	46,800
		60,000	11,955	180,000	40,050
		60,000	9,375	180,000	33,120
		60,000	6,750	180,000	26,010
		60,000	4,080	180,000	18,720
		60,000	1,365	180,000	11,295
				180,000	3,780
<hr/>		<hr/>		<hr/>	
<u>\$ 1,050,000</u>	<u>\$ 74,851</u>	<u>\$ 900,000</u>	<u>\$ 281,535</u>	<u>\$ 2,880,000</u>	<u>\$ 878,715</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2008

Year Ending 09/30	Series 2007		Totals		
	Principal	Interest	Principal	Interest	Total
2009	\$ 215,000	\$ 196,241	\$ 2,260,000	\$ 1,133,407	\$ 3,393,407
2010	315,000	185,972	2,355,000	1,037,848	3,392,848
2011	265,000	174,734	2,205,000	941,212	3,146,212
2012	265,000	164,300	2,210,000	847,605	3,057,605
2013	265,000	153,700	2,215,000	754,753	2,969,753
2014	265,000	143,100	1,845,000	668,420	2,513,420
2015	265,000	132,500	1,860,000	588,556	2,448,556
2016	265,000	121,900	1,875,000	507,543	2,382,543
2017	265,000	111,300	1,890,000	425,091	2,315,091
2018	265,000	100,700	1,540,000	350,355	1,890,355
2019	265,000	90,100	1,335,000	287,370	1,622,370
2020	265,000	79,500	1,255,000	229,095	1,484,095
2021	265,000	68,900	1,275,000	171,885	1,446,885
2022	265,000	58,300	1,115,000	118,175	1,233,175
2023	265,000	47,700	955,000	71,610	1,026,610
2024	265,000	37,100	445,000	40,880	485,880
2025	265,000	26,500	265,000	26,500	291,500
2026	265,000	15,900	265,000	15,900	280,900
2027	<u>265,000</u>	<u>5,300</u>	<u>265,000</u>	<u>5,300</u>	<u>270,300</u>
TOTAL	<u>\$ 5,035,000</u>	<u>\$ 1,913,747</u>	<u>\$ 27,430,000</u>	<u>\$ 8,221,505</u>	<u>\$ 35,651,505</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2008

Year Ending 09/30	Series 1993		Series 1996	
	Principal	Interest	Principal	Interest
2009	\$ 70,000	\$ 19,230	\$ 100,000	\$ 40,250
2010	70,000	15,520	100,000	35,000
2011	70,000	11,810	100,000	30,000
2012	70,000	8,065	100,000	25,000
2013	80,000	4,320	100,000	20,000
2014			100,000	15,000
2015			100,000	10,000
2016			100,000	5,000
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
TOTAL	\$ <u>360,000</u>	\$ <u>58,945</u>	\$ <u>800,000</u>	\$ <u>180,250</u>

<u>Series 2000</u>		<u>Series 2007</u>		<u>Totals</u>		
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 800,000	\$ 427,200	\$ 100,000	\$ 78,000	\$ 1,070,000	\$ 564,680	\$ 1,634,680
800,000	397,200	100,000	73,000	1,070,000	520,720	1,590,720
800,000	366,800	100,000	68,000	1,070,000	476,610	1,546,610
800,000	336,000	100,000	63,000	1,070,000	432,065	1,502,065
800,000	304,400	100,000	58,250	1,080,000	386,970	1,466,970
800,000	272,400	100,000	54,000	1,000,000	341,400	1,341,400
800,000	240,000	100,000	50,000	1,000,000	300,000	1,300,000
800,000	206,800	100,000	46,000	1,000,000	257,800	1,257,800
800,000	173,200	100,000	42,000	900,000	215,200	1,115,200
800,000	139,200	100,000	38,000	900,000	177,200	1,077,200
800,000	104,800	100,000	34,000	900,000	138,800	1,038,800
800,000	70,000	100,000	30,000	900,000	100,000	1,000,000
800,000	35,200	100,000	26,000	900,000	61,200	961,200
		100,000	22,000	100,000	22,000	122,000
		100,000	18,000	100,000	18,000	118,000
		100,000	14,000	100,000	14,000	114,000
		100,000	10,000	100,000	10,000	110,000
		100,000	6,000	100,000	6,000	106,000
		<u>100,000</u>	<u>2,000</u>	<u>100,000</u>	<u>2,000</u>	<u>102,000</u>
<u>\$ 10,400,000</u>	<u>\$ 3,073,200</u>	<u>\$ 1,900,000</u>	<u>\$ 732,250</u>	<u>\$ 13,460,000</u>	<u>\$ 4,044,645</u>	<u>\$ 17,504,645</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

INSURANCE COVERAGE

September 30, 2008

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Texas Municipal League:		
General and Auto Liability: Bodily injury Property damage	\$ 5,000,000	10/01/08
Other Liability: Law enforcement liability	5,000,000	10/01/08
Errors and omissions	2,000,000	10/01/08
Property coverage	38,059,173	10/01/08
Boiler and machinery	8,000,000	10/01/08
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	36,814,315	01/26/09
Pollution liability insurance	2,000,000	10/01/08

Note 1: New Mobil Equipment added to Property Coverage at \$ 1,670,073

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.

and 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 Five 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>
\$ 20,767,169	\$ 22,531,131
7,165,037	6,127,672
<u>12,535,286</u>	<u>12,901,474</u>
<u>\$ 40,467,492</u>	<u>\$ 41,560,277</u>
\$ 26,931,575	\$ 27,384,565
4,403,071	4,433,305
<u>3,862,779</u>	<u>3,228,210</u>
<u>\$ 35,197,425</u>	<u>\$ 35,046,080</u>
\$ 47,698,744	\$ 49,915,696
11,568,108	10,560,977
<u>16,398,065</u>	<u>16,129,684</u>
<u>\$ 75,664,917</u>	<u>\$ 76,606,357</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 2
Changes in Net Assets - Last Five 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>
\$ 2,933,681	\$ 2,894,285
5,238,784	5,464,662
5,346,890	5,925,876
4,621,273	4,977,391
<u>1,225,583</u>	<u>1,260,296</u>
<u>19,366,211</u>	<u>20,522,510</u>
6,407,376	6,614,955
2,629,561	2,573,279
<u>1,868,965</u>	<u>2,017,199</u>
<u>10,905,902</u>	<u>11,205,433</u>
<u>\$ 30,272,113</u>	<u>\$ 31,727,943</u>

\$ 442,892	\$ 451,580
244,049	239,063
974,310	986,604
25,000	744,892
<u>856,100</u>	<u> </u>
<u>2,542,351</u>	<u>2,422,139</u>

5,614,724	6,678,843
2,823,869	2,970,992
1,637,741	1,847,418
<u> </u>	<u> </u>
<u>10,076,334</u>	<u>11,497,253</u>
<u>\$ 12,618,685</u>	<u>\$ 13,919,392</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 2 - Continued
Changes in Net Assets - Last Five 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>

<u>2007</u>	<u>2008</u>
\$(16,823,860)	\$(18,100,371)
<u>(829,568)</u>	<u>291,820</u>
<u>(17,653,428)</u>	<u>(17,808,551)</u>
5,020,245	5,366,631
6,972,467	6,890,894
272,624	272,703
1,596,697	1,525,195
3,220,061	3,422,770
59,590	145,269
819,379	656,899
103,123	182,791
56,533	22,498
<u>(53,112)</u>	<u>707,506</u>
<u>18,067,607</u>	<u>19,193,156</u>
443,132	264,341
16,000	
<u>53,112</u>	<u>(707,506)</u>
<u>512,244</u>	<u>(443,165)</u>
<u>18,579,851</u>	<u>18,749,991</u>
1,243,747	1,092,785
<u>(317,324)</u>	<u>(151,345)</u>
<u>\$ 926,423</u>	<u>\$ 941,440</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Fund:					
Reserved for other*	\$ 46,655	\$ 39,269	\$ 59,973	\$ 63,746	\$ 57,388
Unreserved	<u>6,032,897</u>	<u>6,158,381</u>	<u>6,508,038</u>	<u>6,524,769</u>	<u>7,387,749</u>
Total general fund	<u>\$ 6,079,552</u>	<u>\$ 6,197,650</u>	<u>\$ 6,568,011</u>	<u>\$ 6,588,515</u>	<u>\$ 7,445,137</u>
All Other Governmental Funds Reserved For:					
Reserved For:					
Debt service	\$ 992,710	\$ 1,013,592	\$ 897,419	\$ 784,047	\$ 795,592
Capital projects	5,195,332	2,290,145	4,656,643	8,986,602	7,071,280
Unreserved, Reported In:					
Special Revenue	2,148,176	2,369,068	2,559,616	4,372,503	3,241,768
Capital projects	<u>2,567,484</u>	<u>2,176,415</u>	<u>2,018,357</u>	<u>-0-</u>	<u>423,844</u>
Total all other governmental funds	<u>\$ 10,903,702</u>	<u>\$ 7,849,220</u>	<u>\$ 10,132,035</u>	<u>\$ 14,143,152</u>	<u>\$ 11,532,484</u>

Note: *Includes encumbrances and prepaid items

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 67,614	\$ 538,565	\$ 199,512	\$ 125,301	\$ 442,782
<u>7,741,804</u>	<u>7,242,862</u>	<u>7,504,971</u>	<u>9,010,029</u>	<u>7,914,743</u>
<u>\$ 7,809,418</u>	<u>\$ 7,781,427</u>	<u>\$ 7,704,483</u>	<u>\$ 9,135,330</u>	<u>\$ 8,357,525</u>
\$ 768,321	\$ 604,045	\$ 550,663	\$ 534,831	\$ 527,608
5,978,847	3,998,032	1,706,433	6,344,497	5,648,872
1,694,660	1,551,229	1,593,812	1,843,390	2,432,834
<u>1,616,002</u>	<u>1,989,716</u>	<u>1,515,074</u>	<u>1,132,586</u>	<u>2,299,863</u>
<u>\$ 10,057,830</u>	<u>\$ 8,143,022</u>	<u>\$ 5,365,982</u>	<u>\$ 9,855,304</u>	<u>\$ 10,909,177</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	1999	2000	2001	2002	2003
Revenues:					
Taxes	\$ 11,611,323	\$ 12,093,169	\$ 13,073,884	\$ 13,742,689	\$ 13,991,874
Intergovernmental	8,938	236,279	58,817	272,471	326,496
Charges for services	724,435	759,611	997,106	994,180	958,594
Fines and fees	374,354	318,983	297,281	353,082	325,470
Licenses and permits	134,694	126,362	119,542	208,169	211,309
Special assessment	15,287	14,660	4,453	4,098	3,736
Investment earnings	909,254	939,023	799,174	387,668	290,464
Contributions					550,000
Miscellaneous	<u>199,382</u>	<u>148,186</u>	<u>157,680</u>	<u>85,193</u>	<u>61,506</u>
Total revenues	<u>13,977,667</u>	<u>14,636,273</u>	<u>15,507,937</u>	<u>16,047,550</u>	<u>16,719,449</u>
Expenditures:					
General government administration	2,091,508	2,217,451	2,356,954	1,978,733	2,111,361
Public safety	2,944,864	3,306,638	3,645,476	4,190,707	4,113,458
Public works	1,769,303	1,992,649	2,114,596	2,159,844	2,237,529
Culture and recreation	2,038,021	2,416,598	2,764,346	3,418,071	3,577,880
Capital outlay	7,821,975	5,549,145	3,523,620	3,867,639	8,904,603
Debt Service:					
Principal	1,480,000	1,550,000	1,625,000	1,580,000	1,855,000
Interest and fiscal charges	<u>1,160,080</u>	<u>1,157,593</u>	<u>1,118,653</u>	<u>1,213,076</u>	<u>1,470,118</u>
Total expenditures	<u>19,305,751</u>	<u>18,190,074</u>	<u>17,148,645</u>	<u>18,408,070</u>	<u>24,269,949</u>
Excess of revenues over (under) expenditures	<u>(5,328,084)</u>	<u>(3,553,801)</u>	<u>(1,640,708)</u>	<u>(2,360,520)</u>	<u>(7,550,500)</u>
Other Financing Sources (Uses):					
Bonds issued	4,250,000		3,600,000	6,000,000	7,415,000
Discount on bonds issued				(8,398)	(3,079)
Premium on bonds issued					27,166
Sale of capital asset				19,630	25,863
Payment to bond refunding escrow agent					(2,549,996)
Transfers in	4,318,597	3,436,290	3,348,985	3,662,513	3,423,562
Transfers out	<u>(3,888,875)</u>	<u>(2,818,889)</u>	<u>(2,654,578)</u>	<u>(3,286,250)</u>	<u>(2,964,424)</u>
Total other financing sources (uses)	<u>4,679,722</u>	<u>617,401</u>	<u>4,294,407</u>	<u>6,387,495</u>	<u>5,374,092</u>
Net change in fund balances	<u>\$ (648,362)</u>	<u>\$ (2,936,400)</u>	<u>\$ 2,653,699</u>	<u>\$ 4,026,975</u>	<u>\$ (2,176,408)</u>
Debt Service as a percentage of noncapital Expenditures	23.06%	21.4%	20.1%	19.2%	21.6%

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 14,341,593	\$ 14,808,784	\$ 16,102,183	\$ 17,130,142	\$ 17,628,611
103,345	221,208	724,144	646,100	744,892
889,460	900,630	877,552	974,310	986,604
304,200	327,720	306,426	442,892	429,564
315,555	187,044	213,750	244,049	239,063
3,597			3,246	100
218,164	467,505	687,327	819,379	656,900
23,065	600	1,025	2,020	515
<u>90,884</u>	<u>71,698</u>	<u>124,902</u>	<u>97,857</u>	<u>182,275</u>
<u>16,289,863</u>	<u>16,985,189</u>	<u>19,037,309</u>	<u>20,359,995</u>	<u>20,868,524</u>
2,047,348	2,181,307	2,404,638	2,737,126	2,707,090
4,135,938	4,323,056	4,585,013	4,663,457	4,949,286
2,184,224	2,267,855	2,640,909	2,298,989	3,882,411
3,502,390	3,728,855	3,900,092	3,863,375	4,227,705
6,380,274	2,817,025	5,478,274	2,568,700	2,393,437
2,110,000	2,285,000	2,285,000	2,345,000	2,580,000
<u>1,374,354</u>	<u>1,338,466</u>	<u>1,232,899</u>	<u>1,267,213</u>	<u>1,238,338</u>
<u>21,734,528</u>	<u>18,941,564</u>	<u>22,526,825</u>	<u>19,743,860</u>	<u>21,978,267</u>
(5,444,665)	(1,956,375)	(3,489,516)	616,135	(1,109,743)
3,600,000			5,300,000	
			613	
137,058	71,558	9,250	56,533	54,638
3,492,943	4,659,251	3,815,160	3,107,252	5,217,473
(2,895,709)	(4,717,233)	(3,320,128)	(3,160,364)	(4,509,967)
<u>4,334,292</u>	<u>13,576</u>	<u>504,282</u>	<u>5,304,034</u>	<u>762,144</u>
<u>\$(1,110,373)</u>	<u>\$(1,942,799)</u>	<u>\$(2,985,234)</u>	<u>\$ 5,920,169</u>	<u>\$(347,599)</u>
22.7%	22.5%	20.6%	21.0%	19.5%

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
1999	\$ 929,341,200	\$ 92,803,820	\$ 135,647,931	\$ 886,497,089	\$ 0.35000
2000	974,177,450	99,415,470	137,872,623	935,720,297	0.35000
2001	1,062,786,530	102,242,250	165,963,334	999,065,446	0.35000
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

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
1999	\$ 0.2209	\$ 0.1291	\$ 0.3500	\$ 0.3575	\$ 1.3728	\$ 0.0800	\$ 0.0763	\$ 0.0710
2000	0.2253	0.1247	0.3500	0.3575	1.3728	0.0784	0.0763	0.0690
2001	0.2359	0.1141	0.3500	0.3995	1.3728	0.0725	0.0850	0.0690
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

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

2008			1999		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Brazos Outlets Center LLC	\$ 20,187,550	1.45%	Southwest Shopping Centers	\$ 27,007,050	3.05%
Wal-Mart Stores Inc.	16,679,590	1.20%	Wal-Mart Stores Inc.	16,280,660	1.92%
Home Depot	11,318,580	0.81%	Dow Chemical Company	14,325,190	1.69%
Edwater Associates LTD	11,240,910	0.81%	Houston Lighting & Power	7,910,620	0.93%
Fazio Peter & Shari (Lowe's)	10,963,850	0.79%	Dayton Hudson Corporation	6,868,810	0.81%
Dow Chemical Company	9,820,892	0.71%	Southwestern Bell Telephone	6,152,790	0.73%
Centerpoint Energy Inc.	9,360,250	0.67%	Petula Associates LTD (Lowe's)	5,547,160	0.65%
Buc-ee's LTD	7,562,690	0.54%	Don Davis Buick Pontiac	5,321,920	0.63%
Lake Jackson Apts Assoc.	5,892,120	0.42%	Northland SW Two LTD Ptnshp	4,240,350	0.50%
Texas Dow Employees C.U.	<u>5,811,570</u>	<u>0.42%</u>	Carriage Inn - Lake Jackson LTD	<u>4,167,870</u>	<u>0.49%</u>
Total	<u>\$ 108,838,002</u>	<u>7.82%</u>	Total	<u>\$ 97,822,420</u>	<u>11.40%</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	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 3,113,794	\$ 3,081,546	99.0%	\$ 41,510	\$ 3,123,056	100.3%
2000	3,276,484	3,240,879	98.9%	37,778	3,278,657	100.1%
2001	3,473,983	3,465,580	99.8%	61,366	3,526,945	101.5%
2002	3,745,540	3,720,173	99.3%	50,329	3,770,502	100.7%
2003	4,195,258	4,164,483	99.3%	54,342	4,218,563	100.6%
2004	4,386,442	4,368,949	99.6%	52,150	4,421,099	100.8%
2005	4,572,468	4,563,655	99.8%	40,550	4,604,205	100.7%
2006	4,840,949	4,818,745	99.5%	29,692	4,848,438	100.2%
2007	4,982,111	4,940,579	99.2%	24,649	4,965,228	99.7%
2008	5,357,679	5,294,887	98.8%		5,294,887	98.8%

Source: Brazoria County Tax Office

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
1999	\$ 3,460,834	\$ 1,730,441	\$ 5,191,275	3.5%	37.1%	\$ 196.65
2000	3,601,981	1,800,991	5,402,972	4.1%	36.9%	204.43
2001	3,673,682	1,896,742	5,570,524	3.1%	35.9%	209.76
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	1,957,066	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

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			
1999	\$ 10,205,000	\$ 12,045,000	\$ 2,760,000	\$ -0-	\$ 25,010,000	5.04%	947
2000	9,495,000	11,205,000	18,520,000	-0-	39,220,000	5.68%	1,484
2001	12,310,000	10,365,000	18,350,000	-0-	41,025,000	5.91%	1,545
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	44,866,074	6.22%	1,625
2008	22,120,000	5,310,000	13,460,000	653,017	41,543,017	5.76%	1,504

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	Less: Amounts Payable from Enterprise Revenues ²	Net Bonded Debt	Percentage of Actual Taxable Value of Property ³	Per Capita ⁴
1999	\$ 22,250,000	\$ 992,710	\$ 12,045,000	\$ 44,940	\$ 9,167,350	2.51%	843
2000	20,700,000	1,013,592	11,205,000	35,981	8,445,427	2.21%	783
2001	22,675,000	897,419	10,365,000	31,356	11,381,225	2.27%	854
2002	27,095,000	784,047	9,525,000	26,733	16,759,220	2.54%	1,008
2003	30,135,000	795,592	9,885,000	-0-	19,454,408	2.70%	1,119
2004	31,625,000	768,321	14,790,000	-0-	16,066,679	2.66%	1,171
2005	29,340,000	603,990	13,690,000	-0-	15,046,010	2.38%	1,072
2006	27,055,000	550,608	12,555,000	-0-	13,949,392	2.12%	980
2007	30,010,000	534,776	11,410,000	-0-	18,065,224	2.23%	1,087
2008	27,430,000	527,553	10,255,000	-0-	16,647,447	1.97%	993

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 1996, 1997, and 2003 Certificates of Obligation; all of which are being repaid from revenues generated from the half-cent optional sales tax. Does not include Revenue bonds.

² Includes the general obligation bonds that were repaid from water and sewer revenues. This is equal to 2.89% of the 1989 Refunding Issue.

³ See Table 5 for property value data.

⁴ 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, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>As of</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:				
Velasco Drainage District	\$ --		16.86%	\$ --
Brazosport I.S.D.	1,050,686,391	08/31/08	16.01%	168,214,891
Brazosport Jr. College	39,224,133	08/31/08	16.01%	6,279,784
Port Freeport	10,270,000	09/30/08	15.22%	1,563,094
Brazoria County	45,068,000	09/30/08	8.79%	3,961,477
Angleton Drainage District	--	09/30/08	3.44%	--
Angleton/Danbury Hospital District	18,500,000	09/30/08	1.22%	225,700
Columbia-Brazoria I.S.D.	40,000,000	08/31/08	0.84%	336,000
Angleton I.S.D.	85,391,298	08/31/08	0.78%	<u>666,052</u>
Subtotal, overlapping debt				181,246,998
City of Lack Jackson (direct debt)	27,430,000	09/30/08	100.00%	<u>27,430,000</u>
Total direct and overlapping debt				<u>\$ 208,676,998</u>

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

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
1999	\$ 5,678,991	\$ 3,348,707	\$ 2,330,284	\$ 235,127	9.91	\$ 459,725	5.07
2000	6,536,318	3,540,953	2,995,365	225,146	13.30	394,830	7.59
2001	6,383,480	3,857,399	2,526,081	1,307,890	1.93	311,740	8.10
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

Source: Lake Jackson Finance Department

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

¹ Excludes interest, depreciation, and other 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
1999	26,399	\$ 496,248,402	\$ 18,798	--	6,458	4.5%	13,652
2000	26,430	690,695,190	26,133	34.5	6,431	4.1%	13,806
2001	26,557	694,014,081	26,133	--	6,424	4.0%	13,974
2002	26,881	702,481,173	26,133	--	6,445	5.1%	14,526
2003	26,936	703,918,488	26,133	--	6,536	5.0%	14,951
2004	27,018	706,061,394	26,133	--	6,476	5.3%	14,960
2005	27,377	715,443,141	26,133	--	6,409	4.7%	14,180
2006	27,614	721,636,662	26,133	--	6,472	3.6%	14,467
2007	27,614	721,636,662	26,133	--	6,921	3.8%	14,439
2008	27,614	721,636,662	26,133	--	6,422	5.8%	14,266

Source: Estimated Population, per capita income, and median age provided 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

2008			1999		
Employer	Employees	Percentage of Total City Employment	Employer	Estimated Employees	Percentage of Total City Employment
Brazosport Memorial Hospital	675	4.68%	Wal Mart Stores Inc.	550	3.99%
Wal-Mart	487	3.38%	Brazosport Memorial Hospital	486	3.52%
Brazosport I.S.D.	403	2.79%	Brazosport I.S.D.	405	2.94%
City of Lake Jackson	210	1.46%	City of Lake Jackson	192	1.39%
Dow Credit Union	205	1.42%	Dow Credit Union	190	1.38%
Target	150	1.04%	Lowes	120	0.87%
Lowes	127	0.88%	Target	130	0.94%
Home Depot	85	0.59%	Home Depot	89	0.65%
Ryan's Steakhouse	67	0.46%	Ryan's Steakhouse	60	0.44%
Randall's	63	0.44%	Albertson's	48	0.35%
Jerry's Food King	45	0.31%	Stanley Supermarket	48	0.34%
Total	<u>2,517</u>	<u>17.45%</u>	Total	<u>2,318</u>	<u>16.81%</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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government and Administration	25	29	30	31	31	32	31	31	31	35
Public Safety:										
Police	53	53	57	57	57	57	57	58	58	59
Fire	2	2	2	2	2	2	1	1	1	1
Humane	2	3	3	3	3	3	3	3	3	3
Culture and Recreation	26	26	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	6	6	6	8
Garbage	9	9	9	9	9	9	9	9	9	9
Water and Sewer	38	40	41	41	40	38	38	37	37	37
Sanitation	<u>25</u>									
	<u>208</u>	<u>215</u>	<u>222</u>	<u>223</u>	<u>222</u>	<u>221</u>	<u>219</u>	<u>219</u>	<u>219</u>	<u>226</u>

Source: City Budget

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety:										
Police:										
% Criminal Offenses Cleared	54%	41%	52%	79%	73%	64%	52%	55%	65%	65%
Traffic contacts	11,674	10,238	12,586	15,955	15,822	17,119	16,406	18,039	18,000	20,000
Fire:										
Fire calls	356	406	422	455	455	469	486	519	530	550
EMS calls	1,292	1,452	1,367	1,488	1,488	1,514	1,629	1,891	1,946	2,210
Inspections	284	371	228	330	n/a	226	253	243	230	230
Public Works:										
Streets:										
Potholes repaired	2,256	1,625	671	598	559	486	481	314	450	310
Gutter sweeping (cu yd)	1,732	2,000	1,759	1,137	1,293	1,176	1,676	1,430	1,500	1,800
Culture and Recreation:										
Recreation Center members	5,164	5,454	5,769	5,415	5,091	5,586	4,937	5,864	5,760	6,250
Recreation Center Attendance	161,525	185,598	201,959	246,631	251,638	241,350	168,967	142,234	190,000	200,000
Water and Sewer:										
Number of sewer leaks Repaired	97	111	62	107	16	45	133	3	20	10
Linear feet of sewer mains cleaned	206,230	99,525	8,900	60,150	11,100	39,085	122,216	47,735	100,000	50,000
Sanitation:										
Refuse Collected:¹										
Residential garbage (cu yd)	20,510	23,036	18,550	23,851	23,237	25,000	27,060	27,031	27,225	28,000
Commercial garbage (cu yd)	38,090	25,518	34,450	34,934	35,934	37,000	26,698	40,459	40,835	42,000

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	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	1	2	2	2	2	2	2	2	2	2
Recreation Center	1	1	1	1	1	1	1	1	1	1
Parks Acreage ¹	1,082	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,121	1,306
Parks	22	23	23	23	23	23	23	23	23	23
Baseball/softball fields ²	15	23	23	23	23	23	23	23	23	23
Soccer fields ²	17	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	867	875	916	917	917	917	917	917	917	917
Wastewater³										
Maximum daily treatment capacity (thousands of gallons)	2,150	2,150	2,150	2,150	2,150	2,150	6,150	6,150	6,150	6,150

Source: Various City departments

¹ In 2007 Dow donated 9.86 acres of land.

² In 2000 the Youth Sportsplex was completed. The Sportsplex provides 6 softball fields, 7 soccer fields and 2 baseball fields.

³ The expansion and upgrade of the Wastewater treatment plant was completed in 2005.

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FEDERAL AWARDS SECTION

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KENNEMER, MASTERS & LUNSFORD

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Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statement Performed in Accordance with *Government Auditing Standards*

February 5, 2009

To the Honorable Mayor and
Members of Council
City of Lake Jackson
Lake Jackson, Texas 77566

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Jackson (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 5, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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To the Honorable Mayor and
Members of Council
City of Lake Jackson
February 5, 2009
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have performed tests designed to verify the City's compliance with the requirements of the Public Funds Investment Act. During the year ended September 30, 2008, no instances of noncompliance were found.

We noted certain matters that we reported to management of the City, in a separate letter dated February 5, 2009.

This report is intended solely for the information and use of management, the mayor and City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kennebec, Masters & Hurdford, LLC

KENNEMER, MASTERS & LUNSFORD

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Independent Auditor's Report

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

February 5, 2009

To the Honorable Mayor and
Members of Council
City of Lake Jackson
Lake Jackson, Texas 77566

Compliance

We have audited the compliance of the City of Lake Jackson (the "City"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

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To the Honorable Mayor and
Members of Council
City of Lake Jackson
February 5, 2009
Page 2

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, mayor and City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kennemer, Masters & Hurdford, LLC

CITY OF LAKE JACKSON

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008*

Page 1 of 1

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the major program.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings, which are required to be reported under Sec._510(a):
No.
7. Major Programs:
97.036 Public Assistance Grant - Hurricane Ike.
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000.
9. Low risk auditee: Yes.

II. Findings related to the financial statements

None.

III. Findings and questioned costs related to the federal awards.

None.

CITY OF LAKE JACKSON
SCHEDULE OF STATUS OF PRIOR FINDING
YEAR ENDED SEPTEMBER 30, 2008

None.

CITY OF LAKE JACKSON
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2008

None.

CITY OF LAKE JACKSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project/Grant Number</u>	<u>Expenditures Indirect Costs or Award Amount</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through the Federal Emergency Management Agency:			
Public Assistance Grants (Hurricane Ike)	97.036	FEMA TX 1791	\$ <u>729,892</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>729,892</u>
<u>U.S. Department of Justice</u>			
Direct:			
COPS Universal Hiring Award	16.710	2005UMWX0020	<u>15,000</u>
TOTAL DEPARTMENT OF JUSTICE			<u>15,000</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ <u>744,892</u></u>

See notes to supplement Schedule of Expenditures of Federal Awards.

CITY OF LAKE JACKSON

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2008

1. The City uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn is divided into separate "fund types". The following fund types were utilized to account for federal awards.

Governmental Fund Types:

General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. Federal financial assistance not required to be reported in other funds are accounted for in the General Fund. The General Fund is considered a major fund.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal loan funds are recorded as a liability when received and included with other revenue bonds payable. Expenditures and expenses made under the provisions of the grant are recorded when incurred.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.

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CONTINUING FINANCIAL DISCLOSURES

As of 01/31/09

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 each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the Securities and Exchange Commission ("SEC").

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CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-1 Bond Summary and Authorization

Summary of Bonds Outstanding

General Obligation Bonds

1996 Combination Tax and Revenue Certificates of Obligation	\$ 3,285,000
1997 General Obligation Bonds	1,100,000
1997 Combination Tax and Revenue Certificates of Obligation	1,125,000
1999 General Obligation Bonds	2,250,000
2001 General Obligation Bonds	2,340,000
2002A Limited Tax General Obligation Bonds	2,520,000
2002 Limited Tax General Obligation Bonds	4,945,000
2003 Limited Tax Refunding Bonds	1,050,000
2003 Combination Tax and Revenue Certificates of Obligations	900,000
2004 Limited Tax Bonds	2,880,000
2007 Limited Tax Bonds	<u>5,035,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>27,430,000</u>

While the 1996, 1997 and 2003 Combination Tax and Revenue Certificates of Obligation are secured by a pledge of Ad Valorem Tax Revenues, they are to be paid totally from revenues generated by the Optional Half Cent Sales Tax.

Waterworks and Sewer System Bonds

1993A Waterworks and Sewer System Bonds	\$ 360,000
1996 Waterworks and Sewer System Bonds	800,000
2000 Waterworks and Sewer System Bonds	10,400,000
2000 Waterworks and Sewer System Bonds	<u>1,900,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>13,460,000</u>

General Obligation Bonds Authorized but not Issued as of 01/31/09

In May 2005, voters approved an additional \$ 7.7 million in infrastructure and facility bonds. \$ 5.3 million of the bonds were sold in 2007. \$ 2.4 million were sold February, 2009.

Waterworks and Sewer System Bonds Authorized but not Issued

None.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-2

Financial Information

(As of 1/31/09, adjusted to include \$ 2,400,000 General Obligation, Series 2009)

2008 Assessed Valuation (100% of Actual) ¹	\$ <u>1,451,257,205</u>
<u>General Obligation Bonds Outstanding</u>²	
Presently outstanding	\$ 27,430,000
Series 2009, General Obligations	<u>2,400,000</u>
Gross debt	29,830,000
Less: Debt Service Cash Balance	<u>2,232,503</u>
Net Debt	\$ <u>27,597,497</u>
Ratio of Net Debt to 2008 Assessed Valuation	1.90%
2009 Estimated Population	28,000
2008 Assessed Valuation per Capita	\$ 51,830.61
Net Debt per Capita	\$ 985.62
Area of the City	18 square miles

¹ Net of exemptions in the amount of \$ 282,212,103.

² Excludes the Waterworks and Sewer System Revenue Bonds outstanding.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-3
Estimated Direct & Overlapping Debt Statement

Political Subdivision	Net Debt		Estimated Percent Overlapping	Amount Overlapping
	Amount	As of		
Angleton I.S.D.	\$ 85,391,298	08/31/08	0.78%	\$ 666,052
Angleton-Danbury Hospital District	18,500,000	09/30/08	1.22%	225,700
Angleton Drainage District	-0-	09/30/08	3.44%	-0-
Brazoria County	45,068,000	09/30/08	8.79%	3,961,477
Brazosport I.S.D.	1,050,686,391	09/30/08	16.01%	168,214,891
Port Freeport	10,270,000	09/30/08	15.22%	1,563,094
Brazosport Jr. College	39,224,133	08/31/08	16.01%	6,279,784
Columbia-Brazoria I.S.D.	40,000,000	08/31/08	0.84%	336,000
Velasco Drainage District	-0-	09/30/08	16.86%	-0-
 Total Overlapping Debt				 181,246,998
 City of Lake Jackson				 <u>27,597,497</u>
 Total Direct and Overlapping Debt				 <u>\$ 208,844,495</u>
 Ratio of Total Direct and Overlapping Debt to 2008 Assessed Valuation				 14.39%
 Per Capital Total Direct and Overlapping Debt				 <u>\$ 7,459</u>
 Assessed Valuation per Capita				 <u>\$ 51,831</u>

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	\$ 2,400,000 General Obligation Series 2009 ¹		Total Debt Service Requirements
		Principal	Interest	
2009	\$ 3,393,407	\$	\$ 60,638	\$ 3,454,045
2010	3,392,848	120,000	100,800	3,613,648
2011	3,146,212	120,000	94,500	3,360,712
2012	3,057,605	120,000	88,200	3,265,805
2013	2,969,753	120,000	82,200	3,171,953
2014	2,513,420	120,000	76,500	2,709,920
2015	2,448,556	120,000	70,800	2,639,356
2016	2,382,543	120,000	65,550	2,568,093
2017	2,315,091	120,000	60,750	2,495,841
2018	1,890,355	120,000	56,025	2,066,380
2019	1,622,370	120,000	51,450	1,793,820
2020	1,484,095	120,000	46,950	1,651,045
2021	1,446,885	120,000	42,450	1,609,335
2022	1,233,175	120,000	37,800	1,390,975
2023	1,026,610	120,000	33,000	1,179,610
2024	485,880	120,000	28,200	634,080
2025	291,500	120,000	23,220	434,720
2026	280,900	120,000	18,060	418,960
2027	270,300	120,000	12,900	403,200
2028		120,000	7,740	127,740
2029		120,000	2,580	122,580
	<u>\$ 35,651,505</u>	<u>\$ 2,400,000</u>	<u>\$ 1,060,313</u>	<u>\$ 39,111,818</u>

¹ Bonds issued February, 2009

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>
2009	\$ 1,070,000	\$ 567,180	\$ 1,637,180
2010	1,070,000	523,220	1,593,220
2011	1,070,000	479,110	1,549,110
2012	1,070,000	434,565	1,504,565
2013	1,080,000	389,220	1,469,220
2014	1,000,000	343,400	1,343,400
2015	1,000,000	302,000	1,302,000
2016	1,000,000	259,800	1,259,800
2017	900,000	217,200	1,117,200
2018	900,000	179,200	1,079,200
2019	900,000	140,800	1,040,800
2020	900,000	102,000	1,002,000
2021	900,000	63,200	963,200
2022	100,000	24,000	124,000
2023	100,000	20,000	120,000
2024	100,000	16,000	116,000
2025	100,000	12,000	112,000
2026	100,000	8,000	108,000
2027	<u>100,000</u>	<u>4,000</u>	<u>104,000</u>
	<u>\$ 13,460,000</u>	<u>\$ 4,084,895</u>	<u>\$ 17,544,895</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 9/30/09, the debt service on the 1996, 1997 or 2003 Certificates of Obligation, nor the 2002 Golf Course General Obligation bonds (these are to be repaid from the half cent sales tax).

	<u>Average Requirements (2009-2029)</u>	<u>Maximum Requirement 2009</u>
General Obligation Debt Service Requirements	\$ 1,224,668	\$ 2,298,694
Debt Service Fund tax rate required on 2008 Assessed Taxable Valuation of \$ 1,451,257,205 @ 98% collection	\$ 0.086	\$ 0.162

Including the Certificates of Obligation and the 2002 General Obligation bonds, the calculation is as follows:

	<u>Average Requirements (2009-2029)</u>	<u>Maximum Requirement 2010</u>
General Obligation Debt Service Requirements	\$ 1,862,468	\$ 3,613,648
Debt Service Fund tax rate required on 2008 Assessed Taxable Valuation of \$ 1,451,257,205 @ 98% collection	\$ 0.131	\$ 0.254

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	
1997	\$ 844,876,452	0.3500	98.7%	99.7%	09/30/98
1998	889,655,350	0.3500	97.8%	99.3%	09/30/99
1999	983,861,770	0.3500	98.0%	99.8%	09/30/00
2000	999,065,446	0.3500	98.6%	99.9%	09/30/.01
2001	1,068,602,660	0.3500	98.3%	99.9%	09/30/02
2002	1,117,428,789	0.3750	99.4%	100.2%	09/30/03
2003	1,187,071,311	0.3703	98.6%	100.9%	09/30/04
2004	1,237,823,934	0.3700	98.4%	100.9%	09/30/05
2005	1,273,933,920	0.3800	98.3%	100.2%	09/30/06
2006	1,354,217,330	0.3700	97.9%	100.0%	09/30/07
2007	1,391,605,040	0.3850	98.3%	100.3%	09/30/08
2008	1,451,257,205	0.3900	74.3%	74.8%	thru 1/31/09

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	2008	2007	2006	2005	2004
General Fund	\$ 0.2332	\$ 0.2329	\$ 0.2390	\$ 0.2493	\$ 0.2359
Debt Service Fund	<u>0.1568</u>	<u>0.1521</u>	<u>0.1310</u>	<u>0.1307</u>	<u>0.1341</u>
Total Tax Rate	<u>\$ 0.3900</u>	<u>\$ 0.3850</u>	<u>\$ 0.3700</u>	<u>\$ 0.3800</u>	<u>\$ 0.3700</u>

CITY OF LAKE JACKSON

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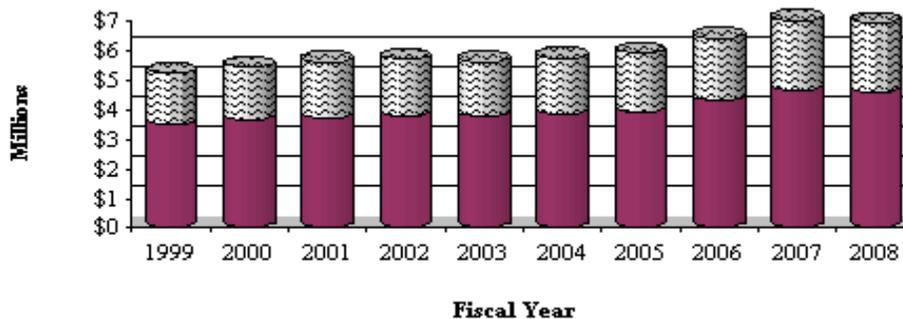
Table CD-8
Sales Tax Collection History

City Sales Tax Collection

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

Sales Tax Collection History

Fiscal Year	One Cent Sales Tax	Optional Half Cent Sales Tax ¹
1999	\$ 3,460,834	\$ 1,730,442
2000	3,601,981	1,800,991
2001	3,673,682	1,896,841
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



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

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Table CD-9
Economic Development Fund

Resources	ACTUAL 2006-07	BUDGET 2007-08	ACTUAL 2007-08	ADOPTED 2008-09
Fund Balance	\$ <u>1,197,762</u>	\$ <u>1,474,715</u>	\$ <u>1,662,598</u>	\$ <u>1,971,188</u>
Revenues:				
Half Cent Sales Tax	2,353,998	2,509,500	2,357,058	2,481,395
Interest income	<u>66,809</u>	<u>40,275</u>	<u>53,064</u>	<u>50,185</u>
	<u>2,420,807</u>	<u>2,549,775</u>	<u>2,410,122</u>	<u>2,531,580</u>
Total Resources	\$ <u><u>3,618,569</u></u>	\$ <u><u>4,024,490</u></u>	\$ <u><u>4,072,720</u></u>	\$ <u><u>4,502,768</u></u>
Expenditures	ACTUAL 2006-07	BUDGET 2007-08	ACTUAL 200-08	ADOPTED 2008-09
Transfer to Economic Development Debt Service	\$ 1,144,629	\$ 1,101,314	\$ 1,102,957	\$ 794,239
Downtown Street Masterplan	-0-	-0-	-0-	600,000
Transfer to Golf Course Debt Service	549,225	550,000	548,575	550,000
Golf Course Operating Contingency	100,000	100,000	100,000	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><u>2,143,854</u></u>	\$ <u><u>2,101,314</u></u>	\$ <u><u>2,101,532</u></u>	\$ <u><u>2,394,239</u></u>
Ending Fund Balance	\$ <u><u>1,474,715</u></u>	\$ <u><u>1,923,176</u></u>	\$ <u><u>1,971,188</u></u>	\$ <u><u>2,108,529</u></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.

The \$ 350,000 transfer to the General Fund is to subsidize the Recreation Center operations. In prior years this amount was \$ 250,000. In fiscal year 2003 it was increased to \$ 350,000 at City Council's request to allow additional General Fund money to be used for debt service on the infrastructure and facility bond issue.

In 2001 - 2002 City Council and the Lake Jackson Development Corporation authorized \$ 200,000 for 2001 - 2002 and \$ 550,000 annually for ten years to subsidize the operations of the Golf Course. This subsidy is reflected as a transfer to the Golf Course Debt Service Fund.

As part of the 2005-06 budget process, the Lake Jackson Development Corporation recommended, and City Council approved, an additional Golf Course contingency of \$ 300,000 to be funded in \$ 100,000 increments over three years.

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Table CD-10 Debt Service Fund Management Index

General Debt Service Fund

Debt Service Fund Balance as of 9/30/08	\$	527,608
Debt Service Tax Levy of \$.156776 per \$ 100 of Assessed Valuation on 2008 Assessed Valuation of \$ 1,451,257,205 at 98% collection		2,229,719
Interest Earnings on Debt Service Fund		<u>16,044</u>
Total Available for 2009 Debt Service		2,773,371
Less: 2009 Debt Service Requirements		<u>2,103,076</u>
Projected Debt Service Fund Balance at 9/30/09	\$	<u><u>670,295</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. Currently, there are four outstanding issues. The 1996 Recreation Center CO's, the 1997 Civic Center & Youth Sportsplex CO's, the 2002 Golf Course CO's, and the 2003 Golf Course CO's.

	<u>Golf Course</u>	<u>Economic Development</u>
Debt Service Fund Balance as of 9/30/08	\$ -0-	\$ -0-
Transfer from Golf Course Operations	10,605	
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>550,000</u>	<u>794,239</u>
Total Available for 2009 Debt Service	560,605	794,239
Less: 2009 Debt Service Requirements	<u>560,605</u>	<u>794,239</u>
Projected Debt Service Fund Balance at 9/30/09	\$ <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 9/30/08	\$ 965,700
Transfer from Utility Operating Fund (as budgeted)	1,525,350
Transfer from Debt Service Reserve (as budgeted)	30,000
2009 Projected Interest Earnings	<u>71,000</u>
Total Available for 2009 Debt Service	2,592,050
Less: 2009 Debt Service Requirements (including agent fees)	<u>1,641,180</u>
Projected Debt Service Fund Balance at 9/30/09	<u><u>\$ 950,870</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, except the 2000 \$ 16 million issue. It is reflected below.

Utility Debt Service Fund Reserve

Debt Service Reserve Fund Balance as of 9/30/08	\$ 1,227,200
Transfers as budgeted:	
from Wastewater Treatment Construction Fund	-0-
from Utility Contingency	-0-
Less: 2009 Transfer to Debt Service	<u>30,000</u>
Projected Reserve Fund Balance at 9/30/09	<u><u>\$ 1,197,200</u></u>

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

	Fiscal Year	
	2008	2007
Revenues:		
Taxes	\$ 17,628,611	\$ 17,130,142
Intergovernmental	744,892	646,100
Charges for services	986,604	974,310
Fines and fees	429,564	442,892
Licenses and permits	239,063	244,049
Special assessment	100	3,246
Investment earnings	656,900	819,379
Contributions	515	2,020
Miscellaneous	182,275	97,857
Total revenues	<u>20,868,524</u>	<u>20,359,995</u>
Expenditures:		
General government and administration	2,707,090	2,737,126
Public safety	4,949,286	4,663,457
Public works	3,882,411	2,298,989
Culture and recreation	4,227,705	3,863,375
Capital Outlay	2,393,437	2,568,700
Debt Service:		
Principal	2,580,000	2,345,000
Interest and fiscal charges	1,238,338	1,267,213
Total expenditures	<u>21,978,267</u>	<u>19,743,860</u>
Excess of revenues over (under) expenditures	<u>(1,109,743)</u>	<u>616,135</u>
Other Financing Sources (Uses):		
Bonds issued		5,300,000
Premium on bonds issued		613
Sale of capital assets	54,638	56,533
Transfers in	5,217,473	3,107,252
Transfers out	<u>(4,509,967)</u>	<u>(3,160,364)</u>
Total other financing sources (uses)	<u>762,144</u>	<u>5,304,034</u>
Net change in fund balances	<u>\$(347,599)</u>	<u>\$ 5,920,169</u>

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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, 2008 and 2007.

	2008	2007
Revenues:		
Water and sewer services	\$ 6,366,234	\$ 5,328,003
Sanitation service	2,970,992	2,823,869
Tapping and connection fees	251,625	232,050
Golf course fees and charges	1,831,956	1,637,735
Other	76,446	54,677
	11,497,253	10,076,334
Operating Expenses:		
Utility administration	323,852	326,437
Reimbursed administrative	438,389	438,389
Water and sewer	4,093,781	4,099,108
Golf course	1,672,695	1,568,306
Sanitation	2,227,242	2,157,050
	8,755,959	8,589,290
Net revenues as described by Bond ordinance	2,741,294	1,487,044
Nonoperating Revenues (Expenses):		
Depreciation	(2,246,618)	(2,130,173)
Interest earnings	264,341	443,132
Gain (loss) on disposition of capital assets	(6,000)	16,000
Interest expense and fiscal charges	(635,245)	(624,828)
Transfers:		
for franchise fee	(102,000)	(102,000)
for equipment replacement	(574,669)	(490,629)
for Golf Course debt service	(12,380)	(12,380)
Assets purchased by general fund	419,932	1,096,510
	(2,892,639)	(1,804,368)
Net income	\$(151,345)	\$(317,324)
Coverage of average annual debt service requirements	2.74X	1.70X
Customer count (residential & commercial)	8,790	8,765

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Table CD-14
Water and Sewer Information

Water and Sewer Rates

Current water and sewer rates became effective October 1, 2008.

Water:	First 2000 gallons	\$ 8.60 Minimum
	Over 2000 gallons	\$ 2.85 per 1,000 gallons
Sewer:	First 2000 gallons	\$ 9.60 Minimum
	Over 2000 gallons	\$ 3.20 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 \$ 1.61.

In addition to the above, the City operates 11 water wells with a peak production capacity of 7.6 million gallons. Water storage capacity includes five elevated tanks (2.55 million gallons of capacity) and 4 ground storage tanks (2.0 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 three "master" lift stations that pump directly to the treatment plant, and 39 lift stations that serve various subdivisions and convey wastewater to a "master" lift station.

Water and Sewer Customers

Currently, the City has 21 apartment complexes (2,657 units); 490 Commercial businesses and 8,300 residences utilizing the City's water and sewer services.

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Table CD-15
Top Ten Utility Customers

<u>Name of Business</u>	<u>Type of Business</u>	<u>FY 2008 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Brazosport Hospital	Hospital	25,553	2.62%
Star Bright Market	Gas Station/Car Wash	14,110	1.44%
Oyster Creek Apartments	Apartment	13,865	1.42%
Jackson Square #1	Apartment	9,856	1.01%
Veard-Lake Jackson Ltd.	Apartment	9,603	0.98%
Raamco Raintree LP	Apartment	9,517	0.97%
Woodhollow Apartments	Apartment	9,451	0.97%
Buc-ee's #29	Gas Station/Car Wash	9,340	0.96%
Gateway at Lake Jackson	Apartment	9,112	0.93%
TAJ Properties LLC	Apartment	<u>7,651</u>	<u>0.78%</u>
		<u>118,058</u>	<u>12.08%</u>

Total water consumption for the period October 1, 2007 to September 30, 2008 in thousands of gallons was 976,603.

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 2008 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Brazos Outlets Center LLC	Retail	\$ 24,074,630	1.66%
Wal-Mart Stores Inc.	Retail	15,920,980	1.10%
Edgewater Associates LTD	Apartments	11,174,120	0.77%
Home Depot	Retail	10,489,930	0.72%
Fazio Peter & Shari (Lowe's)	Home Improvement	10,942,780	0.75%
Dow Chemical Company	Various property	9,877,540	0.68%
Texas Dow Employees Credit Union	Financial Institution	9,244,780	0.64%
Ling Villages of Lake Jackson	Apartments	7,673,940	0.53%
Buc-ee's Ltd.	Retail	6,605,490	0.46%
Dillard Texas Operating LTD	Retail	5,396,310	0.37%
Windcrest/Lake Jackson LTD	Apartments	5,300,000	0.37%
Leo Martin Chevrolet Inc.	Dealership	5,208,530	0.36%
Lake Jackson Crossing Ltd Prt.	Retail	5,092,760	0.35%
Southwestern Bell Telephone Co.	Utility	4,945,670	0.34%
Palms of Lake Jackson	Apartments	4,870,000	0.34%
Carriage Inn - Lake Jackson LTD	Assisted living	4,759,770	0.33%
Dayton Hudson Corp (Target)	Retail	4,713,620	0.32%
Lake View Property (Woodhollow)	Apartments	4,471,230	0.31%
Raamco Raintree LP	Apartments	4,412,345	0.30%
Linmark Oaks LLC (Flagridge)	Apartments	4,347,750	0.29%
		<u>\$ 159,522,175</u>	<u>10.99%</u>

Assessed Valuation by Classification

<u>Classification</u>	<u>2008 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,091,598,262	75.21%
Real, Vacant Platted Lots/Tracts	13,878,410	0.96%
Commercial & Industrial	298,910,333	20.60%
Real Acreage (Land Only)	12,497,950	0.86%
Utilities and Pipelines	19,457,250	1.34%
Special Inventory and other	14,915,000	1.03%
	<u>\$ 1,451,257,205</u>	<u>100.00%</u>

CITY OF LAKE JACKSON
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Table CD-17
General Fund - Budget Summary

On September 2, 2008 the 2008-09 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	<u>2006-07</u> Actual	<u>2007-08</u> Actual	<u>2008-09</u> Adopted Budget
Revenues:			
Property tax	\$ 3,236,791	\$ 3,259,202	\$ 3,386,952
Sales tax	4,618,469	4,553,842	4,868,750
Franchise fees	1,698,697	1,627,195	1,581,355
Industrial district	3,220,061	3,422,770	3,750,000
Licenses and permits	244,049	239,063	242,900
Fines and fees	442,892	404,119	364,000
Civic Center fees	290,767	286,417	284,250
Recreation Center fees	683,543	700,188	616,400
Intergovernmental	127,204	930,808	-0-
Interest and other	302,928	321,394	392,025
Utility Administrative fee	438,389	438,389	438,389
Transfer from Economic Development	350,000	350,000	350,000
Transfer from General Contingency	<u>140,000</u>	<u> </u>	<u>308,000</u>
 Total revenues	 <u>\$ 15,793,790</u>	 <u>\$ 16,533,387</u>	 <u>\$ 16,583,021</u>
Expenditures:			
General government services	\$ 1,530,540	\$ 1,679,421	\$ 2,190,780
Financial services	959,920	1,003,056	1,124,200
Legal services	112,452	132,445	137,400
Public safety services	5,077,674	4,910,024	5,999,923
Engineering services	355,734	369,311	418,365
Public works services *	2,616,352	3,953,454	3,225,023
Parks & recreation services	2,661,429	2,882,717	3,181,690
Miscellaneous services	<u>349,735</u>	<u>345,547</u>	<u>305,640</u>
 Total expenditures	 <u>\$ 13,663,836</u>	 <u>\$ 15,275,975</u>	 <u>\$ 16,583,021</u>

*Public Works Services 2007-08 expenditures include \$ 1,238,902 in expenses related to Hurricane Ike.

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Table CD-18
Utility Fund - Budget Summary

On September 2, 2008 the 2008-09 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2006-07</u> Actual	<u>2007-08</u> Actual	<u>2008-09</u> Adopted Budget
Revenues:			
Plumbing fees	\$ 15,470	\$ 21,241	\$ 15,000
FEMA Hurricane reimbursement	-0-	-0-	-0-
Tap fees	37,050	42,900	35,000
Administrative fees	179,530	187,483	191,500
Water sales	2,658,343	3,248,770	3,273,950
Sewer sales	2,777,004	3,251,097	3,317,468
Senior discount	(107,344)	(133,633)	(138,240)
Sanitation sales	2,823,869	2,970,992	3,046,803
Other revenues	70,673	60,018	69,420
Interest & sales tax discount	137,795	83,070	70,800
Transfer from Utility Contingency	<u>40,000</u>		<u>85,500</u>
Total revenues	<u>\$ 8,632,390</u>	<u>\$ 9,731,938</u>	<u>\$ 9,967,201</u>
Expenditures:			
Utility administration	\$ 349,288	\$ 349,801	\$ 411,772
Water	2,202,989	2,307,352	2,518,720
Wastewater	2,043,062	1,933,936	2,133,180
Sanitation	2,477,768	2,627,242	2,752,290
Non-departmental	<u>1,910,389</u>	<u>2,220,789</u>	<u>2,151,239</u>
Total expenditures	<u>\$ 8,983,496</u>	<u>\$ 9,439,120</u>	<u>\$ 9,967,201</u>