

City of
Lake Jackson, Texas
Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2017

For further information, contact the City of Lake Jackson, 25 Oak Drive

Lake Jackson, Texas 77566

Pam Eaves, Finance Director

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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For the Year Ended September 30, 2017*

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INTRODUCTORY SECTION

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CITY OF LAKE JACKSON • 25 OAK DRIVE • LAKE JACKSON, TEXAS 77566-5289
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March 29, 2018

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

We are pleased to submit the Comprehensive Annual Financial Report for the City of Lake Jackson, Texas (the City) for the fiscal year ended September 30, 2017. The City's Finance Department prepared this report in conjunction with our auditors, Kennemer, Masters and Lunsford, LLC. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

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

PROFILE OF THE CITY

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

In addition, the City provides water, sewer and sanitation services, including curbside recycling for persons residing within its city limits. The City has an agreement with the Brazosport Water Authority (BWA) to obtain 2,000,000 gallons of surface water per day on a take or pay basis. The surface water is supplemented by the City's twelve water wells. The water wells and BWA have a peak production capacity of 9.1 million gallons per day. Water storage capacity includes four elevated tanks (2.55 million gallons total capacity) and four ground storage tanks (4.5 million gallons total capacity). The City distributes an average of 2.96 million gallons per day.

Sewer treatment is provided for the City by one water reclamation facility. This facility has a permitted capacity of 5.89 million gallons per day. Wastewater generated throughout the city flows through a series of lift stations prior to reaching the treatment plant. There are currently four “master” lift stations that pump directly to the treatment plant, and 42 lift stations that serve various subdivisions and convey wastewater to a “master” lift station. All effluent from the facility flows to Dow Chemical Company for use in its plant processes.

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

HISTORY AND BACKGROUND

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

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

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

AREA ECONOMY

The industrial expansion triggered by low natural gas prices continues in Southern Brazoria County. Nearly \$20 billion in industrial projects are ongoing with the cornerstone of Dow’s \$12 billion Gulf Coast investment, the Ethylene facility coming on line in September of 2017. Major construction continues on Freeport LNG’s 3 liquefaction trains, with a fourth train recently authorized to export chilled natural gas by the Department of Energy. Construction of the fourth train is expected to begin in 2018 with an expected completion date in 2022. While some projects have completed, others have started up, with still more potentially in the que. There remain some 10,000 construction workers currently working on various projects in the Brazoria county coastal region. According to Economics Professor Donald Payne, Brazoria County has added 32,182 jobs in the last ten years. That is an increase of 24.73%, higher than the percentages of both the U.S. and Texas. And that growth is expected to continue.

Overall, Brazoria County’s economy looks very bright—unemployment is at a four-year low; sales tax receipts, though down from last year, remain at a historical high; and home sales and prices are climbing.

CITY ECONOMY

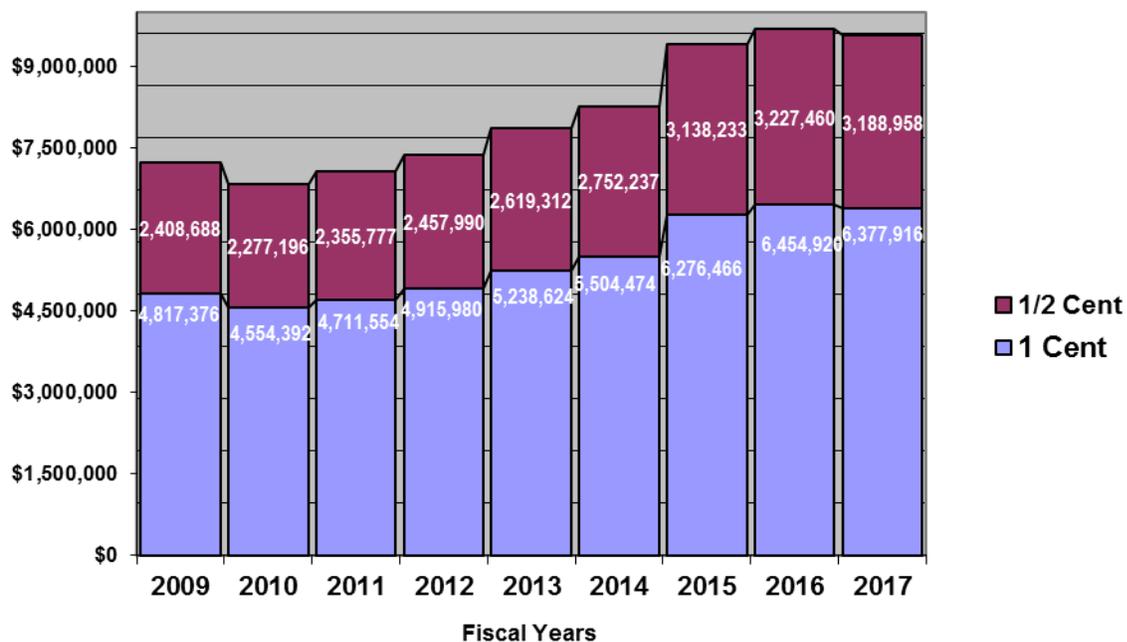
The economic impact to the city from these projects has been substantial. Dow Chemical Company, in addition to its industrial plant development within our industrial district area, built its Texas Innovation Center campus within the Lake Jackson city limits. The campus includes administrative offices which opened in June of 2015, and world class research and development facilities which are complete and being transitioned into service. The impact of this facility is now seen in our tax base. Both Lex Lake Jackson LP (Dow research facility) and Cole OFC (Dow administration building) are now among our top taxpayers. The research facility will also be among the city's top water customers.

Overall, taxable assessed values increased 9% for FY 2016 and 14% for FY2017. For FY 2018 with a majority of the Dow research facilities being complete and two new apartment complexes values increased another 11%. With construction of homes continuing in the Creekside subdivision and two new hotels completing construction values should increase substantially again for FY 2019.

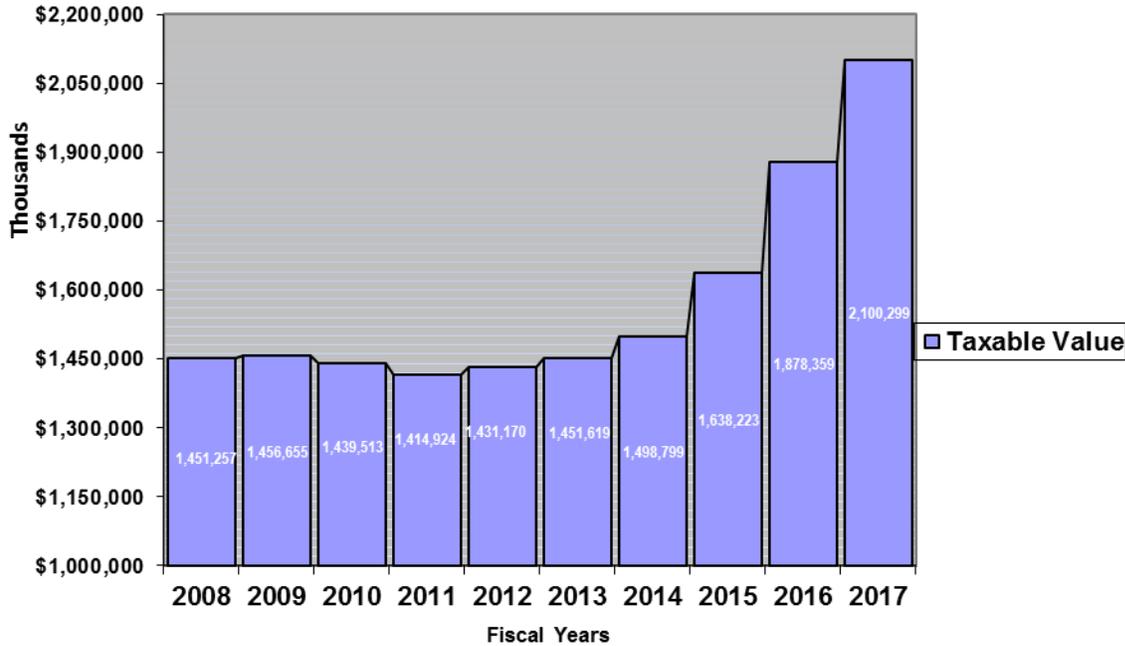
This growth has had an immediate impact on Sales Tax collections for the City. Sales Tax in FY 2015 increased over 14% compared to FY 2014 and FY 2016 increased another 3%. In FY 2017 sales tax collections decreased slightly (1.2%) which is attributable partially due to the closing of Sears and Hastings and a fire suffered by one of the most popular restaurants. However, the restaurant rebuilt bigger, Home Goods and TJ Maxx have taken over the Sears location, and there are plans for a Planet Fitness in the old Hastings location. And sales tax is up 11% year-to-date.

The City's portion of the 8.25% sales tax rate is 1.5% -- of which 1% is allocated to the General Fund, and ½ % is allocated to the Economic Development Fund. Sales tax comprises 33% of the General Operating Fund budget.

Sales Tax Revenue



Taxable Assessed Property Valuations



MAJOR ISSUES AND INITIATIVES

Groundwork has been laid for future development in the Northwest portion of the City. Water has been extended to the airport area. This system will support the airport and industrial development surrounding the airport. The construction of the sewer system for this area is also now complete and the Wayne Scott prison unit has been brought on as a customer. This system will support approximately 450 single family equivalents before additional facilities need to be added.

A new section 380 agreement has been executed with the owners of the Brazos Mall. The City will give them sales tax rebates on additional sales generated at the mall. In turn they are nearing completion of over \$20 million in renovations to the mall including the recent opening of TJ Maxx and Home Goods in the old Sears area.

Two phases of a three phase \$16 million bond package approved by the voters have been sold. Planning and construction is underway. This includes the Plantation Drive bridge, Willow / Blossom Drainage, Circle Way / Oak traffic signal and Woodland Park street replacement. The final phase for another portion of the downtown renovation will be sold in December 2018.

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

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

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

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

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

DEBT ADMINISTRATION

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

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial Reporting to the City of Lake Jackson for its comprehensive annual financial report for the fiscal year ended September 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



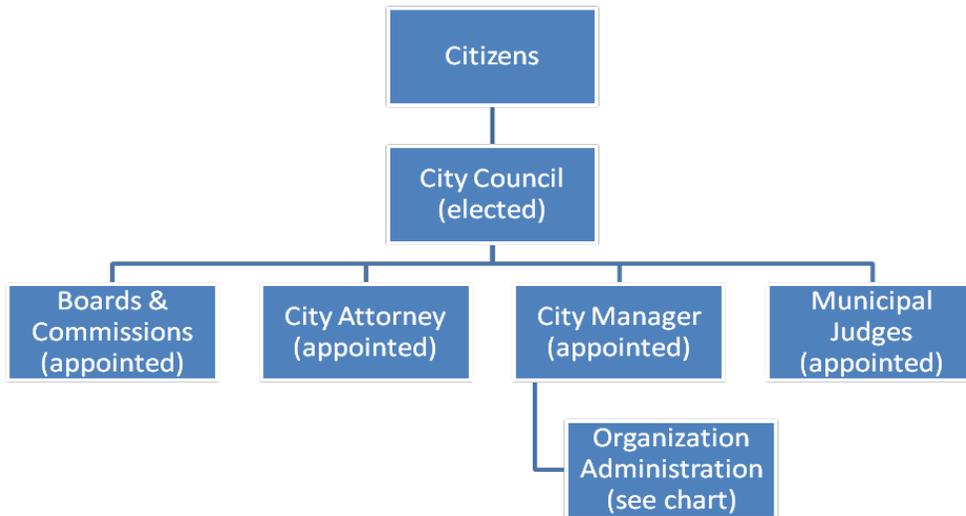
William P. Yenne
City Manager



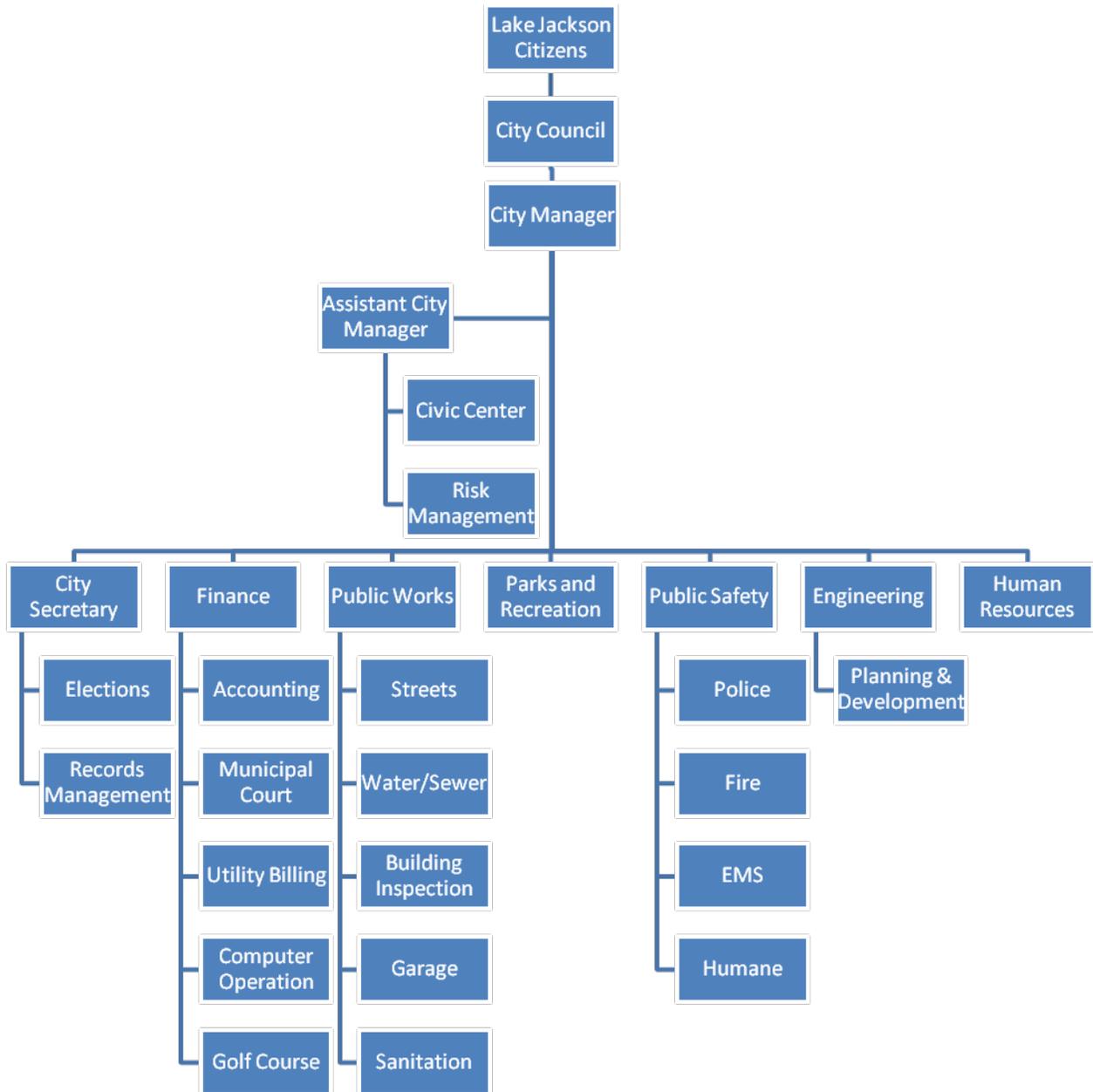
Pamela K. Eaves, CPA
Finance Director

City of Lake Jackson

Council-Manager Government



Organization Administration Chart



Elected Officials

	Official	Title	Years Of Service	Term Expire	Occupation
*	Joe Rinehart	Mayor	6	2018	Retired
	Matthew Broaddus	Councilmember	1	2019	Attorney
**	Will Brooks	Councilmember	6	2018	Engineer
***	Gerald Roznovsky	Councilmember	5	2019	Business Owner
	Ralph “Buster” Buell	Councilmember	4	2018	Retired
	Tim Scott	Councilmember	1	2019	Retired

* Served as Councilmember 2003-2009 before becoming Mayor.

** Served as Councilmember 2008-2010.

*** Served as Councilmember 2005-2011.

City Officials

	Name	Title	Length of Service
*	<i>William P. Yenne</i>	<i>City Manager</i>	<i>38 years</i>
	<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>23 years</i>
	<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>28 years</i>
	<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>39 years</i>
	<i>Sherri Russell</i>	<i>City Attorney</i>	<i>11 years</i>
	<i>First Southwest Company</i>	<i>Financial Advisors</i>	<i>13 years</i>

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



Government Finance Officers Association

**Certificate of
Achievement
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**City of Lake Jackson
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
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El Campo, Texas 77437
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Houston Office:
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Houston, Texas 77042
281-974-3416

Independent Auditor's Report

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

Reports on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund, and budgetary comparison information of the City of Lake Jackson (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund, and budgetary comparison information of the City of Lake Jackson, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension related schedules for Texas Municipal Retirement System and Texas Emergency Services Retirement System on pages 5 through 16 and 91 through 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, statistical section, and continuing financial disclosures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kennemer, Masters & Hunford, LLC

Lake Jackson, Texas
March 29, 2018

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CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

As management of the City of Lake Jackson (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages ix-xvi of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 91,801,385 (net position). This number must be viewed in the context that the vast majority of the City's net position of \$ 66,430,612 (72.36%) are investments in capital assets (e.g. land, buildings, improvements and other than buildings, furniture, equipment and vehicles, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. Most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The net position externally restricted for specific purposes totals \$ 7,291,835 (7.94%). The remaining \$ 18,078,938 (19.70%) is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 23,646,981. Within this total, \$ 248,341 is non-spendable, \$ 8,007,646 is restricted by specific legal requirements, \$ 910,307 has been committed for general contingency purpose, and \$ 9,562,518 has been assigned to specific types of expenditures.
- At the end of the current fiscal year, the general fund balance was \$ 12,994,558. Of this amount, \$ 248,341 is non-spendable, \$ 910,307 has been committed for general contingency purpose, and \$ 6,917,741 has been assigned primarily for equipment replacement. The remaining \$ 4,918,169 is unassigned and can be used for any lawful purpose.

Overview of the Financial Statements

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

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

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

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

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

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

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

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

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

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

The City maintains fifteen (15) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Fund (special revenue fund), General Debt Service Fund, and 2016 Infrastructure Improvement Fund (capital projects fund); all of which are considered to be major funds. Data from the other eleven (11) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental funds financial statements can be found on pages 22-30 of this report.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

Proprietary Funds. The City maintains two categories of *proprietary funds* - Enterprise Fund and Golf Course Operating Fund. Proprietary funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses proprietary funds to account for its water and sewer, golf, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 32-37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-87 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 91-95 of this report. The combining and individual fund statements and schedules referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 100-150 of this report. Other schedules can be found on pages 152-176 of this report. The statistical section can be found on pages 178-201 of this report following the other schedules. The continuing financial disclosures can be found on 205-222 of this report following the statistical section.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 91,801,385 as of September 30, 2017.

NET POSITION

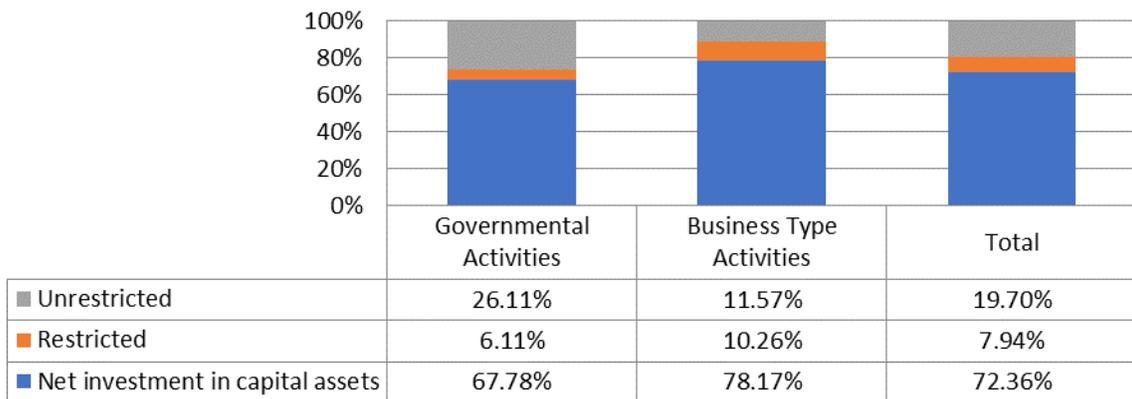
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	September 30,		September 30		September 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
ASSETS						
Current and other assets	\$ 26,115,928	\$ 24,870,500	\$ 12,101,947	\$ 9,387,157	\$ 38,217,875	\$ 34,257,657
Capital assets	<u>62,560,676</u>	<u>62,750,190</u>	<u>40,925,972</u>	<u>37,512,203</u>	<u>103,486,648</u>	<u>100,262,393</u>
Total assets	<u>88,676,604</u>	<u>87,620,690</u>	<u>53,027,919</u>	<u>46,899,360</u>	<u>141,704,523</u>	<u>134,520,050</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	<u>3,154,607</u>	<u>3,546,802</u>	<u>1,162,891</u>	<u>1,030,612</u>	<u>4,317,498</u>	<u>4,577,414</u>
Total deferred outflows of resources	<u>3,154,607</u>	<u>3,546,802</u>	<u>1,162,891</u>	<u>1,030,612</u>	<u>4,317,498</u>	<u>4,577,414</u>
LIABILITIES						
Current liabilities	1,951,067	1,738,282	2,071,428	1,988,619	4,022,495	3,726,901
Long-term liabilities	<u>38,184,547</u>	<u>34,458,260</u>	<u>11,512,075</u>	<u>9,206,192</u>	<u>49,696,622</u>	<u>43,664,452</u>
Total liabilities	<u>40,135,614</u>	<u>36,196,542</u>	<u>13,583,503</u>	<u>11,194,811</u>	<u>53,719,117</u>	<u>47,391,353</u>

(continued)

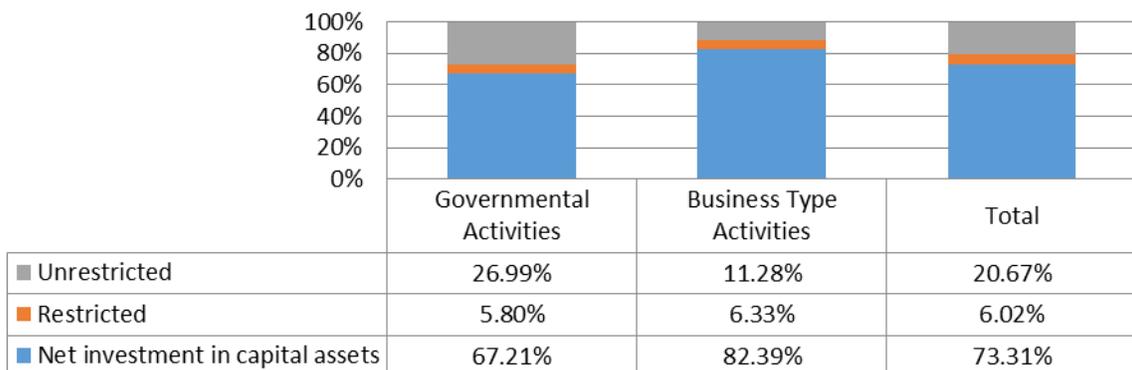
CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	September 30,		September 30		September 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	\$ <u>390,067</u>	\$ <u>632,984</u>	\$ <u>111,452</u>	\$ <u>178,118</u>	\$ <u>501,519</u>	\$ <u>811,102</u>
Total deferred inflows of resources	<u>390,067</u>	<u>632,984</u>	<u>111,452</u>	<u>178,118</u>	<u>501,519</u>	<u>811,102</u>
NET POSITION						
Net investment in capital assets	34,776,336	36,518,760	31,654,276	30,118,830	66,430,612	66,637,590
Restricted	3,135,742	3,156,731	4,156,093	2,315,334	7,291,835	5,472,065
Unrestricted	<u>13,393,452</u>	<u>14,662,475</u>	<u>4,685,486</u>	<u>4,122,879</u>	<u>18,078,938</u>	<u>18,785,354</u>
Total net position	\$ <u>51,305,530</u>	\$ <u>54,337,966</u>	\$ <u>40,495,855</u>	\$ <u>36,557,043</u>	\$ <u>91,801,385</u>	\$ <u>90,895,009</u>

2017 Percentage of Net Position by Type



2016 Percentage of Net Position by Type



CITY OF LAKE JACKSON, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2017*

As of September 30, 2017, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories governmental and business-type activities.

The largest portion of the City's net position, \$ 66,430,612 (72.36%) reflects its investments in capital assets less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. An additional portion of the City's net position of \$ 7,291,835 (7.94%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 18,078,938 (19.70%) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a increase of \$ 1,819,770 in restricted net position and a decrease of \$ 206,978 in net investment in capital assets. The increase in restricted net position and the decrease in net investment in capital assets, resulted from the issuance of bonds, the new construction projects, and payments of debt.

Analysis of the City's Operations

Governmental Activities: Governmental activities decreased the City's net position by \$ 3,032,436. The decrease mainly reflects the decrease in capital grants and contributions and nearly \$ 1 million in flood related expenditures.

Total revenues for governmental activities decreased from the previous year by \$ 1,630,111 (5.98%).

Program revenues decreased from the previous year by \$ 1,911,667. This is a result of a decrease in capital grants and contributions.

General revenues increased from the previous year by \$ 281,556. This is primarily resulting from an increase in property tax revenue from new valves.

Business-type Activities: Business activities increased the City's net position by \$ 3,938,812 (10.77%) which mainly resulted from the transfers from other funds.

Total revenues increased from the prior year by \$ 267,284 and total expenses increased from the prior year by \$ 843,308 respectively. Total revenues increased from the prior year, due to an increase in water/sewer consumption and service rates. Total expenses increased at a rate of about 6.26%. The major increases in 2017 expenses were water and sewer operating expenses.

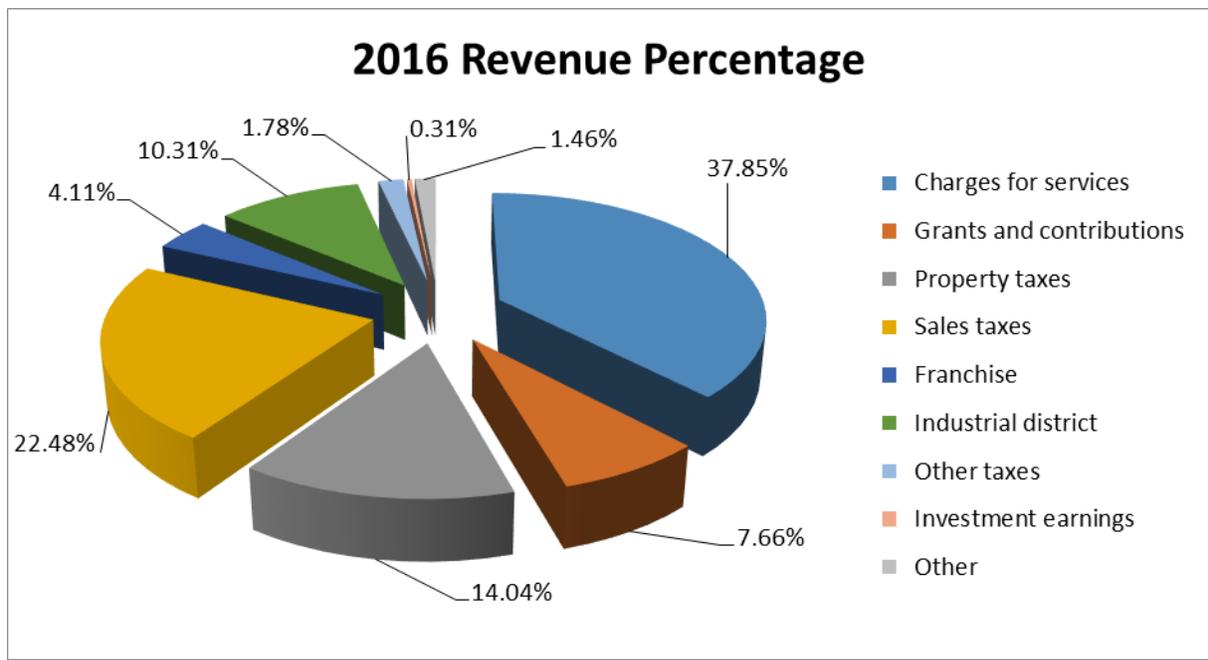
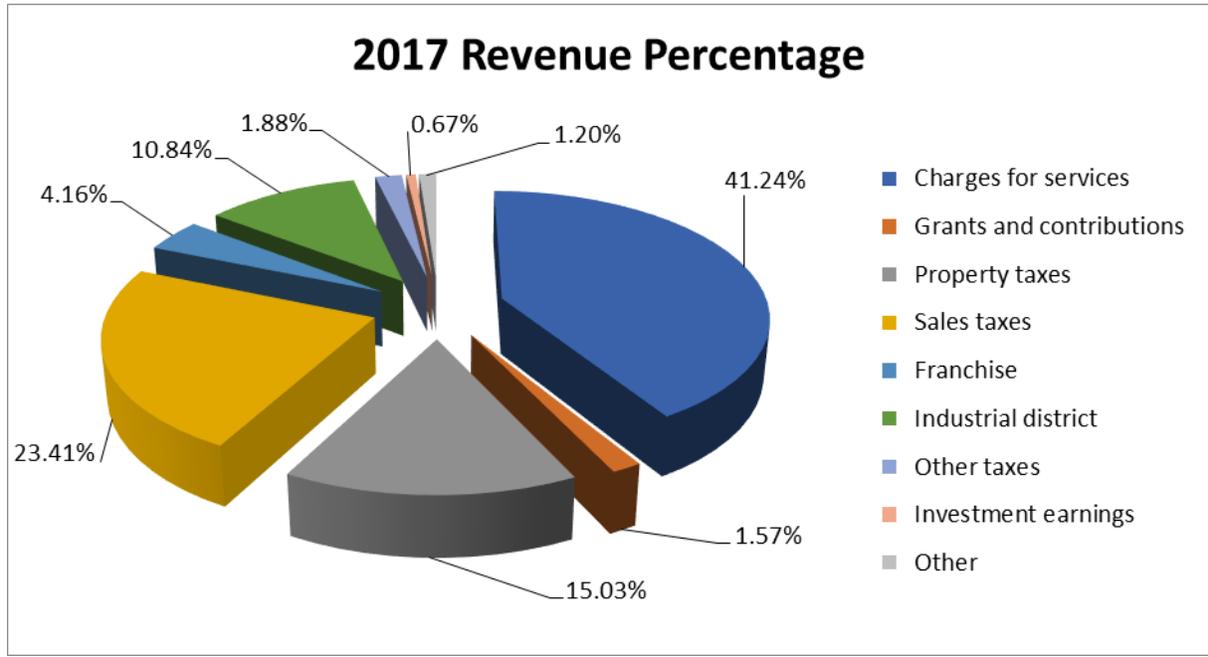
The following table provides a summary of the City's operations for the year ended September 30, 2017.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

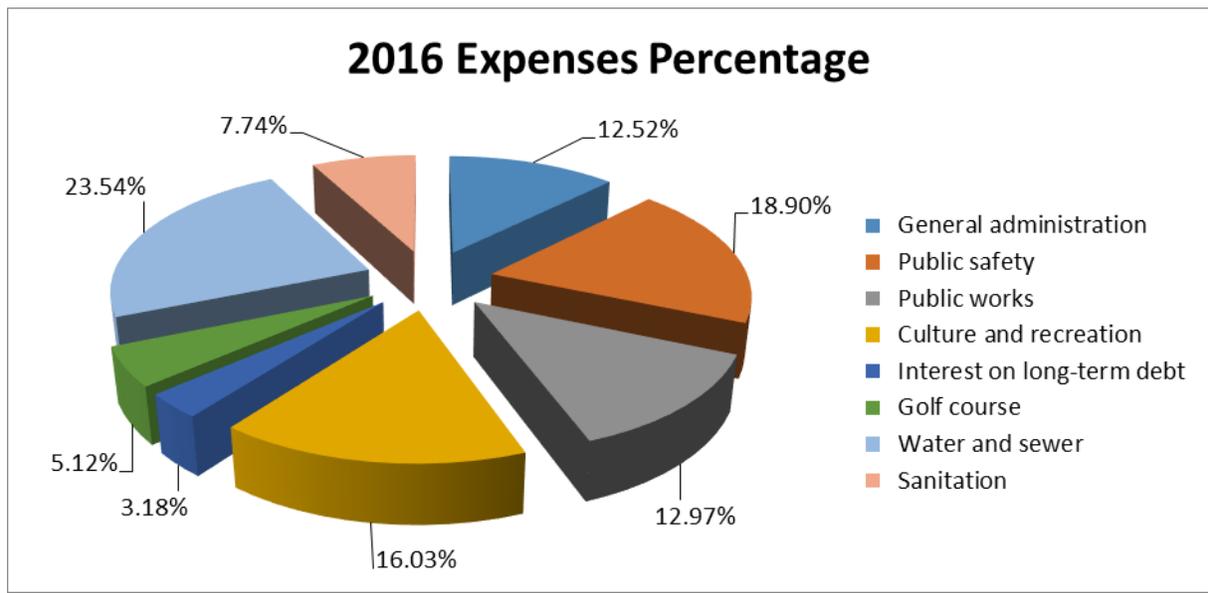
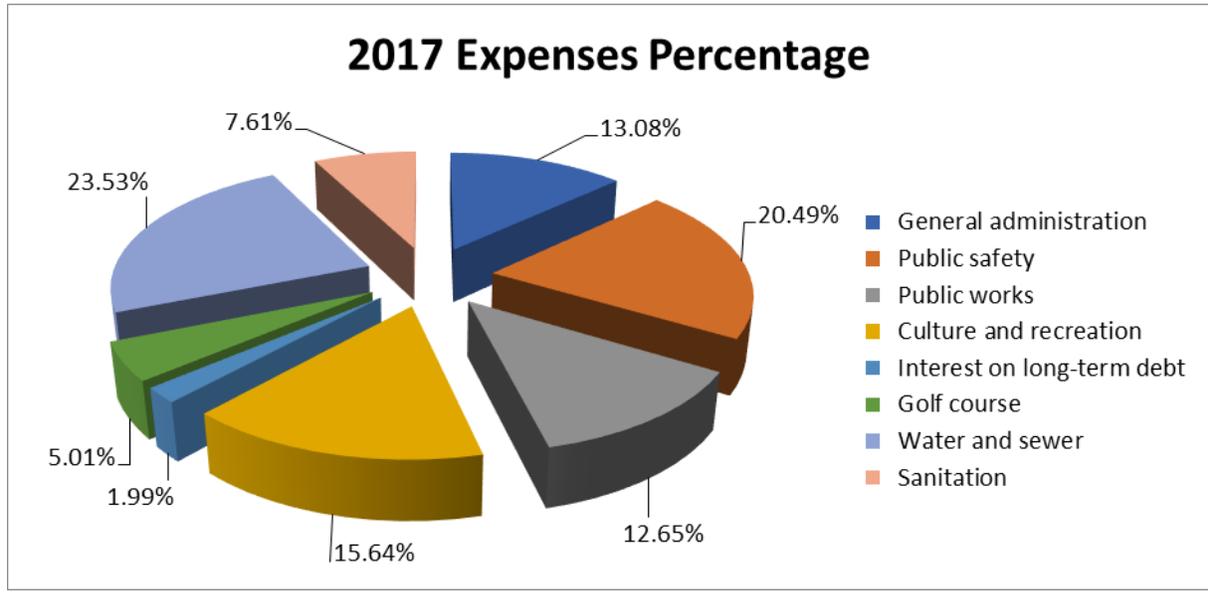
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 2,131,285	\$ 2,204,554	\$ 14,583,920	\$ 13,652,498	\$ 16,715,205	\$ 15,857,052
Operating grants and contributions	130,185	254,433			130,185	254,433
Capital grants and contributions	296,861	2,011,011	209,122	945,311	505,983	2,956,322
General Revenues:						
Property taxes	6,090,100	5,879,917			6,090,100	5,879,917
Sales taxes	9,489,693	9,417,731			9,489,693	9,417,731
Franchise taxes	1,687,768	1,720,294			1,687,768	1,720,294
Occupancy taxes	539,553	526,662			539,553	526,662
Alcoholic beverage taxes	121,918	121,656			121,918	121,656
Criminal justice taxes	21,441	23,604			21,441	23,604
Apartment inspection fee	79,084	72,666			79,084	72,666
Industrial district	4,394,560	4,317,295			4,394,560	4,317,295
Investment earnings	171,392	96,689	98,251	34,700	269,643	131,389
Miscellaneous	473,897	613,002			473,897	613,002
Gain on disposition of capital assets	1,666		8,500		10,166	-0
Total revenues	<u>25,629,403</u>	<u>27,259,514</u>	<u>14,899,793</u>	<u>14,632,509</u>	<u>40,529,196</u>	<u>41,892,023</u>
Expenses:						
General government and administration	5,185,914	4,637,221			5,185,914	4,637,221
Public safety	8,116,735	6,996,740			8,116,735	6,996,740
Public works	5,013,485	4,800,673			5,013,485	4,800,673
Culture and recreation	6,197,113	5,934,908			6,197,113	5,934,908
Interest on long-term debt	788,505	1,177,942			788,505	1,177,942
Water and sewer			9,321,589	8,717,505	9,321,589	8,717,505
Sanitation			3,014,234	2,864,997	3,014,234	2,864,997
Golf course			1,985,245	1,895,258	1,985,245	1,895,258
Total expenses	<u>25,301,752</u>	<u>23,547,484</u>	<u>14,321,068</u>	<u>13,477,760</u>	<u>39,622,820</u>	<u>37,025,244</u>
Increase in net position before transfers	327,651	3,712,030	578,725	1,154,749	906,376	4,866,779
Transfers	(3,360,087)	(2,537,922)	3,360,087	2,537,922	-0-	-0-
Change in net position	(3,032,436)	1,174,108	3,938,812	3,692,671	906,376	4,866,779
Net position - beginning	<u>54,337,966</u>	<u>53,163,858</u>	<u>36,557,043</u>	<u>32,864,372</u>	<u>90,895,009</u>	<u>86,028,230</u>
Net position - ending	<u>\$ 51,305,530</u>	<u>\$ 54,337,966</u>	<u>\$ 40,495,855</u>	<u>\$ 36,557,043</u>	<u>\$ 91,801,385</u>	<u>\$ 90,895,009</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 23,646,981. 20.80% of this total amount (\$ 4,918,169) constitutes unassigned fund balance. The remainder of the fund balance has been categorized as 1) non-spendable (\$ 248,341), 2) restricted (\$ 8,007,646), 3) committed (\$ 910,307), and 4) assigned (\$ 9,562,518).

In the General Fund, the City budgeted for a fund balance decrease of \$ 1,229,830. This included budgeting a \$ 1,300,000 transfer to the General Construction Fund and \$ 299,776 transfer to Enterprise Fund. Transferring of \$ 1,300,000 to General Construction Fund and \$ 299,776 to the Enterprise Fund reflects the fiscal year 2016 budget savings. The actual fund balance change was a decrease for fiscal year 2017 of \$ 1,362,947 and was \$ 133,117 more than the budgeted decrease. This was due to sales tax revenue and property tax revenue being less than expectations and the additional expenditures resulting from the Hurricane Harvey flood.

The Economic Development fund is used to account for revenue from the half-cent sales tax. In 2017, the half-cent sales tax revenue and total expenditures in the Economic Development fund were less than the budget. As a result, the Economic Development fund balance decreased by \$ 193,855 and was \$ 99,106 less than the budgeted decrease.

The Debt Service fund balance increased by \$ 44,326, which was consistent with the City's budget.

2016 Infrastructure Improvement fund balance increased by \$ 2,573,319 due to issuance of bonds.

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

Unrestricted net position at September 30, 2017 amounted to \$ 4,685,486. Total net position increased \$ 3,938,812. In 2017, the increase in net position for proprietary funds was a combination of a \$ 4,282,016 increase in the Enterprise Fund and a \$ 343,204 decrease in the Golf Course Fund. Other factors concerning these funds have previously been addressed in the discussion of the City's business-type activities.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

General Fund Budgetary Highlights. Sales tax revenue was less than expectations by 4.53%. Property tax revenue was less than expectation by 3.15% as the result of the rate decrease. Licenses and permits was less than budgeted amounts by 35.44% as the result of the decrease in construction project due to the Hurricane Harvey flooding.

The City's general fund expenditure budget exceeded the actual expenditures by \$ 261,083 primarily due to overall spending control. It is the City's policy to transfer budget savings in the General Operating Funds to the Capital Project Fund and/or the Park Fund. In fiscal year 2017, the City transferred fiscal 2016 budget savings of \$ 1,300,000 to the General Construction Fund.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$ 103,486,648 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements other than buildings, furniture, equipment and vehicles, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$ 3,224,255. (\$ 189,514 decrease for governmental activities and \$ 3,413,769 increase in business-type activities).

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

- Developer contributed infrastructure \$ 505,983
- Improvements to parks and ballfields \$ 256,904
- Northwest water expansion \$ 2,396,960
- Beechwood elevated tanks \$ 518,000
- Replaced vehicles and mobile equipment \$ 1,262,337

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

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,477,779	\$ 2,397,003	\$ 3,821,585	\$ 3,821,585	\$ 6,299,364	\$ 6,218,588
Buildings	17,900,674	18,456,932	1,090,268	1,283,396	18,990,942	19,740,328
Improvements other than buildings	3,328,190	3,737,288	17,902,452	15,940,987	21,230,642	19,678,275
Furniture, equipment and vehicles	5,310,198	4,496,467	2,646,950	2,820,458	7,957,148	7,316,925
Infrastructure	31,476,454	32,852,028	10,574,246	11,204,722	42,050,700	44,056,750
Construction in progress	2,067,381	810,472	4,890,471	2,441,055	6,957,852	3,251,527
Total	\$ 62,560,676	\$ 62,750,190	\$ 40,925,972	\$ 37,512,203	\$ 103,486,648	\$ 100,262,393

Additional information on the City's capital assets can be found in Note 5 on pages 60-63 of this report.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

Debt Administration

At the end of the current fiscal year, the City had a total bonded debt and notes payable of \$ 41,040,000. Of this amount, \$ 31,535,000 is comprised of bonded debt backed by the full faith and credit of the City. These bonds will be retired with revenues from property and sales taxes. The remaining \$ 9,505,000 represents bonds secured by water and sewer revenues.

OUTSTANDING LONG-TERM BONDS AT YEAR END

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 11,510,000	\$ 8,700,000	\$	\$	\$ 11,510,000	\$ 8,700,000
Limited tax bonds	20,025,000	19,410,000			20,025,000	19,410,000
Revenue bonds			9,505,000	7,795,000	9,505,000	7,795,000
Total	<u>\$ 31,535,000</u>	<u>\$ 28,110,000</u>	<u>\$ 9,505,000</u>	<u>\$ 7,795,000</u>	<u>\$ 41,040,000</u>	<u>\$ 35,905,000</u>

During the fiscal year, the City's total bonded debt increased \$ 5,135,000 or 14.30% due to the net of issuance of bonds and current debt payments. The underlying rating on all of such Bonds and other obligations payable from such source are "AA+" on the General Obligations and "AA" on the Revenue Bonds by S&P.

Additional information on the City's long term debt can be found in Note 7 on pages 65-71 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2017-18 Budget, General Fund revenues and transfers-in are budgeted to increase by 1.6% from the 2016-17 fiscal year budget or 4.25% more than 2016-17 actual revenues. Sales tax continues to be the largest source of General Fund budgeted revenue at 32%. Property taxes account for 22.0% of the General Fund budgeted revenues. Certified assessed taxable valuations increased by 12%. 1.8% of this increase was due to new values. The Adopted tax rate was maintained at \$.3375/100.

The Utility Fund 2017-18 budget is 2.9% more than the proceeding year's budget. For the fiscal year 2017-18 the Brazosport Water Authority continues with a multi-year improvement plan including the building of a desalination plant. As a result, they are increasing rates by 3.7% from \$ 2.94/1,000 gallons to \$ 3.05/1,000 gallons. The City's water and sewer rates increased as follows:

	Fiscal Year 2016-17	Fiscal Year 2017-18
Water Rates		
Residential base (2,000 gallons)	\$ 13.05	\$ 13.25
Commercial & Multi-family base	\$ 26.10	\$ 26.50
2,000 to 20,000 gallons	\$ 4.10	\$ 4.20
Over 20,000 gallons	\$ 4.60	\$ 4.70

CITY OF LAKE JACKSON, TEXAS
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Sewer Rates	Fiscal Year 2016-17	Fiscal Year 2017-18
Residential base (2,000 gallons)	\$ 13.20	\$ 13.40
Commercial & Multi-family base	\$ 26.40	\$ 26.80
Over 20,000 gallons	\$ 4.40	\$ 4.50

Request for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF LAKE JACKSON
Lake Jackson, Texas

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 23,168,257	\$ 5,430,113	\$ 28,598,370
Taxes receivable (net)	1,731,893		1,731,893
Accounts receivable (net)	570,293	761,591	1,331,884
Due from other governments	97,144		97,144
Investments	300,000		300,000
Inventories	74,665	44,076	118,741
Prepaid expenses	173,676	10,292	183,968
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		5,850,557	5,850,557
Due from other governments		5,318	5,318
Capital Assets (Net of Accumulated Depreciation):			
Land	2,477,779	3,821,585	6,299,364
Buildings	17,900,674	1,090,268	18,990,942
Improvements other than buildings	3,328,190	17,902,452	21,230,642
Furniture, equipment, and vehicles	5,310,198	2,646,950	7,957,148
Infrastructure	31,476,454	10,574,246	42,050,700
Construction in progress	<u>2,067,381</u>	<u>4,890,471</u>	<u>6,957,852</u>
Total assets	<u>88,676,604</u>	<u>53,027,919</u>	<u>141,704,523</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - debt refunding cost	245,899	62,317	308,216
Deferred outflows of resources - pension	<u>2,908,708</u>	<u>1,100,574</u>	<u>4,009,282</u>
Total deferred outflows of resources	<u>3,154,607</u>	<u>1,162,891</u>	<u>4,317,498</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2017

	Governmental Activities	Business- Type Activities	Total
Liabilities:			
Accounts payable	\$ 1,086,825	\$ 829,336	\$ 1,916,161
Cash bonds and taxes	318,750		318,750
Accrued wages	404,154	125,220	529,374
Accrued interest	38,202	150,222	188,424
Unearned revenue	103,136	153,751	256,887
Liabilities payable from restricted assets		812,899	812,899
Noncurrent liabilities:			
Due within one year	3,767,035	1,333,496	5,100,531
Due in more than one year	29,838,578	8,696,621	38,535,199
Net pension liability	<u>4,578,934</u>	<u>1,481,958</u>	<u>6,060,892</u>
Total liabilities	<u>40,135,614</u>	<u>13,583,503</u>	<u>53,719,117</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	<u>390,067</u>	<u>111,452</u>	<u>501,519</u>
Total deferred inflows of resources	<u>390,067</u>	<u>111,452</u>	<u>501,519</u>
Net Position:			
Net investment in capital assets	34,776,336	31,654,276	66,430,612
Restricted For:			
Debt service	976,263	1,589,537	2,565,800
Economic development	1,708,061		1,708,061
Construction		2,566,556	2,566,556
Other	451,418		451,418
Unrestricted	<u>13,393,452</u>	<u>4,685,486</u>	<u>18,078,938</u>
Total net position	<u>\$ 51,305,530</u>	<u>\$ 40,495,855</u>	<u>\$ 91,801,385</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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 5,185,914	\$ 553,511	\$	\$
Public safety	8,116,735		52,627	296,861
Public works	5,013,485	341,122	77,558	
Culture and recreation	6,197,113	1,236,652		
Interest on long-term debt	<u>788,505</u>			
Total governmental activities	<u>25,301,752</u>	<u>2,131,285</u>	<u>130,185</u>	<u>296,861</u>
Business-type Activities:				
Water and sewer	9,321,589	9,448,487		209,122
Sanitation	3,014,234	3,849,309		
Golf course	<u>1,985,245</u>	<u>1,286,124</u>		
Total business-type activities	<u>14,321,068</u>	<u>14,583,920</u>	<u>-0-</u>	<u>209,122</u>
Total	<u>\$ 39,622,820</u>	<u>\$ 16,715,205</u>	<u>\$ 130,185</u>	<u>\$ 505,983</u>

General Revenue:

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

Change in net position

Net position – beginning

Net position – ending

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$(4,632,403)	\$	\$(4,632,403)
(7,767,247)		(7,767,247)
(4,594,805)		(4,594,805)
(4,960,461)		(4,960,461)
<u>(788,505)</u>		<u>(788,505)</u>
<u>(22,743,421)</u>	<u>-0-</u>	<u>(22,743,421)</u>
	336,020	336,020
	835,075	835,075
	<u>(699,121)</u>	<u>(699,121)</u>
<u>-0-</u>	<u>471,974</u>	<u>471,974</u>
<u>(22,743,421)</u>	<u>471,974</u>	<u>(22,271,447)</u>
6,090,100		6,090,100
9,489,693		9,489,693
1,687,768		1,687,768
539,553		539,553
222,443		222,443
4,394,560		4,394,560
171,392	98,251	269,643
1,666	8,500	10,166
473,897		473,897
<u>(3,360,087)</u>	<u>3,360,087</u>	<u>-0-</u>
<u>19,710,985</u>	<u>3,466,838</u>	<u>23,177,823</u>
(3,032,436)	3,938,812	906,376
<u>54,337,966</u>	<u>36,557,043</u>	<u>90,895,009</u>
<u>\$ 51,305,530</u>	<u>\$ 40,495,855</u>	<u>\$ 91,801,385</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2017

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>General Debt Service Fund</u>	<u>2016 Infrastructure Improvement Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets and Deferred Outflows of Resources</u>						
Assets:						
Cash and cash equivalents	\$ 12,818,063	\$ 1,194,742	\$ 728,509	\$ 2,773,850	\$ 5,653,093	\$ 23,168,257
Receivables (net of allowance for uncollectibles):						
Taxes	1,176,107	517,609	19,016		19,161	1,731,893
Accounts	50,049				16,009	66,058
Grants	19,586				77,558	97,144
Investments	300,000					300,000
Inventories	74,665					74,665
Prepaid expenditures	<u>173,676</u>					<u>173,676</u>
Total assets	<u>14,612,146</u>	<u>1,712,351</u>	<u>747,525</u>	<u>2,773,850</u>	<u>5,765,821</u>	<u>25,611,693</u>
Deferred Outflows of Resources:						
Deferred outflows of resources						-0-
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 14,612,146</u>	<u>\$ 1,712,351</u>	<u>\$ 747,525</u>	<u>\$ 2,773,850</u>	<u>\$ 5,765,821</u>	<u>\$ 25,611,693</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 778,717	\$ 4,290	\$ 19	\$ 205,130	\$ 98,669	\$ 1,086,825
Cash bonds and taxes	318,750					318,750
Accrued wages	404,154					404,154
Unearned revenue	<u>83,136</u>				<u>20,000</u>	<u>103,136</u>
Total liabilities	<u>1,584,757</u>	<u>4,290</u>	<u>19</u>	<u>205,130</u>	<u>118,669</u>	<u>1,912,865</u>
Deferred Inflows of Resources:						
Deferred inflows of resources-property taxes	<u>32,831</u>		<u>19,016</u>			<u>51,847</u>
Total deferred inflows of resources	<u>32,831</u>	<u>-0-</u>	<u>19,016</u>	<u>-0-</u>	<u>-0-</u>	<u>51,847</u>
Fund Balances:						
Non-spendable	248,341					248,341
Restricted		1,708,061	728,490	2,568,720	3,002,375	8,007,646
Committed	910,307					910,307
Assigned	6,917,741				2,644,777	9,562,518
Unassigned	<u>4,918,169</u>					<u>4,918,169</u>
Total fund balances	<u>12,994,558</u>	<u>1,708,061</u>	<u>728,490</u>	<u>2,568,720</u>	<u>5,647,152</u>	<u>23,646,981</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,612,146</u>	<u>\$ 1,712,351</u>	<u>\$ 747,525</u>	<u>\$ 2,773,850</u>	<u>\$ 5,765,821</u>	<u>\$ 25,611,693</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2017

Total fund balances – governmental funds balance sheet	\$ 23,646,981
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 162,393,773 assets less \$ 99,833,097 in accumulated depreciation.	62,560,676
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 \$ 32,831 and \$ 19,016, respectively.	51,847
Judicial accounts receivables net of related allowance for uncollectible are unavailable to pay for current period expenditures and availability of funds are uncertain as to availability are not recorded in the funds. Judicial receivables of \$ 1,324,870 net of allowance for uncollectible accounts of \$ 820,635 of the general fund amounted to \$ 504,235.	504,235
Debt refunding cost paid in advance is an expenditure in the governmental funds, but the amount decreases long-term position in the statement of net position. This amount is amortized over the life of the bond. Net refunding costs were \$ 245,899 (issuance costs of \$ 340,491 less amortization of \$ 94,592).	245,899
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term position in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 1,361,772 (premium on the sale of bonds of \$ 2,067,487 less amortization of \$ 705,715).	(1,361,772)
Pension deferred outflows of resources	2,908,708
Pension deferred inflows of resources	(390,067)
Payable for bond principal and other long-term debt are not reported in the funds.	(31,535,000)
Payable for bond interest is not reported in the funds.	(38,202)
Net pension liability is not reported in the funds.	(4,578,934)
Payable for long-term compensated absences is not reported in the funds.	<u>(708,841)</u>
Net position of governmental activities – statement of net position.	<u>\$ 51,305,530</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, 2017

	General Fund	Economic Development Fund	General Debt Service Fund	2016 Infrastructure Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues						
Taxes:						
Property	\$ 3,976,175	\$	\$ 2,111,644	\$	\$	\$ 6,087,819
Sales	6,300,735	3,188,958				9,489,693
Franchise	1,605,848				81,920	1,687,768
Occupancy					539,553	539,553
Other	222,443					222,443
Industrial district	4,394,560					4,394,560
Intergovernmental	52,627				77,558	130,185
Revenue producing facilities	1,236,652					1,236,652
Fines and fees	535,164					535,164
Licenses and permits	341,122					341,122
Investment earnings	83,172	19,133	19,199	18,843	31,045	171,392
Miscellaneous	151,692	59,712			262,493	473,897
Total revenues	18,900,190	3,267,803	2,130,843	18,843	992,569	25,310,248
Expenditures:						
Current:						
General government and administration	3,627,588				63,701	3,691,289
Flood related expenditures	954,041					954,041
Public safety	7,002,139				3,340	7,005,479
Public works	2,771,772				23,579	2,795,351
Culture and recreation	4,600,638	50,336			668,014	5,318,988
Capital outlay	1,353,929	515,132		445,524	1,506,400	3,820,985
Debt Service:						
Principal retirement			1,614,593		1,780,407	3,395,000
Interest and fiscal charges			555,095		573,198	1,128,293
Total expenditures	20,310,107	565,468	2,169,688	445,524	4,618,639	28,109,426
Excess (deficiency) of revenues over (under) expenditures	(1,409,917)	2,702,335	(38,845)	(426,681)	(3,626,070)	(2,799,178)
Other Financing Sources (Uses):						
Issuance of bonds				2,965,000	3,855,000	6,820,000
Bond issuance premium			83,171	35,000	150,357	268,528
Sale of capital assets	30,142					30,142
Transfers in	1,616,604				3,546,190	5,162,794
Transfers out	(1,599,776)	(2,896,190)			(3,971,750)	(8,467,716)
Total other financing sources (uses)	46,970	(2,896,190)	83,171	3,000,000	3,579,797	3,813,748
Net change in fund balances	(1,362,947)	(193,855)	44,326	2,573,319	(46,273)	1,014,570
Fund balances - beginning	14,357,505	1,901,916	684,164	(4,599)	5,693,425	22,632,411
Fund balances - ending	\$ 12,994,558	\$ 1,708,061	\$ 728,490	\$ 2,568,720	\$ 5,647,152	\$ 23,646,981

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017

Net change in fund balances – total governmental funds \$ 1,014,570

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay of \$ 3,820,985 less depreciation of \$ 4,223,719 in the current period. (402,734)

Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund and the debt service fund increased (decreased) by \$ 2,552 and \$ (271) , respectively. 2,281

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 an increase in revenues reported in the governmental activities statement of activities. 18,347

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. These amounts were for general obligation bonded debt \$ 3,395,000. 3,395,000

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term proceeds in the governmental fund were \$ 6,820,000. (6,820,000)

Debt refunding cost paid in advance is an expenditure in the governmental funds, but the amount decreases long-term position in the statement of net position. This amount is amortized over the life of the bond. Change in net refunding costs were 187,584. 187,584

Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Current amortization of \$ 154,759 less current proceeds of \$ 268,528. (113,769)

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net amount of change in expenditures related to the change in net pension obligations. (444,476)

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt. (2,555)

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017

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.	\$(79,904)
Capital asset transfer out reported in the government activities statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(55,165)
Capital asset contribution reported in the governmental activities statement of activities does not provide current financial resources and therefore are not reported as revenue in governmental funds.	296,861
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 \$ 28,476 (cost of \$ 565,242 less accumulated depreciation of \$ 536,766).	<u>28,476</u>
Change in net position of governmental activities	<u>\$(3,032,436)</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, 2017

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 4,105,644	\$ 4,105,644
Sales	6,600,000	6,600,000
Franchise	1,635,500	1,635,500
Other	143,500	143,500
Industrial district	4,367,079	4,367,079
Intergovernmental		
Revenue producing facilities	1,280,200	1,280,200
Fines and fees	542,584	542,584
Licenses and permits	528,400	528,400
Investment earnings	40,000	40,000
Miscellaneous	<u>76,500</u>	<u>76,500</u>
Total revenues	<u>19,319,407</u>	<u>19,319,407</u>
Expenditures:		
Current:		
General government and administration	3,829,630	3,829,630
Flood related expenditures		
Public safety	7,084,867	7,084,867
Public works	3,237,867	3,237,867
Culture and recreation	4,976,927	4,976,927
Capital outlay	<u>1,441,899</u>	<u>1,441,899</u>
Total expenditures	<u>20,571,190</u>	<u>20,571,190</u>
Deficiency of revenues over expenditures	<u>(1,251,783)</u>	<u>(1,251,783)</u>
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,621,729	1,621,729
Transfer out	<u>(299,776)</u>	<u>(1,599,776)</u>
Total other financing sources (uses)	<u>1,321,953</u>	<u>21,953</u>
Net change in fund balance	70,170	(1,229,830)
Fund balance - beginning	<u>14,357,505</u>	<u>14,357,505</u>
Fund balance - ending	<u>\$ 14,427,675</u>	<u>\$ 13,127,675</u>

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

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 3,976,175	\$	\$ 3,976,175	\$ (129,469)
6,300,735		6,300,735	(299,265)
1,605,848		1,605,848	(29,652)
222,443		222,443	78,943
4,394,560		4,394,560	27,481
52,627		52,627	52,627
1,236,652		1,236,652	(43,548)
535,164		535,164	(7,420)
341,122		341,122	(187,278)
83,172		83,172	43,172
<u>151,692</u>		<u>151,692</u>	<u>75,192</u>
<u>18,900,190</u>	<u>-0-</u>	<u>18,900,190</u>	<u>(419,217)</u>
3,627,588		3,627,588	202,042
954,041		954,041	(954,041)
7,002,139		7,002,139	82,728
2,771,772		2,771,772	466,095
4,600,638		4,600,638	376,289
<u>1,353,929</u>		<u>1,353,929</u>	<u>87,970</u>
<u>20,310,107</u>	<u>-0-</u>	<u>20,310,107</u>	<u>261,083</u>
<u>(1,409,917)</u>	<u>-0-</u>	<u>(1,409,917)</u>	<u>(158,134)</u>
30,142		30,142	30,142
1,616,604		1,616,604	(5,125)
<u>(1,599,776)</u>		<u>(1,599,776)</u>	<u>-0-</u>
<u>46,970</u>	<u>-0-</u>	<u>46,970</u>	<u>25,017</u>
<u>(1,362,947)</u>	<u>-0-</u>	<u>(1,362,947)</u>	<u>(133,117)</u>
<u>14,357,505</u>	<u>-0-</u>	<u>14,357,505</u>	<u>-0-</u>
<u>\$ 12,994,558</u>	<u>\$ -0-</u>	<u>\$ 12,994,558</u>	<u>\$ (133,117)</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,400,000	\$ 3,400,000	\$ 3,188,958	\$(211,042)
Investment earnings	12,000	12,000	19,133	7,133
Miscellaneous			59,712	59,712
Total revenues	<u>3,412,000</u>	<u>3,412,000</u>	<u>3,267,803</u>	<u>(144,197)</u>
Expenditures:				
Current:				
Culture and recreation	62,473	62,473	50,336	12,137
Capital outlay	<u>341,529</u>	<u>673,047</u>	<u>515,132</u>	<u>157,915</u>
Total expenditures	<u>404,002</u>	<u>735,520</u>	<u>565,468</u>	<u>170,052</u>
Excess of revenues over expenditures	<u>3,007,998</u>	<u>2,676,480</u>	<u>2,702,335</u>	<u>25,855</u>
Other Financing Uses:				
Transfers out	<u>(2,919,441)</u>	<u>(2,969,441)</u>	<u>(2,896,190)</u>	<u>73,251</u>
Total other financing uses	<u>(2,919,441)</u>	<u>(2,969,441)</u>	<u>(2,896,190)</u>	<u>73,251</u>
Net change in fund balance	88,557	(292,961)	(193,855)	99,106
Fund balance - beginning	<u>1,901,916</u>	<u>1,901,916</u>	<u>1,901,916</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 1,990,473</u>	<u>\$ 1,608,955</u>	<u>\$ 1,708,061</u>	<u>\$ 99,106</u>

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2017

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 5,365,892	\$ 64,221	\$ 5,430,113
Receivables (net of allowance for uncollectibles):			
Accounts	761,314	277	761,591
Inventory		44,076	44,076
Prepaid expenses		10,292	10,292
	<u>6,127,206</u>	<u>118,866</u>	<u>6,246,072</u>
Current Restricted Assets:			
Cash and cash equivalents	3,574,802		3,574,802
Due from other governments	5,318		5,318
Total current restricted assets	<u>3,580,120</u>	<u>-0-</u>	<u>3,580,120</u>
Total current assets	<u>9,707,326</u>	<u>118,866</u>	<u>9,826,192</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	2,275,755		2,275,755
Total noncurrent restricted assets	<u>2,275,755</u>	<u>-0-</u>	<u>2,275,755</u>
Capital Assets:			
Property, plant and equipment	70,304,953	9,545,350	79,850,303
Construction in progress	4,890,471		4,890,471
Less accumulated depreciation	(40,241,165)	(3,573,637)	(43,814,802)
Total capital assets (net of accumulated depreciation)	<u>34,954,259</u>	<u>5,971,713</u>	<u>40,925,972</u>
Total noncurrent assets	<u>37,230,014</u>	<u>5,971,713</u>	<u>43,201,727</u>
Total assets	<u>46,937,340</u>	<u>6,090,579</u>	<u>53,027,919</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - debt refunding costs	62,317		62,317
Deferred outflows of resources - pension	1,100,574		1,100,574
Total deferred outflows of resources	<u>1,162,891</u>	<u>-0-</u>	<u>1,162,891</u>

(continued)

CITY OF LAKE JACKSON
Lake Jackson, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS - Continued

September 30, 2017

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 730,174	\$ 99,162	\$ 829,336
Accrued wages	101,810	23,410	125,220
Unearned revenue		153,751	153,751
Accrued compensated absences	97,500		97,500
Revenue bonds payable	700,000		700,000
	<u>1,629,484</u>	<u>276,323</u>	<u>1,905,807</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest	150,222		150,222
Customer deposits	812,899		812,899
Revenue bonds payable	535,996		535,996
Total current liabilities payable from restricted assets	<u>1,499,117</u>	<u>-0-</u>	<u>1,499,117</u>
Total current liabilities	<u>3,128,601</u>	<u>276,323</u>	<u>3,404,924</u>
Noncurrent Liabilities:			
Revenue bonds payable	8,634,013		8,634,013
Accrued compensated absences	62,608		62,608
Net pension liability	1,481,958		1,481,958
Total noncurrent liabilities	<u>10,178,579</u>	<u>-0-</u>	<u>10,178,579</u>
Total liabilities	<u>13,307,180</u>	<u>276,323</u>	<u>13,583,503</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	111,452		111,452
Total deferred inflows of resources	<u>111,452</u>	<u>-0-</u>	<u>111,452</u>
Net Position:			
Net investment in capital assets	25,682,563	5,971,713	31,654,276
Restricted For:			
Revenue bond retirement	1,589,537		1,589,537
Construction	2,566,556		2,566,556
Unrestricted	4,842,943	(157,457)	4,685,486
Total net position	<u>\$ 34,681,599</u>	<u>\$ 5,814,256</u>	<u>\$ 40,495,855</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 4,589,691	\$	\$ 4,589,691
Sewer service	4,365,801		4,365,801
Garbage fees	3,849,309		3,849,309
Tapping and connection fees	280,557		280,557
Golf course fees and charges		1,286,124	1,286,124
Other	<u>212,438</u>		<u>212,438</u>
Total operating revenues	<u>13,297,796</u>	<u>1,286,124</u>	<u>14,583,920</u>
Operating Expenses:			
Utility administration	571,646		571,646
Water production and treatment	3,584,521		3,584,521
Sewer collection	2,432,267		2,432,267
Sanitation	3,014,234		3,014,234
Golf course		1,710,912	1,710,912
Depreciation	<u>2,286,699</u>	<u>274,333</u>	<u>2,561,032</u>
Total operating expenses	<u>11,889,367</u>	<u>1,985,245</u>	<u>13,874,612</u>
Operating income (loss)	<u>1,408,429</u>	<u>(699,121)</u>	<u>709,308</u>
Non-Operating Revenues (Expenses):			
Interest revenue	97,499	752	98,251
Gain on disposition of capital assets	8,500		8,500
Interest expense and fiscal charges	<u>(446,456)</u>		<u>(446,456)</u>
Total non-operating revenues (expenses)	<u>(340,457)</u>	<u>752</u>	<u>(339,705)</u>
Income (loss) before contributions and transfers	1,067,972	(698,369)	369,603
Capital contributions	209,122	55,165	264,287
Transfers in	4,199,776	300,000	4,499,776
Transfers out	<u>(1,194,854)</u>		<u>(1,194,854)</u>
Change in net position	4,282,016	(343,204)	3,938,812
Net position at beginning of year	<u>30,399,583</u>	<u>6,157,460</u>	<u>36,557,043</u>
Net position at end of year	<u>\$ 34,681,599</u>	<u>\$ 5,814,256</u>	<u>\$ 40,495,855</u>

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

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CITY OF LAKE JACKSON
Lake Jackson, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2017

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 13,234,627	\$ 1,327,834	\$ 14,562,461
Payments to suppliers	(6,975,279)	(806,842)	(7,782,121)
Payments to employees	(2,504,657)	(852,769)	(3,357,426)
Net cash provided (used) by operating activities	<u>3,754,691</u>	<u>(331,777)</u>	<u>3,422,914</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	4,199,776	300,000	4,499,776
Transfers out	(1,194,854)		(1,194,854)
Net cash provided by non-capital and related financing activities	<u>3,004,922</u>	<u>300,000</u>	<u>3,304,922</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(5,710,514)		(5,710,514)
Proceeds from sale of capital assets	8,500		8,500
Proceeds from sale of bonds	3,885,000		3,885,000
Principal and premium paid on capital debt	(1,956,324)		(1,956,324)
Interest and fiscal charges paid on capital debt	(404,850)		(404,850)
Net cash used for capital and related financing activities	<u>(4,178,188)</u>	<u>-0-</u>	<u>(4,178,188)</u>
Cash Flows from Investing Activities:			
Interest received	<u>97,499</u>	<u>752</u>	<u>98,251</u>
Net cash provided by investing activities	<u>97,499</u>	<u>752</u>	<u>98,251</u>
Change in cash and cash equivalents	2,678,924	(31,025)	2,647,899
Cash and cash equivalents at the beginning of year	<u>8,537,525</u>	<u>95,246</u>	<u>8,632,771</u>
Cash and cash equivalents at the end of year	<u>\$ 11,216,449</u>	<u>\$ 64,221</u>	<u>\$ 11,280,670</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,408,429	\$(699,121)	\$ 709,308
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,286,699	274,333	2,561,032
(Increase) decrease in accounts receivable	(97,913)	38,164	(59,749)
(Increase) decrease in inventory		(6,574)	(6,574)
(Increase) decrease in prepaid expenses		(568)	(568)
Increase (decrease) in accounts payable	(56,629)	60,744	4,115
Increase (decrease) in accrued wages payable	24,121	(2,301)	21,820
Increase (decrease) in net pension obligation	136,098		136,098
Increase (decrease) in accrued compensated absences	19,142		19,142
Increase (decrease) in deferred revenue		3,546	3,546
Increase (decrease) in customer deposits	34,744		34,744
	2,346,262	367,344	2,713,606
Total adjustments			
Net cash provided (used) by operating activities	\$ 3,754,691	\$(331,777)	\$ 3,422,914
Non-cash Investing, Capital, and Financing Activities:			
Capital contributions	\$ 209,122	\$ 55,165	\$ 264,287
Net effect of non-cash transactions	\$ 209,122	\$ 55,165	\$ 264,287

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

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

The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The City's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

Reporting Entity

The City is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity. Based on these considerations, the City's basic financial statements do not include any other entities. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity - continued

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The members of City Council (the "members") are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34".

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

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

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

The Corporation is governed by a seven-member board of directors appointed by the City Council, which includes three members of the City Council. All projects must have prior approval of the City Council. On May 6, 1995, the voters of Lake Jackson approved the levy and collection of a one-half cent sales tax, effective October 1, 1995, to fund the cost of land, buildings, equipment, facilities, and improvements for public park purposes, recreational facilities, and for infrastructure improvements for development of new or expanded business enterprises. The Corporation provides funding for the City's debt service payments of these approved projects. When the Corporation directly finances construction, the completed facilities are donated to the City upon completion. As the Corporation provides financing services entirely to the City, the Corporation is considered a blended component unit for financial reporting purposes and is reported as if it were part of the City's operations.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The City has presented the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

New Pronouncements

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

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

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. The statement was implemented and did not have a material effect on the City's financial statements. This statement is effective for periods beginning after June 15, 2016.

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The management of the City does expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2017.

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. The statement was implemented and did not have a material effect on the City's financial statements. This statement is effective for periods beginning after June 15, 2015.

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. The statement was implemented and did not have a material effect on the City's financial statements. This statement is effective for periods beginning after December 15, 2015.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - continued

GASB No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" was issued in December 2015. The statement was implemented and did not have a material effect on the City's financial statements. This statement is effective for periods beginning after December 15, 2015.

GASB No. 79, "Certain External Investment Pools and Pool Participants" was issued in December 2015. The statement was implemented and did not have a material effect on the City's financial statements. This statement is effective for periods beginning after June 15, 2015.

GASB No. 80 "Blending Requirements for Certain Component Units and amendment of GASB No. 14" was issued in January 2016. The statement was implemented and did not have a material effect on the City's financial statements. This statement is effective for period beginning after June 15, 2016.

GASB No. 81 "Irrevocable Split-Interest Agreements" was issued in March 2016. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after December 15, 2016.

GASB No. 82 "Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73" was issued in March 2016. The statement was implemented and did not have a material effect on the City's financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2016.

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after December 15, 2018.

GASB No. 85 "Omnibus 2017" was issued in March 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 86 "Certain Debt Extinguishment Issues" was issued in May 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 87 "Leases" was issued in June 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after December 15, 2019.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data

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

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

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

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

The following reconciles the differences between the legally enacted budget basis and the GAAP basis of accounting for the year ended September 30, 2017:

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

Proprietary Fund Types:

	<u>Enterprise Fund</u>
Change in net position - GAAP basis	\$ 4,282,016
Provisions for Current Adjustments To:	
Depreciation	2,286,699
Amortization of loss on refunding debt	23,022
Transfer in (proceeds of bonds)	(<u>3,900,000</u>)
Change in net position - budgetary basis	\$ <u>2,691,737</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - continued

Proprietary Fund Types - continued:

	<u>Golf Course Operating Fund</u>
Change in net position - GAAP basis	\$(343,204)
Provisions for Current Adjustments To:	
Depreciation	<u>274,333</u>
Change in net position - budgetary basis	\$(<u>68,871</u>)

Encumbrances

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

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

If the City allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate. The city canceled all the open purchase orders at the end of fiscal year, therefore, the city had no outstanding encumbrances as of September 30, 2017.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

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

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

The City elected to implement GASB Statement No. 31 (GASB 31), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* as of September 30, 1996. As a governmental entity other than an external investment pool in accordance with GASB 31, the City's investments are stated at fair value, except for interest-earning investment contracts and external investment pools (See Note 2). In applying GASB 31, the City utilizes the following methods and assumptions as of September 30, 2017:

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Receivables, Payables and Transfers

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. No interest was capitalized during the year ended September 30, 2017.

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

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

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, “Items Previously Reported as Assets and Liabilities”, had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property Taxes

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

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

The assessed value of the property tax roll on August 1, 2016, upon which the levy for the 2016-17 fiscal year was based, was \$ 1,890,022,405. 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, 2017, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.22551 and \$ 0.11199 per \$ 100 valuation, respectively, for a total of \$ 0.3375 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2017, were 99.87% 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, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 32,831 and \$ 19,016 for the general and debt service funds, respectively.

Compensated Absences

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

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

The estimated liabilities include required salary related payments. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences - Continued

As of September 30, 2017, accrued compensated absences reported in the Governmental Activities totaled \$ 708,841. Accrued compensated absences reported in the Enterprise Fund totaled \$ 160,108.

Pension Plans

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

Inventories

The City employs the consumption method of accounting for inventory. Inventories are valued at cost using the first-in first-out method. Purchases are recorded at cost as inventory when purchased, and then charged out as expenditures when used. The reserve for inventory has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Inventory at September 30, 2017, consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 70,036	\$
Supplies held for resale	<u>4,619</u>	<u>44,076</u>
	<u>\$ 74,665</u>	<u>\$ 44,076</u>

Long-Term Obligations

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

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

Beginning with fiscal 2011, the City implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

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

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

Committed Fund Balance - Includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal City Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources. At September 30, 2017, the City Council approved to commit the total fund balance of General Contingency Fund during the council meeting.

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, or by an official to whom that authority has been given. The City Council delegates authority to the City Manager or the Finance Director to assign funds, when it is appropriate.

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

CITY OF LAKE JACKSON
Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following schedule presents details of fund balance components at September 30, 2017:

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>General Debt Service Fund</u>	<u>Infrastructure Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Non-spendable:						
Inventory	\$ 74,665					\$ 74,665
Prepaid expenditures	173,676					173,676
Restricted:						
Debt service			728,490		7,245	735,735
Capital projects				2,568,720	2,543,712	5,112,432
Economic development		1,708,061				1,708,061
Program education					284,202	284,202
Encourage tourism					77,791	77,791
Law enforcement					89,425	89,425
Committed:						
Contingencies	910,307					910,307
Assigned:						
General construction					2,644,777	2,644,777
Unemployment insurance	116,289					116,289
Equipment replacement	6,648,936					6,648,936
Special events	64,943					64,943
Park improvement	87,573					87,573
Unassigned	<u>4,918,169</u>					<u>4,918,169</u>
Total fund balances	<u>\$ 12,994,558</u>	<u>\$ 1,708,061</u>	<u>\$ 728,490</u>	<u>\$ 2,568,720</u>	<u>\$ 5,647,152</u>	<u>\$ 23,646,981</u>

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following schedule presents details of net position balance components at September 30, 2017:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position:			
Net investment in capital assets	\$ 34,776,336	\$ 31,654,276	\$ 66,430,612
Restricted:			
Debt service	976,263		976,263
Economic development	1,708,061		1,708,061
Program education	284,202		284,202
Encourage tourism	77,791		77,791
Law enforcement	89,425		89,425
Revenue bond retirement		1,589,537	1,589,537
Construction		2,566,556	2,566,556
Unrestricted	<u>13,393,452</u>	<u>4,685,486</u>	<u>18,078,938</u>
Total net position	<u>\$ 51,305,530</u>	<u>\$ 40,495,855</u>	<u>\$ 91,801,385</u>

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased it has maturity of three months or less. Cash and temporary investments, and investments, as reported on the government-wide Statement of Net Position at September 30, 2017, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 9,970	\$	\$ 9,970
Financial Institution Deposits:			
Demand deposits	5,665,878	1,159,510	6,825,388
Local Government Investment Pools:			
Texpool	5,463,656	1,118,126	6,581,782
Lone Star Investment Pool	6,470,104	1,324,094	7,794,198
TexSTAR	<u>10,988,762</u>	<u>2,248,827</u>	<u>13,237,589</u>
	<u>\$ 28,598,370</u>	<u>\$ 5,850,557</u>	<u>\$ 34,448,927</u>
Investments:			
Financial Institution Deposits:			
Certificates of deposit	<u>\$ 300,000</u>	<u>\$</u>	<u>\$ 300,000</u>
	<u>\$ 300,000</u>	<u>\$ -0-</u>	<u>\$ 300,000</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

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, 2017, in addition to petty cash of \$ 9,970, the carrying amount of the City's cash, savings, and time deposits was \$ 7,125,388. The financial institutions balances were \$ 8,387,747 at September 30, 2017. Bank balances of \$ 639,347 were covered by federal depository insurance, and \$ 7,748,400 was covered by collateral pledged in the City's name. The pledged collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

Investments

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

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

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

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

1. Obligations of the United States, or its agencies and instrumentalities, and government sponsored enterprises; and have a maximum stated maturity of five (5) years or less;

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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

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

The City invests in TexPool, Lone Star Investment Pool, and TexSTAR to provide its liquidity needs. TexPool, Lone Star Investment Pool, and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Lone Star Investment Pool, and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool, Lone Star Investment Pool, and TexSTAR are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2017 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 37 days, 38 days, and 30 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 37 days, 38 days, and 30 days, respectively, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

The following table includes the portfolio balances of all investment types of the City at September 30, 2017.

	<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	37	\$ 6,581,782
Lone Star Investment Pool	N/A	Varies daily	38	7,794,198
TexSTAR	N/A	Varies daily	30	<u>13,237,589</u>
Total local government investment pools			34	<u>27,613,569</u>
Certificate of deposit	06-19-18	0.65%	262	100,000
Certificate of deposit	11-30-18	0.70%	426	100,000
Certificate of deposit	02-04-19	0.65 %	492	<u>100,000</u>
Total certificates of deposit			393	<u>300,000</u>
Total investments			48	\$ <u>27,913,569</u>

Credit Risk – The City’s policy requires that the investment pool must maintain a rating no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency. As of September 30, 2017, the LGIP’s (which represent approximately 98.93% of the portfolio) are rated AAAM by Standard and Poor’s, while the certificates of deposits (1.07% of the portfolio) are fully insured.

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

Fair Value

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Fair Value - Continued

Level 2 Inputs to the valuation methodology include:

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

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

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

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

The City holds no investments which is measured at fair value at September 30, 2017.

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, 2017, and holds no direct investments in derivatives at September 30, 2017.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 3 - DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND UNEARNED REVENUE

Government Funds

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue). As of September 30, 2017, the following components of deferred inflows of resources/unearned revenue were reported in the governmental funds:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 32,831	\$
Delinquent property taxes receivable (debt service fund)	19,016	
Donation received for dog park project		20,000
Recreation memberships and deposits		<u>83,136</u>
Total	<u>\$ 51,847</u>	<u>\$ 103,136</u>

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of September 30, 2017 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue). As of September 30, 2017, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities</u>		
Debt refunding loss	\$ 245,899	\$
Deferred outflows and inflows of resources less amortization – TMRS	1,948,563	390,067
Pension contributions subsequent to the measurement date - TMRS	794,325	
Deferred outflows and inflows of resources less amortization - TESRS	88,139	
Pension contributions subsequent to the measurement date - TESRS	<u>77,681</u>	
Totals	<u>\$ 3,154,607</u>	<u>\$ 390,067</u>
<u>Business-Type Activities</u>		
Debt refunding loss	\$ 62,317	\$
Deferred outflows and inflows of resources less amortization - TMRS	879,068	111,452
Pension contributions subsequent to the measurement date - TMRS	<u>221,506</u>	
Totals	<u>\$ 1,162,891</u>	<u>\$ 111,452</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended September 30, 2017 consisted of the following individual fund transfers in and transfers out.

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>Governmental Funds</u>		<u>Proprietary Funds</u>		
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Golf Course Fund</u>	
Governmental Funds:					
General Fund	\$	\$ 1,300,000	\$ 299,776	\$	\$ 1,599,776
Economic development	350,000	2,246,190		300,000	2,896,190
Non-major governmental	71,750		3,900,000		3,971,750
Proprietary Funds:					
Enterprise	<u>1,194,854</u>				<u>1,194,854</u>
	<u>\$ 1,616,604</u>	<u>\$ 3,546,190</u>	<u>\$ 4,199,776</u>	<u>\$ 300,000</u>	<u>\$ 9,662,570</u>

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
	<u>10/01/16</u>		<u>& Transfers</u>	<u>09/30/17</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,397,003	\$ 80,776	\$	\$ 2,477,779
Construction in progress	<u>810,472</u>	<u>2,472,584</u>	<u>1,215,675</u>	<u>2,067,381</u>
Total capital assets, not being depreciated	<u>3,207,475</u>	<u>2,553,360</u>	<u>1,215,675</u>	<u>4,545,160</u>
Capital Assets, Being Depreciated:				
Buildings	31,546,203	259,902		31,806,105
Improvements	13,644,748	80,636	37,564	13,687,820
Equipment	12,789,359	1,862,172	527,678	14,123,853
Infrastructure	<u>97,708,549</u>	<u>522,286</u>		<u>98,230,835</u>
Total capital assets, being depreciated	<u>155,688,859</u>	<u>2,724,996</u>	<u>565,242</u>	<u>157,848,613</u>
Less Accumulated Depreciation For:				
Buildings	13,089,271	816,160		13,905,431
Improvements	9,907,460	483,308	31,138	10,359,630
Equipment	8,292,892	1,026,391	505,628	8,813,655
Infrastructure	<u>64,856,521</u>	<u>1,897,860</u>		<u>66,754,381</u>
Total accumulated depreciation	<u>96,146,144</u>	<u>4,223,719</u>	<u>536,766</u>	<u>99,833,097</u>
Total capital assets, being depreciated, net	<u>59,542,715</u>	<u>(1,498,723)</u>	<u>28,476</u>	<u>58,015,516</u>
Governmental activities capital assets, net	<u>\$ 62,750,190</u>	<u>\$ 1,054,637</u>	<u>\$ 1,244,151</u>	<u>\$ 62,560,676</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/16</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/17</u>
Business-type Activities (Enterprise Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>2,441,055</u>	\$ <u>5,364,476</u>	\$ <u>2,915,060</u>	\$ <u>4,890,471</u>
Total capital assets, not being depreciated	<u>2,441,055</u>	<u>5,364,476</u>	<u>2,915,060</u>	<u>4,890,471</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	34,528,736	3,124,182		37,652,918
Equipment	7,875,784	346,038	265,682	7,956,140
Infrastructure	<u>19,295,948</u>			<u>19,295,948</u>
Total capital assets, being depreciated	<u>67,100,415</u>	<u>3,470,220</u>	<u>265,682</u>	<u>70,304,953</u>
Less Accumulated Depreciation:				
Buildings	4,571,019	132,533		4,703,552
Improvements other than buildings	20,201,289	1,013,681		21,214,970
Equipment	5,356,614	510,009	265,682	5,600,941
Infrastructure	<u>8,091,226</u>	<u>630,476</u>		<u>8,721,702</u>
Total accumulated depreciation	<u>38,220,148</u>	<u>2,286,699</u>	<u>265,682</u>	<u>40,241,165</u>
Total capital assets, being depreciated, net	<u>28,880,267</u>	<u>1,183,521</u>	<u>-0-</u>	<u>30,063,788</u>
Business-type activities capital assets, net	\$ <u>31,321,322</u>	\$ <u>6,547,997</u>	\$ <u>2,915,060</u>	\$ <u>34,954,259</u>
	<u>Balance</u> <u>10/01/16</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/17</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	3,545,579	55,165		3,600,744
Equipment	<u>900,475</u>			<u>900,475</u>
Total capital assets, being depreciated	<u>5,668,600</u>	<u>506,563</u>	<u>-0-</u>	<u>5,723,765</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/16</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/17</u>
Less Accumulated Depreciation:				
Buildings	\$ 768,078	\$ 60,595	\$	\$ 828,673
Improvements other than buildings	1,932,039	204,201		2,136,240
Equipment	<u>599,187</u>	<u>9,537</u>		<u>608,724</u>
Total accumulated depreciation	<u>3,299,304</u>	<u>274,333</u>	<u>-0-</u>	<u>3,573,637</u>
Total capital assets, being depreciated, net	<u>2,369,296</u>	<u>(219,168)</u>	<u>-0-</u>	<u>2,150,128</u>
Business-type activities capital assets, net	<u>\$ 6,190,881</u>	<u>\$(219,168)</u>	<u>\$ -0-</u>	<u>\$ 5,971,713</u>
	<u>Balance</u> <u>10/01/16</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/17</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$	\$	\$ 3,821,585
Construction in progress	<u>2,441,055</u>	<u>5,364,476</u>	<u>2,915,060</u>	<u>4,890,471</u>
Total capital assets, not being depreciated	<u>6,262,640</u>	<u>5,364,476</u>	<u>2,915,060</u>	<u>8,712,056</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	38,074,315	3,179,347		41,253,662
Equipment	8,776,259	346,038	265,682	8,856,615
Infrastructure	<u>19,295,948</u>			<u>19,295,948</u>
Total capital assets, being depreciated	<u>72,769,015</u>	<u>3,525,385</u>	<u>265,682</u>	<u>76,028,718</u>
Less Accumulated Depreciation:				
Buildings	5,339,097	193,128		5,532,225
Improvements other than buildings	22,133,328	1,217,882		23,351,210
Equipment	5,955,801	519,546	265,682	6,209,665
Infrastructure	<u>8,091,226</u>	<u>630,476</u>		<u>8,721,702</u>
Total accumulated depreciation	<u>41,519,452</u>	<u>2,561,032</u>	<u>265,682</u>	<u>43,814,802</u>
Total capital assets, being depreciated, net	<u>31,249,563</u>	<u>964,353</u>	<u>-0-</u>	<u>32,213,916</u>
Business-type activities capital assets, net	<u>\$ 37,512,203</u>	<u>\$ 6,328,829</u>	<u>\$ 2,915,060</u>	<u>\$ 40,925,972</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 5 - CAPITAL ASSETS - Continued

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

Governmental Activities:

General government	\$ 418,081
Public safety	861,777
Public works, including depreciation of infrastructure	2,112,762
Culture and recreation	<u>831,099</u>
 Total depreciation expense-governmental activities	 \$ <u>4,223,719</u>

Business-type Activities:

Water and sewer	\$ 1,994,017
Sanitation	292,682
Golf course	<u>274,333</u>
 Total depreciation expense-business-type activities	 \$ <u>2,561,032</u>

During the year ended September 30, 2017, the City received contributed capital in the amount of \$ 505,983 of which \$ 296,861 was reported in governmental activities and \$ 209,122 was reported in business-type activities as construction in progress.

The City has entered into contracts for construction as of September 30, 2017, as follows:

Governmental Fund Construction Commitments

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Woodland Park street reconstruction project	\$ 181,700	\$ 136,809	\$ 44,891
Pecan Lake outfall	24,512		24,512
Drainage improvements West of SH 332, South Yaupon ditch	65,900	59,730	6,170
Drainage improvements Willow drive Blossom, Daisy street	<u>188,918</u>	<u>84,768</u>	<u>104,150</u>
 Total	 \$ <u>461,030</u>	 \$ <u>281,307</u>	 \$ <u>179,723</u>

Proprietary Fund Construction Commitments

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Sanitary sewer replacement for Lift Station No 6	\$ 80,000	\$ 37,300	\$ 42,700
Lake Jackson Wilderness Golf Course irrigation pumps	<u>108,643</u>		<u>108,643</u>
 Total	 \$ <u>188,643</u>	 \$ <u>37,300</u>	 \$ <u>151,343</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 6 - RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Governmental Funds

Ad valorem taxes receivable are reserved based on historical experience and evaluation of collectivity as the lesser of a percentage of the original levy and the current receivable for each levy year.

The special assessments against property owners for capital improvements were financed with currently available resources of the capital projects funds. As only special assessments received are considered both measurable and available, the balance of the special assessment is recorded as unearned revenue. The allowance for uncollectible special assessment receivables related to special assessments against property owners for capital improvements in prior years is determined based on historical experience and evaluation of collectability in relation to aging of the special assessments.

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

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
Taxes:					
Property	\$ 59,583	\$	\$ 35,658	\$	\$ 95,241
Sales	1,035,218	517,609			1,552,827
Franchise	108,058			19,161	127,219
Accounts	110,599			85,174	195,773
Grant	<u>19,586</u>			<u>77,558</u>	<u>97,144</u>
 Gross receivables	1,333,044	517,609	35,658	181,893	2,068,204
 Less: Allowance for uncollectible	<u>87,302</u>		<u>16,642</u>	<u>69,165</u>	<u>173,109</u>
 Net total receivable	<u>\$ 1,245,742</u>	<u>\$ 517,609</u>	<u>\$ 19,016</u>	<u>\$ 112,728</u>	<u>\$ 1,895,095</u>

Proprietary Funds

The allowance for uncollectible receivables related to City services is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts.

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

	<u>Enterprise Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Accounts	\$ 824,464	\$ 5,597	\$ 830,061
Less: Allowance for uncollectible	<u>63,150</u>	<u>5,320</u>	<u>68,470</u>
 Net total receivable	<u>\$ 761,314</u>	<u>\$ 277</u>	<u>\$ 761,591</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 6 - RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - Continued

Judicial Receivables

Municipal Court Receivables - Municipal court receivables are reported in the governmental activities statements of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The municipal court receivables and allowance for uncollectible receivables for the year ended September 30, 2017, were \$ 1,324,870 and \$ 820,635, respectively.

NOTE 7 - LONG-TERM DEBT

General Obligation Bonds\Certificates of Obligation

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

On May 12, 2009, the City refunded the remaining City of Lake Jackson, Texas, Combination Tax and Revenue Certificates of Obligation Series 1996, Certificates of Obligation Series 1997, General Obligation Bonds Series 1997, and General Obligation Bonds Series 1999, for \$ 2,920,000, \$ 900,000, \$ 1,000,000, and \$ 2,025,000 respectfully. The City issued \$ 6,845,000 of limited tax refunding bonds to provide resources to provide full payment of the debt and the liability has been removed from the City's accounts. This refunding was undertaken to reduce total debt service payments over the next ten years by \$ 426,192 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$ 360,046.

In December 2009, the City issued city of Lake Jackson, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2009, in the amount of \$ 5,000,000 for phase 2 of Downtown revitalization project.

In July 2010, the City issued City of Lake Jackson, Texas, Limited Tax Bonds, Series 2010, in the amount of \$ 3,000,000 for drainage projects and arterial street spot repairs.

On October 18, 2011, the City sold \$ 7,360,000 of Limited Tax Refunding Bonds, Series 2011. The net proceeds of \$ 8,015,573 along with \$ 97,731 from the general fund, a total of \$ 8,113,304, were placed in escrow for the defeasement of the City of Lake Jackson, Texas, General Obligation Bond, Series 2001; the Limited Tax Bond, Series 2002; the Certificates of Obligation, Series 2002A; and the Certificates of Obligation, Series 2003 (Golf Course) bonds, for \$ 1,800,000, \$ 3,650,000, \$ 1,620,000, and \$ 660,000 respectfully. These refunding bonds were issued for the purpose of generating resources and decreasing the total debt service payments. This refunding issue defeased the bond issuances noted above. All future debt service payments on the original bonds were provided for by placing the proceeds of the refunding bonds in an irrevocable trust. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's basic financial statements. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 925,425. The economic gain resulting from the transaction was \$ 781,257. The liability for the defeased bonds was paid off during the year ended September 30, 2013.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

On June 4, 2013, the City issued City of Lake Jackson, Texas Certificates of Obligation, Series 2013 in the amount of \$ 2,000,000 for financing the completion of phase III of the downtown plan – South Parking Place.

On June 4, 2013, the City issued City of Lake Jackson, Texas, Limited Tax Bonds, Series 2013, in the amount of \$ 4,000,000 for financing the replacement of streets and associated water, sewer and sidewalks. The Bonds were authorized at an election held in May, 2010.

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

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

On December 30, 2015, the City sold \$ 7,870,000 of Limited Tax Refunding Bonds, Series 2015. The net proceeds of \$ 8,252,325 along with \$ 48,408 from the debt service fund, a total of \$ 8,300,733, were placed in escrow for the defeasement of the City of Lake Jackson, Texas, Limited Tax Bond, Series 2004; the Limited Tax Bond, Series 2007; Limited Tax Bond, Series 2009' and the Certificates of Obligation, Series 2009; for \$ 1,440,000, \$ 2,915,000, \$ 1,080,000, and \$ 2,500,000 respectfully. These refunding bonds were issued for the purpose of generating resources and decreasing the total debt service payments. This refunding issue defeased the bond issuances noted above. All future debt service payments on the original bonds were provided for by placing the proceeds of the refunding bonds in an irrevocable trust. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's basic financial statements. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 901,489. The economic gain resulting from the transaction was \$ 764,187.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2017, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/17
		Issued	Maturity	Callable	
Limited Tax Bond	3.75 -				
Series 2009	5.25	2009	2029	2018	\$ 360,000
Limited Tax Refunding	3.875 -				
Series 2009	4.00	2009	2019	N/A	345,000
Certificates of Obligation	3.50 -				
Series 2009	5.00	2010	2030	2019	750,000
Limited Tax	3.50 -				
Series 2010	5.00	2010	2030	2020	1,950,000
Limited Tax Refunding	2.00 -				
Series 2011	4.00	2011	2023	2020	3,915,000
Limited Tax Refunding	1.50 -				
Series 2013	3.00	2013	2033	2023	3,200,000
Certificate of Obligation	2.00 -				
Series 2013	3.00	2013	2033	2023	1,600,000
Certificate of Obligation	2.00 -				
Series 2013A	3.00	2013	2023	2021	900,000
Certificates of Obligation	2.00 -				
Series 2014	3.00	2014	2034	2022	4,675,000
Limited Tax Refunding	2.00 -				
Series 2015	4.00	2015	2030	2026	7,290,000
Limited Tax Refunding	2.00 -				
Series 2016	3.00	2016	2025	2037	2,965,000
Certificates of Obligation	2.00 -				
Series 2016	3.00	2016	2025	2036	<u>3,585,000</u>
Total					<u>\$ 31,535,000</u>

General obligation bond transactions for the year ended September 30, 2017, were as follows:

Bonds outstanding, October 1	\$ 28,110,000
Issued	6,820,000
Maturities	<u>(3,395,000)</u>
Bonds outstanding, September 30	<u>\$ 31,535,000</u>

The bond ordinances require that a tax be levied sufficient to pay current interest and create a sinking fund of not less than two percent of the principal of the outstanding bonds or the amount to pay current principal, whichever is greater. For the year ended September 30, 2017, the amount of ad valorem taxes collected for interest and sinking was \$ 2,111,644. The debt service requirements for principal and interest were \$ 4,523,293. In addition, \$ 2,246,190 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

The following is a summary of general obligation bond requirements for governmental activities by year as of September 30, 2017:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 3,175,000	\$ 879,550	\$ 4,054,550
2019	2,935,000	785,844	3,720,844
2020	2,870,000	695,744	3,565,744
2021	2,860,000	608,181	3,468,181
2022	2,670,000	525,394	3,195,394
2023-2027	9,525,000	1,692,297	11,217,297
2028-2032	5,465,000	668,409	6,133,409
2033-2037	<u>2,035,000</u>	<u>101,012</u>	<u>2,136,012</u>
Total	<u>\$ 31,535,000</u>	<u>\$ 5,956,431</u>	<u>\$ 37,491,431</u>

Revenue Bonds Payable

On May 1, 2007, the City issued City of Lake Jackson, Texas, Waterworks and Sewer System Revenue bonds, Series 2007, in the amount of \$ 2,000,000 for financing repairs on lift stations and sewer lines.

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

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

On June 4, 2013, the City issued City of Lake Jackson, Texas, Waterworks and Sewer System Revenue bonds, Series 2013 in the amount of \$ 2,000,000 for the funding of the Northwest water system expansion, sewer line replacements, local lift station renovations, and repair and repainting of the Dow water tower.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

Revenue bonds payable for business-type activities at September 30, 2017, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/17
		Issued	Maturity	Callable	
Revenue Bonds - Series 2009	3.50 - 4.50	2009	2030	2018	\$ 1,095,000
Revenue Bonds Refunding - Series 2010	2.00 - 4.00	2010	2021	N/A	3,045,000
Revenue Bonds - Series 2013	2.50 - 3.00	2013	2033	2022	1,600,000
Revenue Bonds Refunding- Series 2016	3.00	2016	2033	2025	<u>3,765,000</u>
Total					<u>\$ 9,505,000</u>

Revenue bond transactions for the year ended September 30, 2017 were as follows:

Bonds outstanding, October 1	\$ 7,795,000
Issued	3,885,000
Refunded	(1,000,000)
Maturities	<u>(1,175,000)</u>
Bonds outstanding, September 30	<u>\$ 9,505,000</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, 2017, the required balance in the sinking fund was \$ 666,394. 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, 2017, the required balance in the reserve fund was \$ 1,594,418. At September 30, 2017, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 666,394; and the designated amount for the reserve totaled \$ 1,609,361. The total account balance of \$ 2,275,755 is sufficient to cover the combined reserve and sinking requirement of \$ 2,260,812.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

The following is a summary of revenue bond requirements for business-type activities by year as of September 30, 2017:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 1,200,000	\$ 326,375	\$ 1,526,375
2019	1,200,000	282,800	1,482,800
2020	1,195,000	238,800	1,433,800
2021	1,190,000	194,750	1,384,750
2022	435,000	150,900	585,900
2023-2027	2,135,000	548,525	2,683,525
2028-2032	1,470,000	234,075	1,704,075
2033-2036	<u>680,000</u>	<u>46,500</u>	<u>726,500</u>
Total	<u>\$ 9,505,000</u>	<u>\$ 2,022,725</u>	<u>\$ 11,527,725</u>

Transactions for the year ended September 30, 2017, are summarized as follows:

	<u>Balance 10-01-16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09-30-17</u>	<u>Due Within One Year</u>
Governmental Type Activities:					
Certificates of obligation bonds	\$ 8,700,000	\$ 3,855,000	\$ 1,045,000	\$ 11,510,000	\$ 1,045,000
Limited tax bonds	19,410,000	2,965,000	2,350,000	20,025,000	2,130,000
Components of Bonded Debt:					
Premiums on bonds	1,248,003	268,528	154,759	1,361,772	157,035
Net pension liability	4,471,320	4,728,372	4,620,758	4,578,934	
Compensated absences	<u>628,937</u>	<u>485,690</u>	<u>405,786</u>	<u>708,841</u>	<u>435,000</u>
Total governmental activities	<u>34,458,260</u>	<u>12,302,590</u>	<u>8,576,303</u>	<u>38,184,547</u>	<u>3,767,035</u>
Business-Type Activities:					
Revenue bonds	7,795,000	3,885,000	2,175,000	9,505,000	1,200,000
Components of Bonded Debt:					
Premium on bonds	146,333	252,244	33,568	365,009	35,996
Net pension liability	1,123,893	1,649,608	1,291,543	1,481,958	
Compensated absences	<u>140,966</u>	<u>108,544</u>	<u>89,402</u>	<u>160,108</u>	<u>97,500</u>
Total business-type activities	9,206,192	5,895,396	3,589,513	11,512,075	1,333,496
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	439,583	60,417		500,000	500,000
Premium on bonds	<u>23,038</u>	<u>252,244</u>	<u>33,568</u>	<u>241,714</u>	<u>35,996</u>
Net business-type activities	<u>8,743,571</u>	<u>5,582,735</u>	<u>3,555,945</u>	<u>10,770,361</u>	<u>797,500</u>
Total government (net)	<u>\$ 43,201,831</u>	<u>\$ 17,885,325</u>	<u>\$ 12,132,248</u>	<u>\$ 48,954,908</u>	<u>\$ 4,564,535</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM DEBT – Continued

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

Net Pension Liability

General fund and water and sewer enterprise fund have been used to liquidate the net pension obligation in prior years. See Note 9 and Note 10 for pension liability information.

NOTE 8 - LEASING OPERATIONS

Lessor

The City is involved in various operating leases as lessor. These rental facilities are leased through 2037. The City has not determined the cost of these facilities as of September 30, 2017. Minimum future rentals to be received on noncancelable leases, as of September 30, 2017, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 163,178
2019	167,879
2020	172,775
2021	177,702
2022	182,834
2023-2027	952,910
2028-2032	849,512
2033-2037	<u>227,775</u>
	<u>\$ 2,894,565</u>

Lessee

The City is involved in various operating leases as lessee. These leases include copier equipment, postage equipment, and golf cart and other golf course equipment. Minimum future rentals to be paid on noncancelable leases, as of September 30, 2017, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 28,066
2019	28,066
2020	28,066
2021	22,056
2022	<u>1,342</u>
	<u>\$ 107,596</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City of Lake Jackson participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publically available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

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

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

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	121
Inactive employees entitled to but not yet receiving benefits	149
Active employees	<u>217</u>
	487

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

C. Contributions

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

Employees for the City of Lake Jackson were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lake Jackson were 11.73% and 11.84 % in the calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$ 1,336,648, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	7.75%
Total	100%	

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2015	\$ 56,391,682	\$ 51,194,455	\$ 5,197,227
Changes for the Year:			
Service cost	1,470,736		1,470,736
Interest	3,770,178		3,770,178
Difference between expected and actual experience	458,906		458,906
Contributions – employer		1,213,201	(1,213,201)
Contributions – employee		620,564	(620,564)
Net investment income		3,458,936	(3,458,936)
Benefit payment, including refunds of employee contributions	(2,545,111)	(2,545,111)	
Administrative expense		(39,074)	39,074
Other changes		(2,105)	2,105
Net changes	3,154,709	2,706,411	448,298
Balance at 12/31/2016	\$ 59,546,391	\$ 53,900,866	\$ 5,645,525

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what's the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease In Discount Rate <u>(5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase In Discount Rate <u>(7.75%)</u>
City's Net Pension Liability	\$ 14,054,925	\$ 5,645,525	\$(1,235,012)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the city recognized pension expense of \$ 1,911,747.

At September 30, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 335,544	\$ 498,871
Difference between projected and actual earnings	2,358,479	2,648
Differences in assumption changes	133,608	
Contributions subsequent to the measurement date	<u>1,015,831</u>	
 Total	 <u>\$ 3,843,462</u>	 <u>\$ 501,519</u>

\$ 1,015,831 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

<u>Year Ended</u> <u>September 30,</u>		
2018	\$	705,844
2019		830,088
2020		790,842
2021	(662)

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

A. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a standalone financial report that is available to the public at www.tesrs.org.

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. On August 31, 2017, there were 235 contributing fire and/or emergency services department members participating in TESRS.

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

B. Benefits Provided

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

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

C. Covered Membership

On August 31, 2017, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,104
Terminated members entitled to but not yet receiving benefits	2,208
Active participants	4,046

D. Funding Policy

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

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

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

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

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

E. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2016, total contributions of \$ 5,012,131 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The City appropriated \$ 65,350 for the fiscal year ending August 31, 2017.

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

The most recently completed biennial actuarial valuation as of August 31, 2016 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$ 725,000 each year to pay for part of the System's administrative expenses.

F. Net Pension Liability

The System's Net Pension Liability (NPL) was measured as of August 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of August 31, 2016 and rolled forwarded to August 31, 2017.

	<u>City's Portion</u>
Total pension liability	\$ 1,755,294
Plan fiduciary net position	<u>1,339,927</u>
Net pension liability	<u>\$ 415,367</u>
Plan fiduciary net position as a percentage of the total pension liability	76.3%

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

Actuarial Assumptions

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

Inflation 3.0%
 Salary increases N/A
 Investment rate of return 7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.0%). In addition, the final 7.75% assumption was selected by “rounding down” and thereby reflected a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

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

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

	1% Decrease In Discount Rate <u>(6.75%)</u>	Discount Rate <u>(7.75%)</u>	1% Increase In Discount Rate <u>(8.75%)</u>
City's Net Pension Liability	\$ 703,222	\$ 415,367	\$ 231,959

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

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 643	\$
Differences between projected and actual earnings	78,650	
Differences in assumption changes	8,846	
Contributions subsequent to the measurement date	<u>77,681</u>	
 Total	 <u>\$ 165,820</u>	 <u>\$ -0-</u>

\$ 77,681 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2018	\$ 23,056
2019	23,056
2020	36,494
2021	5,533

For the year ended September 30 2017, the City recognized pension expense of \$ 88,487.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 11 - OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$ 7,500; this coverage is an "other post employment benefit" or OPEB.

	<u>2016</u>	<u>2017</u>
The City offers Supplemental Death to:		
Active employees (Yes or No)	Yes	Yes
Retirees (Yes or No)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2017, 2016, and 2015 were \$ 22,920, \$ 21,475, and \$ 20,225, respectively, which equaled the required contributions each year.

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

NOTE 12 - 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, 2017

NOTE 13 - CONTINGENT LIABILITIES

The City is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the City at September 30, 2017.

NOTE 14 - 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 15 - INDUSTRIAL DISTRICT CONTRACT

In 2011, the City of Lake Jackson, in conjunction with the Cities of Clute and Freeport, entered into a new contract with the Dow Chemical Company (Dow), BASF Corporation, and the Brock interests.

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

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 15 - INDUSTRIAL DISTRICT CONTRACT - Continued

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

This contract will help provide certainty to both the cities and industry for the 15 year term of the contract. It also keeps our Industrial District among the most competitive along the Gulf Coast, in order to encourage industry's efforts to grow this site. Recent announcements by industry seem to indicate this had the desired effect – at least it wasn't a hindrance.

The industrial district revenues received during the year ended September 30, 2017 amounted to \$ 4,394,560.

NOTE 16 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2017, the City applied for and received federal and state grants related to various activities. The operations of these grants are reported in the General Fund and Capital Project Fund. Grant revenues are classified as intergovernmental revenues or capital contribution.

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>	
Federal:				
U.S. Department of Housing and Security:				
Passed Through Texas Public Assistance Grant		\$	\$ 77,558	\$
77,558				
U.S. Department of Justice:				
Bulletproof Vest Partnership Program	6,410		6,410	
State:				
Criminal Justice Division				
Body camera grant program	42,949		42,949	
Law Enforcement Officer Standards and Education (LEOSE)	<u>3,268</u>		<u>3,268</u>	
Total	<u>\$ 52,627</u>	<u>\$ 77,558</u>	<u>\$ 130,185</u>	

As of September 30, 2017, all cash and in-kind matching requirements had been met for those grants requiring local matching.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 17 - 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, 2017, the City paid the Shelter \$ 157,734 under this agreement.

NOTE 18 - ECONOMIC DEVELOPMENT AGREEMENTS

On November 13, 2013 the City entered into an Economic Development Agreement with The Dow Chemical Company (Dow) in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, Dow was expected to expend up to \$ 2,500,000 on infrastructure cost related to a project in the City and the City would reimburse them. Total reimbursable infrastructure costs were \$ 2,344,103. In addition the City will provide certain rebates according to terms of the agreement for real and personal property taxes. The term of the agreement is fifteen (15) years. Both the City and Dow have agreed to various covenants, warranties, obligations and duties as a part of this agreement. For the year ending September 30, 2017, the City made a rebate payment of \$ 249,818 under this agreement, all of which was paid during the fiscal year 2017.

On December 2, 2013 the City entered into an Economic Development Agreement with Brazosport Creekside, LLC (the Developer) in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, the Developer will construct approximately 224 new homes in a development in the City. As a part of the development the City will reimburse the Developer up to six hundred seventy five thousand five hundred dollars (\$ 675,500) for the construction of a bridge. The reimbursement will occur based on additional property taxes collected over a period of fifteen (15) years along with the City will providing the Developer five yearly payments of seventy thousand dollars (\$ 70,000). In no event will the reimbursement exceed \$ 675,500 plus interest at the rate of five percent (5%) per annum. As of September 30, 2017, the City paid a total of \$ 216,781 under this agreement and \$ 75,948 was paid during the fiscal year 2017.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 18 - ECONOMIC DEVELOPMENT AGREEMENTS - Continued

On December 9, 2013 the City entered into an Economic Development Agreement with HEB Grocery Company, LP (HEB) in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, HEB constructed a HEB store and retail center in the City and the City reimbursed HEB three million dollars (\$ 3,000,000) in infrastructure costs related to the project. In addition the City will provide certain rebates according to terms of the agreement for real and personal property taxes and sales taxes. In no event shall the sum total of the tax rebates exceed five million dollars (\$ 5,000,000). Both the City and HEB have agreed to various covenants, warranties, obligations and duties as a part of this agreement. \$ 3,000,000 reimbursement was paid in 2017. To date \$ 178,445 in sales tax rebates have been accrued.

On August 3, 2015 the city entered into a hotel occupancy tax (HOT) agreement with Omkar Enterprise Management LLC. The terms of the agreement are for 15 years or a maximum total hotel occupancy tax reimbursements of \$ 2,750,000, whichever is reached first. The maximum HOT reimbursed for any year is 75% of the total of the city's assessed HOT collected and remitted to the city by Courtyard by Marriott. Under the agreement Omkar agreed to build a Courtyard by Marriott with a minimum investment of \$ 12 million. Omkar agreed to employ a minimum of 25 employees and build the Courtyard by Marriott to include at least 108 guest rooms, 18 of which will be executive suites. At least 6 of the executive suites that are a minimum of 450 sq. ft. and at least 12 executive suites that are a minimum of 550 sq.ft. All guest rooms shall have a refrigerator and microwave and 5% of all guest rooms shall have a separate shower and jacuzzi type bath tub. The hotel shall have a minimum 6,500 sq. ft. meeting space inclusive of pre-event areas, restrooms, catering/serving kitchen, main meeting room and at least one boardroom or break out room. The hotel shall also have a bar/lounge; sit down restaurant/room service; full kitchen, minimum 600 sq. ft. workout room; guest laundry; home theatre area in lobby, business area with computer access; and, swimming pool. The hotel formally opened in January 2018, therefore no reimbursements were made in the fiscal year ended September 30, 2017.

NOTE 19 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 29, 2018, the date which the financial statements were available to be issued.

On November 14, 2017, the City issued City of Lake Jackson, Texas Waterworks and Sewer System Revenue Bonds, Series 2017, in the amount of \$ 4,950,000 and Limited Tax Bonds, Series 2017, in the amount of \$ 3,935,000. The purpose of the Waterworks and Sewer bonds is for sewer improvements. The purpose of the Limited Tax bonds is for infrastructure improvements.

A large number of Brazoria County residents have filed a lawsuit claiming the City and the drainage district are liable in tort and inverse condemnation for the flooding of their property during Hurricane Harvey at the beginning of 2018. The City is contesting the case through litigation and expects to prevail.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 20 - EXCESS OF EXPENDITURES OVER APROPRIATIONS

During the year ended September 30, 2017, expenditures exceeded appropriations in the funds as follows:

Program Education Fund	\$ 161,345
General Debt Service Fund	\$ 49,029
Economic Development Debt Services	\$ 34,164

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

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

SEPTEMBER 30, 2017 WITH MEASUREMENT DATE OF DECEMBER 31, 2016

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 1,470,736	\$ 1,395,740	\$ 1,235,156
Interest (on the Total Pension Liability)	3,770,178	3,720,766	3,586,517
Changes of benefit terms	-0-	-0-	-0-
Difference between expected and actual experience	458,906	(455,995)	(864,997)
Change of assumptions	-0-	268,564	-0-
Benefit payments, including refunds of employee contributions	(2,545,111)	(1,986,637)	(2,251,635)
Net Change in Total Pension Liability	3,154,709	2,942,438	1,705,041
Total Pension Liability – Beginning	<u>56,391,682</u>	<u>53,449,244</u>	<u>51,744,203</u>
Total Pension Liability – Ending (a)	<u>\$ 59,546,391</u>	<u>\$ 56,391,682</u>	<u>\$ 53,449,244</u>
Plan Fiduciary Net Position			
Contributions – Employer	\$ 1,213,201	\$ 1,274,547	\$ 1,276,545
Contributions – Employee	620,564	606,865	557,850
Net Investment Income	3,458,936	75,651	2,798,520
Benefit payments, including refunds of employee contributions	(2,545,111)	(1,986,637)	(2,251,635)
Administrative expense	(39,074)	(46,082)	(29,219)
Other	(2,105)	(2,275)	(2,402)
Net Change in Plan Fiduciary Net Position	2,706,411	(77,931)	2,349,659
Plan Fiduciary Net Position – Beginning	<u>51,194,455</u>	<u>51,272,386</u>	<u>48,922,727</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 53,900,866</u>	<u>\$ 51,194,455</u>	<u>\$ 51,272,386</u>
Net Pension Liability (a-b)	<u>\$ 5,645,525</u>	<u>\$ 5,197,227</u>	<u>\$ 2,176,858</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.52%	90.78%	95.93%
Covered Employee Payroll	\$ 10,342,727	\$ 10,099,421	\$ 9,297,496
Net Pension Liability as a Percentage of Covered Employee Payroll	54.58%	51.46%	23.41%

Notes to Schedule:

N/A

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

CITY OF LAKE JACKSON
Lake Jackson, Texas

**TMRS SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN YEARS ⁽¹⁾
SEPTEMBER 30, 2017**

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

Notes to Schedule of Contributions

Valuation date

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll, Closed
Remaining Amortization period	29 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB

Other Information

Notes There were no benefit changes during the year.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

SEPTEMBER 30, 2017 WITH MEASUREMENT DATE OF AUGUST 31, 2016

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 24,160	\$ 25,261	\$ 23,521
Interest	126,942	126,298	103,620
Changes in benefit terms	10,296	-0-	-0-
Difference between expected and actual experience	922	-0-	-0-
Assumption changes	12,691	-0-	-0-
Benefit payments	<u>(67,047)</u>	<u>(67,077)</u>	<u>(53,644)</u>
Net Change in Total Pension Liability	107,964	84,482	73,497
Total Pension Liability – Beginning	<u>1,498,313</u>	<u>1,413,831</u>	<u>1,340,334⁽²⁾</u>
Total Pension Liability – Ending (a)	<u>\$ 1,606,277</u>	<u>\$ 1,498,313⁽⁴⁾</u>	<u>\$ 1,413,831</u>
Total Fiduciary Net Position			
Contributions by the City	\$ 49,391	\$ 52,417	\$ 53,754
Contributions by the State	22,585	24,412	19,696
Net Investment Income	70,683	(49,097)	153,260
Benefit payments, including refunds of employee contributions	<u>(67,047)</u>	<u>(67,077)</u>	<u>(53,644)</u>
Administrative expense	<u>(2,380)</u>	<u>(3,220)</u>	<u>(2,133)</u>
Other	<u>17,351</u>	<u>(37,070)</u>	<u>-0-</u>
Net Change in Plan Fiduciary Net Position	90,583	(79,635)	170,933
Plan Fiduciary Net Position – Beginning	<u>1,100,327</u>	<u>1,179,962</u>	<u>1,009,029</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 1,190,910</u>	<u>\$ 1,100,327</u>	<u>\$ 1,179,962</u>
Net Pension Liability (a-b)	<u>\$ 415,367</u>	<u>\$ 397,986</u>	<u>\$ 233,869</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.14%	73.44%	83.46%
Number of Active Members ⁽³⁾	30	33	43
City's Net Pension Liability per Active Member	\$ 13,846	\$ 12,060	\$ 5,439

Notes to Schedule:

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

**TESRS SCHEDULE OF INVESTMENT RETURNS
FOR THE LAST TEN YEARS ⁽¹⁾**

SEPTEMBER 30, 2017 WITH MEASUREMENT DATE OF AUGUST 31, 2016

<u>Fiscal Year Ending</u>	<u>Annual Money-Weighted Net Real Rate of Return ⁽²⁾</u>
August 31, 2013	13.84%
August 31, 2014	14.92%
August 31, 2015	(3.58%)
August 31, 2016	5.57%
August 31, 2017	10.32%

Notes to Schedule:

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

TESRS SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN YEARS
SEPTEMBER 30, 2017

<u>Year</u>		<u>Contributions</u>
2008	\$	70,719
2009	\$	70,189
2010	\$	76,090
2011	\$	63,979
2012	\$	66,766
2013	\$	77,259
2014	\$	69,499
2015	\$	78,528
2016	\$	82,103
2017	\$	77,681

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Program Education Fund – This fund is used to account for revenue generated from a 1% fee paid by local video providers. In addition, the video providers are required to provide PEG channels. PEG revenue may only be spent as allowed by federal law, which provides that expenditures must be for capital costs for PEG facilities.

Debt Service Funds

Economic Development Debt Service Fund – This fund is used to account for the accumulation of resources for the annual payment of economic development principal and interest and to provide a reserve for such payment.

Golf Course Debt Service Fund – This fund is used to account for the accumulation of resources for the annual payment of the golf course principal and interest and to provide a reserve for such payment.

Capital Projects Funds

General Construction Fund – This fund is used to account for resources and expenditures dedicated to small general capital improvements. Projects primarily include street rehabilitation and drainage projects, as well as some public facility enhancements. Projects supported by this fund are typically small and do not warrant a bond issue.

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

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds - Continued

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

	Special Revenue Funds			Debt
	Motel Occupancy Tax	Police Seizure	Program Education	Economic Development
<u>Assets and Deferred Outflows of Resources</u>				
Assets:				
Cash and cash equivalents	\$ 77,791	\$ 89,425	\$ 265,041	\$ 7,245
Receivables (net of allowance for uncollectibles):				
Taxes			19,161	
Accounts				
Grants				
Total assets	<u>77,791</u>	<u>89,425</u>	<u>284,202</u>	<u>7,245</u>
Deferred Outflows of Resources:				
Deferred outflows of resources				
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 77,791</u>	<u>\$ 89,425</u>	<u>\$ 284,202</u>	<u>\$ 7,245</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Unearned revenue				
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Deferred Inflows of Resources:				
Deferred inflows of resources				
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Restricted:				
Debt service				7,245
Capital projects				
Program education			284,202	
Encourage tourism	77,791			
Law enforcement		89,425		
Assigned				
Total fund balances	<u>77,791</u>	<u>89,425</u>	<u>284,202</u>	<u>7,245</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 77,791</u>	<u>\$ 89,425</u>	<u>\$ 284,202</u>	<u>\$ 7,245</u>

Service Funds	Capital Projects Funds				
Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2013 Infrastructure	2010 Drainage infrastructure	2014 Economic Incentive
\$	\$ 2,652,219	\$ 22,382	\$ 983	\$ 944,381	\$ 121,982
	16,009				
	77,558				
<u>-0-</u>	<u>2,745,786</u>	<u>22,382</u>	<u>983</u>	<u>944,381</u>	<u>121,982</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 2,745,786</u>	<u>\$ 22,382</u>	<u>\$ 983</u>	<u>\$ 944,381</u>	<u>\$ 121,982</u>
\$	\$ 81,009	\$	\$	\$	\$
	20,000				
<u>-0-</u>	<u>101,009</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
		22,382	983	944,381	121,982
	2,644,777				
<u>-0-</u>	<u>2,644,777</u>	<u>22,382</u>	<u>983</u>	<u>944,381</u>	<u>121,982</u>
<u>\$ -0-</u>	<u>\$ 2,745,786</u>	<u>\$ 22,382</u>	<u>\$ 983</u>	<u>\$ 944,381</u>	<u>\$ 121,982</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS - Continued

September 30, 2017

	<u>Capital Projects Funds</u>	Total Non-major Governmental Funds
	2013 Downtown Improvement	
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 1,471,644	\$ 5,653,093
Receivables (net of allowance for uncollectibles):		
Taxes		19,161
Accounts		16,009
Grants		77,558
	<u>1,471,644</u>	<u>5,765,821</u>
Total assets		
Deferred Outflows of Resources:		
Deferred outflows of resources		-0-
	<u>-0-</u>	<u>-0-</u>
Total deferred outflows of resources		
Total assets and deferred outflows of resources	\$ <u>1,471,644</u>	\$ <u>5,765,821</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 17,660	\$ 98,669
Unearned revenue		20,000
	<u>17,660</u>	<u>118,669</u>
Total liabilities		
Deferred Inflows of Resources:		
Deferred inflows of resources		-0-
	<u>-0-</u>	<u>-0-</u>
Total deferred inflows of resources		
Fund Balances:		
Restricted:		
Debt service		7,245
Capital projects	1,453,984	2,543,712
Program education		284,202
Encourage tourism		77,791
Law enforcement		89,425
Assigned		2,644,777
	<u>1,453,984</u>	<u>5,647,152</u>
Total fund balances		
Total liabilities, deferred inflows of resources and fund balances	\$ <u>1,471,644</u>	\$ <u>5,765,821</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017

	Special Revenue Funds			Debt
	Motel Occupancy Tax	Police Seizure	Program Education	Economic Development
Revenues:				
Franchise tax	\$	\$	\$ 81,920	\$
Motel occupancy tax	539,553			
Intergovernmental				
Investment earnings	280	90	2,084	
Miscellaneous		19,457		
Total revenues	539,833	19,547	84,004	-0-
Expenditures:				
Current:				
General government and administration				
Public safety		3,340		
Public works		23,579		
Cultural and Recreation:				
Contribution to Fine Arts Council	71,750			
Contribution to Museum of Natural Science	107,625			
Contribution to Chamber of Commerce	148,625			
Contribution to Historical Museum	107,625			
Other			166,073	
Capital outlay				
Debt Service:				
Principal retirement				1,390,407
Interest and fiscal charges				468,598
Total expenditures	435,625	26,919	166,073	1,859,005
Excess (deficiency) of revenues over (under) expenditures	104,208	(7,372)	(82,069)	(1,859,005)
Other Financing Sources (Uses):				
Issuance of bonds				3,855,000
Bond issuance premium				150,357
Transfers in				1,751,590
Transfers out	(71,750)			(3,900,000)
Total other financing sources (uses)	(71,750)	-0-	-0-	1,856,947
Net change in fund balances	32,458	(7,372)	(82,069)	(2,058)
Fund balances – beginning	45,333	96,797	366,271	9,303
Fund balances – ending	\$ 77,791	\$ 89,425	\$ 284,202	\$ 7,245

Service Funds	Capital Projects Funds				
Golf Course	General Construction	Court/Emergency Operations Center/ Brazos Oaks Construction	2013 Infrastructure	2010 Drainage infrastructure	2014 Economic Incentive
\$	\$	\$	\$	\$	\$
	77,558				
	7,900		6	6,212	1,089
	<u>243,036</u>				
<u>-0-</u>	<u>328,494</u>	<u>-0-</u>	<u>6</u>	<u>6,212</u>	<u>1,089</u>
	63,701				
	11,146	55,170			
	<u>953,419</u>			<u>59,730</u>	<u>49,156</u>
390,000					
<u>104,600</u>					
<u>494,600</u>	<u>1,028,266</u>	<u>55,170</u>	<u>-0-</u>	<u>59,730</u>	<u>49,156</u>
<u>(494,600)</u>	<u>(699,772)</u>	<u>(55,170)</u>	<u>6</u>	<u>(53,518)</u>	<u>(48,067)</u>
494,600	1,300,000				
<u>494,600</u>	<u>1,300,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
-0-	600,228	(55,170)	6	(53,518)	(48,067)
	<u>2,044,549</u>	<u>77,552</u>	<u>977</u>	<u>997,899</u>	<u>170,049</u>
<u>\$ -0-</u>	<u>\$ 2,644,777</u>	<u>\$ 22,382</u>	<u>\$ 983</u>	<u>\$ 944,381</u>	<u>\$ 121,982</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017

	<u>Capital Projects Funds</u>	Total Non-major Governmental Funds
	2013 Downtown Improvement	
Revenues:		
Franchise Tax	\$	\$ 81,920
Motel occupancy tax		539,553
Intergovernmental		77,558
Investment earnings	13,384	31,045
Miscellaneous		<u>262,493</u>
Total revenues	<u>13,384</u>	<u>992,569</u>
Expenditures:		
Current:		
General government and administration		63,701
Public safety		3,340
Public works		23,579
Cultural and Recreation:		
Contribution to Fine Arts Council		71,750
Contribution to Museum of Natural Science		107,625
Contribution to Chamber of Commerce		148,625
Contribution to Historical Museum		107,625
Other		232,389
Capital outlay	444,095	1,506,400
Debit Service:		
Principal		1,780,407
Interest and fiscal charges		<u>573,198</u>
Total expenditures	<u>444,095</u>	<u>4,618,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(430,711)</u>	<u>(3,626,070)</u>
Other Financing Sources (Uses):		
Issuance of bonds		3,855,000
Bond issuance premium		150,357
Transfers in		3,546,190
Transfers out		<u>(3,971,750)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>3,579,797</u>
Net change in fund balances	<u>(430,711)</u>	<u>(46,273)</u>
Fund balances – beginning	<u>1,884,695</u>	<u>5,693,425</u>
Fund balances – ending	<u>\$ 1,453,984</u>	<u>\$ 5,647,152</u>

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

Special Revenue and Debt Service Funds

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017
With Comparative Actual Totals for 2016

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Motel occupancy tax	\$ 512,500	\$ 512,500	\$ 539,553	\$ 27,053	\$ 526,662
Investment earnings		-0-	280	280	160
Total revenues	<u>512,500</u>	<u>512,500</u>	<u>539,833</u>	<u>27,333</u>	<u>526,822</u>
Expenditures:					
Current:					
Culture and recreation	<u>512,500</u>	<u>512,500</u>	<u>435,625</u>	<u>76,875</u>	<u>455,796</u>
Total expenditures	<u>512,500</u>	<u>512,500</u>	<u>435,625</u>	<u>76,875</u>	<u>455,796</u>
Excess of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>104,208</u>	<u>104,208</u>	<u>71,026</u>
Other Financing Uses:					
Transfers out		-0-	(71,750)	(71,750)	(75,491)
Total other financing uses	<u>-0-</u>	<u>-0-</u>	<u>(71,750)</u>	<u>(71,750)</u>	<u>(75,491)</u>
Net changes in fund balance	-0-	-0-	32,458	32,458	(4,465)
Fund balance – beginning	<u>45,333</u>	<u>45,333</u>	<u>45,333</u>	<u>-0-</u>	<u>49,798</u>
Fund balance – ending	<u>\$ 45,333</u>	<u>\$ 45,333</u>	<u>\$ 77,791</u>	<u>\$ 32,458</u>	<u>\$ 45,333</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017
With Comparative Actual Totals for 2016

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment earnings	\$ 250	\$ 250	\$ 90	\$ (160)	\$ 243
Other	<u>37,500</u>	<u>37,500</u>	<u>19,457</u>	<u>(18,043)</u>	<u>32,450</u>
Total revenues	<u>37,750</u>	<u>37,750</u>	<u>19,547</u>	<u>(18,203)</u>	<u>32,693</u>
Expenditures:					
Current:					
Public Safety:					
Seizures administration	<u>28,500</u>	<u>28,500</u>	<u>26,919</u>	<u>1,581</u>	<u>6,743</u>
Total expenditures	<u>28,500</u>	<u>28,500</u>	<u>26,919</u>	<u>1,581</u>	<u>6,743</u>
Net changes in fund balance	<u>9,250</u>	<u>9,250</u>	<u>(7,372)</u>	<u>(16,622)</u>	<u>25,950</u>
Fund balance – beginning	<u>96,797</u>	<u>96,797</u>	<u>96,797</u>	<u>-0-</u>	<u>70,847</u>
Fund balance – ending	<u>\$ 106,047</u>	<u>\$ 106,047</u>	<u>\$ 89,425</u>	<u>\$ (16,622)</u>	<u>\$ 96,797</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017
With Comparative Actual Totals for 2016

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Franchise tax	\$ 88,000	\$ 88,000	\$ 81,920	\$ (6,080)	\$ 88,010
Investment earnings	<u>1,800</u>	<u>1,800</u>	<u>2,084</u>	<u>284</u>	<u>385</u>
Total revenues	<u>89,800</u>	<u>89,800</u>	<u>84,004</u>	<u>(5,796)</u>	<u>88,395</u>
Expenditures:					
Current:					
General government and administration	<u>4,728</u>	<u>4,728</u>	<u>166,073</u>	<u>(161,345)</u>	<u>3,228</u>
Total expenditures	<u>4,728</u>	<u>4,728</u>	<u>166,073</u>	<u>(161,345)</u>	<u>3,228</u>
Net changes in fund balance	<u>85,072</u>	<u>85,072</u>	<u>(82,069)</u>	<u>(167,141)</u>	<u>85,167</u>
Fund balance – beginning	<u>366,271</u>	<u>366,271</u>	<u>366,271</u>	<u>-0-</u>	<u>281,104</u>
Fund balance – ending	<u>\$ 451,343</u>	<u>\$ 451,343</u>	<u>\$ 284,202</u>	<u>\$ (167,141)</u>	<u>\$ 366,271</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Economic Development Debt Service Fund**

For the Year Ended September 30, 2017
With Comparative Actual Total for 2016

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal retirement	1,390,407	1,390,407	1,390,407	-0-	1,161,046
Interest and fiscal charges	<u>434,434</u>	<u>434,434</u>	<u>468,598</u>	<u>(34,164)</u>	<u>366,620</u>
Total expenditures	<u>1,824,841</u>	<u>1,824,841</u>	<u>1,859,005</u>	<u>(34,164)</u>	<u>1,527,666</u>
Deficiency of revenues over expenditures	<u>(1,824,841)</u>	<u>(1,824,841)</u>	<u>(1,859,005)</u>	<u>(34,164)</u>	<u>(1,527,666)</u>
Other Financing Sources (Uses):					
Issuance of bonds			3,855,000	3,855,000	2,675,439
Bond issuance premium			150,357	150,357	
Transfers in	1,824,841	1,824,841	1,751,590	(73,251)	1,479,945
Transfers out			(3,900,000)	(3,900,000)	
Payment to bond refunding escrow agent					<u>(2,627,718)</u>
Total other financing sources (uses)	<u>1,824,841</u>	<u>1,824,841</u>	<u>1,856,947</u>	<u>32,106</u>	<u>1,527,666</u>
Net changes in fund balance	-0-	-0-	(2,058)	(2,058)	-0-
Fund balance – beginning	<u>9,303</u>	<u>9,303</u>	<u>9,303</u>	<u>-0-</u>	<u>9,303</u>
Fund balance – ending	<u>\$ 9,303</u>	<u>\$ 9,303</u>	<u>\$ 7,245</u>	<u>\$ (2,058)</u>	<u>\$ 9,303</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Golf Course Debt Service Fund**

For the Year Ended September 30, 2017
With Comparative Actual Totals for 2016

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal retirement	390,000	390,000	390,000		380,000
Interest and fiscal charges	<u>104,600</u>	<u>104,600</u>	<u>104,600</u>		<u>118,100</u>
Total expenditures	<u>494,600</u>	<u>494,600</u>	<u>494,600</u>	<u>-0-</u>	<u>498,100</u>
Deficiency of revenues over expenditures	<u>(494,600)</u>	<u>(494,600)</u>	<u>(494,600)</u>	<u>-0-</u>	<u>(498,100)</u>
Other Financing Sources:					
Transfers in	<u>494,600</u>	<u>494,600</u>	<u>494,600</u>	<u>-0-</u>	<u>498,100</u>
Total other financing sources	<u>494,600</u>	<u>494,600</u>	<u>494,600</u>	<u>-0-</u>	<u>498,100</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning	_____	_____	_____	<u>-0-</u>	_____
Fund balance – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

General Fund

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

**COMPARATIVE BALANCE SHEETS -
General Fund**

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 12,818,063	\$ 14,136,250
Receivable (net of allowance for uncollectibles):		
Taxes	1,176,107	1,299,987
Accounts	50,049	66,342
Grants	19,586	20,124
Investments	300,000	300,000
Inventories	74,665	80,608
Prepaid expenditures	<u>173,676</u>	<u> </u>
Total assets	<u>14,612,146</u>	<u>15,903,311</u>
Deferred Outflows of Resources:		
Deferred outflows of resources	<u> </u>	<u> </u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 14,612,146</u>	<u>\$ 15,903,311</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 778,717	\$ 856,501
Cash bonds and taxes	318,750	377,906
Accrued wages	404,154	186,077
Unearned revenue	<u>83,136</u>	<u>95,043</u>
Total liabilities	<u>1,584,757</u>	<u>1,515,527</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>32,831</u>	<u>30,279</u>
Total deferred inflows of resources	<u>32,831</u>	<u>30,279</u>
Fund Balance:		
Non-spendable:		
Inventory	74,665	80,608
Prepaid expenditures	173,676	
Committed:		
General contingencies	910,307	906,260
Assigned:		
Unemployment insurance	116,289	125,052
Equipment replacement	6,648,936	6,284,423
Special events	64,943	50,934
Park improvement	87,573	146,532
Unassigned	<u>4,918,169</u>	<u>6,763,696</u>
Total fund balance	<u>12,994,558</u>	<u>14,357,505</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 14,612,146</u>	<u>\$ 15,903,311</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, 2017
With Comparative Actual Totals for 2016

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 4,105,644	\$ 4,105,644
Sales	6,600,000	6,600,000
Franchise	1,635,500	1,635,500
Other	143,500	143,500
Industrial district	4,367,079	4,367,079
Intergovernmental		
Revenue producing facilities	1,280,200	1,280,200
Fines and fees	542,584	542,584
Licenses and permits	528,400	528,400
Investment earnings	40,000	40,000
Miscellaneous	76,500	76,500
	<u>19,319,407</u>	<u>19,319,407</u>
Total revenues		
Expenditures:		
Current:		
General government and administration	3,829,630	3,829,630
Flood related expenditures		
Public safety	7,084,867	7,084,867
Public works	3,237,867	3,237,867
Culture and recreation	4,976,927	4,976,927
Capital outlay	1,441,899	1,441,899
	<u>20,571,190</u>	<u>20,571,190</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	(1,251,783)	(1,251,783)
Other Financing Sources (Uses):		
Sale of capital assets		
Transfers in	1,621,729	1,621,729
Transfers out	(299,776)	(1,599,776)
	<u>1,321,953</u>	<u>21,953</u>
Total other financing sources (uses)		
Net change in fund balance	70,170	(1,229,830)
Fund balance - beginning	14,357,505	14,357,505
Fund balance - ending	<u>\$ 14,427,675</u>	<u>\$ 13,127,675</u>

2017			2016	
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,976,175	\$	\$ 3,976,175	\$ (129,469)	\$ 3,773,882
6,300,735		6,300,735	(299,265)	6,190,271
1,605,848		1,605,848	(29,652)	1,632,284
222,443		222,443	78,943	217,926
4,394,560		4,394,560	27,481	4,317,295
52,627		52,627	52,627	9,170
1,236,652		1,236,652	(43,548)	1,263,879
535,164		535,164	(7,420)	472,117
341,122		341,122	(187,278)	496,068
83,172		83,172	43,172	54,815
<u>151,692</u>		<u>151,692</u>	<u>75,192</u>	<u>205,611</u>
<u>18,900,190</u>	<u>-0-</u>	<u>18,900,190</u>	<u>(419,217)</u>	<u>18,633,318</u>
3,627,588		3,627,588	202,042	3,864,699
954,041		954,041	(954,041)	
7,002,139		7,002,139	82,728	6,028,794
2,771,772		2,771,772	466,095	2,777,394
4,600,638		4,600,638	376,289	4,487,262
<u>1,353,929</u>		<u>1,353,929</u>	<u>87,970</u>	<u>786,888</u>
<u>20,310,107</u>	<u>-0-</u>	<u>20,310,107</u>	<u>261,083</u>	<u>17,945,037</u>
<u>(1,409,917)</u>	<u>-0-</u>	<u>(1,409,917)</u>	<u>(158,134)</u>	<u>688,281</u>
30,142		30,142	30,142	41,105
1,616,604		1,616,604	(5,125)	1,602,397
<u>(1,599,776)</u>		<u>(1,599,776)</u>	<u>-0-</u>	<u>(3,001,917)</u>
<u>46,970</u>	<u>-0-</u>	<u>46,970</u>	<u>25,017</u>	<u>(1,358,415)</u>
<u>(1,362,947)</u>	<u>-0-</u>	<u>(1,362,947)</u>	<u>(133,117)</u>	<u>(670,134)</u>
<u>14,357,505</u>		<u>14,357,505</u>	<u>-0-</u>	<u>15,027,639</u>
<u>\$ 12,994,558</u>	<u>\$ -0-</u>	<u>\$ 12,994,558</u>	<u>\$ (133,117)</u>	<u>\$ 14,357,505</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 1,194,742	\$ 1,444,952
Receivable (net of allowance for uncollectibles):		
Taxes	<u>517,609</u>	<u>534,481</u>
Total assets	<u>1,712,351</u>	<u>1,979,433</u>
Deferred Outflows of Resources:		
Deferred outflows of resources		
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 1,712,351</u>	<u>\$ 1,979,433</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ <u>4,290</u>	\$ <u>77,517</u>
Total liabilities	<u>4,290</u>	<u>77,517</u>
Deferred Inflows of Resources:		
Deferred inflows of resources		
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Fund Balances:		
Restricted For:		
Economic development	<u>1,708,061</u>	<u>1,901,916</u>
Total fund balances	<u>1,708,061</u>	<u>1,901,916</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,712,351</u>	<u>\$ 1,979,433</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, 2017
With Comparative Actual Totals for 2016

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 3,400,000	\$ 3,400,000	\$ 3,188,958	\$ (211,042)	\$ 3,227,460
Investment earnings	12,000	12,000	19,133	7,133	12,077
Miscellaneous			59,712	59,712	9,599
Total revenues	<u>3,412,000</u>	<u>3,412,000</u>	<u>3,267,803</u>	<u>(144,197)</u>	<u>3,249,136</u>
Expenditures:					
Current:					
Culture and recreation	62,473	62,473	50,336	12,137	44,435
Capital outlay	<u>341,529</u>	<u>673,047</u>	<u>515,132</u>	<u>157,915</u>	<u>1,069,797</u>
Total expenditures	<u>404,002</u>	<u>735,520</u>	<u>565,468</u>	<u>170,052</u>	<u>1,114,232</u>
Excess of revenues over expenditures	<u>3,007,998</u>	<u>2,676,480</u>	<u>2,702,335</u>	<u>25,855</u>	<u>2,134,904</u>
Other Financing Uses:					
Transfers out	<u>(2,919,441)</u>	<u>(2,969,441)</u>	<u>(2,896,190)</u>	<u>73,251</u>	<u>(2,752,341)</u>
Total other financing uses	<u>(2,919,441)</u>	<u>(2,969,441)</u>	<u>(2,896,190)</u>	<u>73,251</u>	<u>(2,752,341)</u>
Net changes in fund balance	88,557	(292,961)	(193,855)	99,106	617,437
Fund balances – beginning	<u>1,901,916</u>	<u>1,901,916</u>	<u>1,901,916</u>	<u>-0-</u>	<u>2,519,353</u>
Fund balances – ending	<u>\$ 1,990,473</u>	<u>\$ 1,608,955</u>	<u>\$ 1,708,061</u>	<u>\$ 99,106</u>	<u>\$ 1,901,916</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets and Deferred Outflows of Resources</u>		
Assets:		
Cash and cash equivalents	\$ 728,509	\$ 685,096
Receivable (net of allowance for uncollectibles):		
Taxes	<u>19,016</u>	<u>19,342</u>
Total assets	<u>747,525</u>	<u>704,438</u>
Deferred Outflows of Resources:		
Deferred outflows of resources		
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 747,525</u>	<u>\$ 704,438</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accrued interest	<u>\$ 19</u>	<u>\$ 987</u>
Total liabilities	<u>19</u>	<u>987</u>
Deferred Inflows of Resources:		
Deferred inflows of resources – property taxes	<u>19,016</u>	<u>19,287</u>
Total deferred inflows of resources	<u>19,016</u>	<u>19,287</u>
Fund Balance:		
Restricted For:		
Debt service	<u>728,490</u>	<u>684,164</u>
Total fund balance	<u>728,490</u>	<u>684,164</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 747,525</u>	<u>\$ 704,438</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, 2017
With Comparative Actual Totals for 2016

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Property taxes	\$ 2,112,160	\$ 2,112,160	\$ 2,111,644	\$ (516)	\$ 2,099,398
Investment earnings	<u>8,499</u>	<u>8,499</u>	<u>19,199</u>	<u>10,700</u>	<u>4,970</u>
Total revenues	<u>2,120,659</u>	<u>2,120,659</u>	<u>2,130,843</u>	<u>10,184</u>	<u>2,104,368</u>
Expenditures:					
Debt Service:					
Principal retirement	1,614,593	1,614,593	1,614,593		1,668,954
Interest and fiscal charges	<u>506,066</u>	<u>506,066</u>	<u>555,095</u>	<u>(49,029)</u>	<u>515,720</u>
Total expenditures	<u>2,120,659</u>	<u>2,120,659</u>	<u>2,169,688</u>	<u>(49,029)</u>	<u>2,184,674</u>
Deficiency of revenue over expenditures	<u>-0-</u>	<u>-0-</u>	<u>(38,845)</u>	<u>(38,845)</u>	<u>(80,306)</u>
Other Financing Sources (Uses):					
Issuance of bonds					5,194,561
Bond issuance premium			83,171	83,171	537,550
Payment to bond refunding escrow agent					<u>(5,673,014)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>83,171</u>	<u>83,171</u>	<u>59,097</u>
Net changes in fund balances			44,326	44,326	(21,209)
Fund balance – beginning	<u>684,164</u>	<u>684,164</u>	<u>684,164</u>	<u>-0-</u>	<u>705,373</u>
Fund balance – ending	<u>\$ 684,164</u>	<u>\$ 684,164</u>	<u>\$ 728,490</u>	<u>\$ 44,326</u>	<u>\$ 684,164</u>

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**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Proprietary Funds

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Enterprise Fund

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 5,365,892	\$ 4,482,210
Receivables (net of allowance for uncollectibles):		
Accounts	<u>761,314</u>	<u>663,401</u>
	<u>6,127,206</u>	<u>5,145,611</u>
Current Restricted Assets:		
Cash and cash equivalents	3,574,802	1,626,676
Due from other governments	<u>5,318</u>	<u>5,318</u>
Total current restricted assets	<u>3,580,120</u>	<u>1,631,994</u>
Total current assets	<u>9,707,326</u>	<u>6,777,605</u>
Noncurrent Assets:		
Restricted Cash and Cas Equivalents:		
Revenue bond covenant accounts	<u>2,275,755</u>	<u>2,428,639</u>
Total noncurrent restricted assets	<u>2,275,755</u>	<u>2,428,639</u>
Capital Assets:		
Property, plant and equipment	70,304,952	67,100,415
Construction in process	4,890,471	2,441,055
Less accumulated depreciation	<u>(40,241,164)</u>	<u>(38,220,148)</u>
Total capital assets (net of accumulated depreciation)	<u>34,954,259</u>	<u>31,321,322</u>
Total noncurrent assets	<u>37,230,014</u>	<u>33,749,961</u>
Total assets	<u>46,937,340</u>	<u>40,527,566</u>
Deferred Outflows of Resources:		
Deferred outflows of resources – bond refunding	62,317	85,339
Deferred outflows of resources - pension	<u>1,100,574</u>	<u>945,273</u>
Total deferred outflows of resources	<u>1,162,891</u>	<u>1,030,612</u>

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CITY OF LAKE JACKSON
Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Enterprise Fund - Continued

September 30, 2017 and 2016

	2017	2016
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 730,174	\$ 786,803
Accrued wages	101,810	77,689
Accrued compensated absences	97,500	97,500
Revenue bonds payable	700,000	615,417
	1,629,484	1,577,409
Current Liabilities Payable from Restricted Assets:		
Accrued interest	150,222	131,638
Customer deposits	812,899	778,155
Revenue bonds payable	535,996	462,621
Total current liabilities payable from restricted assets	1,499,117	1,372,414
Total current liabilities	3,128,601	2,949,823
Noncurrent Liabilities:		
Revenue bonds payable	8,634,013	6,863,295
Accrued compensated absences	62,608	43,466
Net pension obligation	1,481,958	1,123,893
Total noncurrent liabilities	10,178,579	8,030,654
Total liabilities	13,307,180	10,980,477
Deferred Inflows of Resources:		
Deferred inflows of resources - pension	111,452	178,118
Total deferred inflows of resources	111,452	178,118
Net Position:		
Net investment in capital assets	25,682,563	23,927,949
Restricted For:		
Revenue bond retirement	1,589,537	1,834,380
Construction	2,566,556	480,954
Unrestricted	4,842,943	4,156,300
Total net position	\$ 34,681,599	\$ 30,399,583

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Enterprise Fund

For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Water service	\$ 4,589,691	\$ 4,104,121
Sewer service	4,365,801	3,978,113
Garbage fees	3,849,309	3,765,504
Tapping and connection fees	280,557	289,097
Other	<u>212,438</u>	<u>238,731</u>
Total operating revenues	<u>13,297,796</u>	<u>12,375,566</u>
Operating Expenses:		
Utility administration	571,646	443,853
Water production and treatment	3,584,521	3,304,542
Sewer collection	2,432,267	2,473,949
Sanitation	3,014,234	2,864,997
Depreciation	<u>2,286,699</u>	<u>2,186,304</u>
Total operating expenses	<u>11,889,367</u>	<u>11,273,645</u>
Operating income	<u>1,408,429</u>	<u>1,101,921</u>
Non-Operating Revenues (Expenses):		
Interest revenue	97,499	34,045
Gain on disposal of capital assets	8,500	
Interest expense and fiscal charges	<u>(446,456)</u>	<u>(308,857)</u>
Total non-operating revenues (expenses)	<u>(340,457)</u>	<u>(274,812)</u>
Income before contributions and transfers	1,067,972	827,109
Capital contributions	209,122	2,077,363
Transfers in	4,199,776	1,651,917
Transfers out	<u>(1,194,854)</u>	<u>(1,176,906)</u>
Change in net position	4,282,016	3,379,483
Net position at beginning of year	<u>30,399,583</u>	<u>27,020,100</u>
Net position at end of year	<u>\$ 34,681,599</u>	<u>\$ 30,399,583</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 13,234,627	\$ 12,545,061
Payments to suppliers	(6,975,279)	(6,260,659)
Payments to employees	(2,504,657)	(2,382,283)
Net cash provided by operating activities	<u>3,754,691</u>	<u>3,902,119</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	4,199,776	1,651,917
Transfers out	(1,194,854)	(1,176,906)
Net cash provided by non-capital financing activities	<u>3,004,922</u>	<u>475,011</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(5,710,514)	(3,142,873)
Proceeds from sale of capital assets	8,500	
Proceeds from sale of bonds	3,885,000	
Principal and premium paid on capital debt	(1,956,324)	(1,188,038)
Interest and fiscal charges paid on capital debt	(404,850)	(301,888)
Net cash used for capital and related financing activities	<u>(4,178,188)</u>	<u>(4,632,799)</u>
Cash Flows from Investing Activities:		
Interest received	<u>97,499</u>	<u>34,045</u>
Net cash provided by investing activities	<u>97,499</u>	<u>34,045</u>
Change in cash and cash equivalents	2,678,924	(221,624)
Cash and cash equivalents at the beginning of year	<u>8,537,525</u>	<u>8,759,149</u>
Cash and cash equivalents at the end of year	<u>\$ 11,216,449</u>	<u>\$ 8,537,525</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ <u>1,408,429</u>	\$ <u>1,101,921</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	2,286,699	2,186,304
(Increase) decrease in accounts receivable	(97,913)	127,594
Increase (decrease) in accounts payable	(56,629)	364,610
Increase (decrease) in accrued wages payable	24,121	12,540
Increase (decrease) in net pension obligation	136,098	75,248
Increase (decrease) in accrued compensated absences	19,142	(8,179)
Increase (decrease) in customer deposits	<u>34,744</u>	<u>41,901</u>
Total adjustments	<u>2,346,262</u>	<u>2,800,198</u>
Net cash provided by operating activities	<u>\$ 3,754,691</u>	<u>\$ 3,902,119</u>
Non-cash Investing, Capital, and Financing Activities:		
Capital contributions	\$ <u>209,122</u>	\$ <u>2,077,363</u>
Net effect of non-cash transactions	<u>\$ 209,122</u>	<u>\$ 2,077,363</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017
With Comparative Actual Totals for 2016

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 4,514,116	\$ 4,514,116
Sewer service	4,083,852	4,083,852
Garbage fees	3,779,805	3,779,805
Tapping and connection fees	253,700	253,700
Other	<u>150,100</u>	<u>150,100</u>
Total revenues	<u>12,781,573</u>	<u>12,781,573</u>
Operating Expenses:		
Utility administration	570,165	570,165
Water production and treatment	3,963,359	3,963,359
Sewer collection	2,493,750	2,493,750
Sanitation	2,946,110	2,946,110
Depreciation		
Total operating expenses	<u>9,973,384</u>	<u>9,973,384</u>
Operating income	<u>2,808,189</u>	<u>2,808,189</u>
Non-Operating Revenues (Expenses):		
Interest revenue	14,380	14,380
Loss on disposal of capital assets		
Interest expense and fiscal charge	<u>(376,000)</u>	<u>(376,000)</u>
Total non-operating revenues (expenses)	<u>(361,620)</u>	<u>(361,620)</u>
Income before contributions and transfers	2,446,569	2,446,569
Capital contributions		
Transfers in		299,776
Transfers out	<u>(1,194,854)</u>	<u>(1,194,854)</u>
Change in net position	1,251,715	1,551,491
Net position - beginning	<u>30,399,583</u>	<u>30,399,583</u>
Net position - ending	<u>\$ 31,651,298</u>	<u>\$ 31,951,074</u>

2017			2016	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 4,589,691	\$	\$ 4,589,691	\$ 75,575	\$ 4,104,121
4,365,801		4,365,801	281,949	3,978,113
3,849,309		3,849,309	69,504	3,765,504
280,557		280,557	26,857	289,097
<u>212,438</u>		<u>212,438</u>	<u>62,338</u>	<u>238,731</u>
<u>13,297,796</u>	<u>-0-</u>	<u>13,297,796</u>	<u>516,223</u>	<u>12,375,566</u>
571,646		571,646	(1,481)	443,853
3,584,521		3,584,521	378,838	3,304,542
2,432,267		2,432,267	61,483	2,473,949
3,014,234		3,014,234	(68,124)	2,864,997
<u>2,286,699</u>	<u>(2,286,699)</u>			<u>2,186,304</u>
<u>11,889,367</u>	<u>(2,286,699)</u>	<u>9,602,668</u>	<u>370,716</u>	<u>11,273,645</u>
<u>1,408,429</u>	<u>2,286,699</u>	<u>3,695,128</u>	<u>886,939</u>	<u>1,101,921</u>
97,499		97,499	83,119	34,045
8,500		8,500	8,500	-0-
<u>(446,456)</u>	<u>23,022</u>	<u>(423,434)</u>	<u>(47,434)</u>	<u>(308,857)</u>
<u>(340,457)</u>	<u>23,022</u>	<u>(317,435)</u>	<u>44,185</u>	<u>(274,812)</u>
1,067,972	2,309,721	3,377,693	931,124	827,109
209,122		209,122	209,122	2,077,363
4,199,776	(3,900,000)	299,776		1,651,917
<u>(1,194,854)</u>		<u>(1,194,854)</u>		<u>(1,176,906)</u>
4,282,016	(1,590,279)	2,691,737	1,140,246	3,379,483
<u>30,399,583</u>		<u>30,399,583</u>	<u>-0-</u>	<u>27,020,100</u>
<u>\$ 34,681,599</u>	<u>\$(1,590,279)</u>	<u>\$ 33,091,320</u>	<u>\$ 1,140,246</u>	<u>\$ 30,399,583</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Golf Course Operating Fund

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 64,221	\$ 95,246
Receivables (net of allowance for uncollectibles):		
Accounts	277	38,441
Inventory	44,076	37,502
Prepaid expenses	<u>10,292</u>	<u>9,724</u>
Total current assets	<u>118,866</u>	<u>180,913</u>
Capital Assets:		
Property, plant and equipment	9,545,350	9,490,185
Less accumulated depreciation	<u>(3,573,637)</u>	<u>(3,299,304)</u>
Total capital assets (net of accumulated depreciation)	<u>5,971,713</u>	<u>6,190,881</u>
Total noncurrent assets	<u>5,971,713</u>	<u>6,190,881</u>
Total assets	<u>6,090,579</u>	<u>6,371,794</u>
Deferred Outflows of Resources:		
Deferred outflows of resources	<u> </u>	<u> </u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>

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CITY OF LAKE JACKSON
Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET POSITION
Golf Course Operating Fund - Continued

September 30, 2017 and 2016

	2017	2016
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 99,162	\$ 38,418
Accrued wages	23,410	25,711
Unearned revenues	153,751	150,205
Total current liabilities	276,323	214,334
Noncurrent Liabilities:		
Total noncurrent liabilities		
Total liabilities	276,323	214,334
Deferred Inflows of Resources:		
Deferred inflows of resources		
Total deferred inflows of resources	-0-	-0-
Net Position:		
Net investment in capital assets	5,971,713	6,190,881
Unrestricted	(157,457)	(33,421)
Total net position	\$ 5,814,256	\$ 6,157,460

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Course and ground	\$ 731,092	\$ 749,944
Cart	148,987	162,154
Pro shop	132,680	99,137
Range	45,086	48,180
Food and beverage	228,279	217,482
Other	<u>35</u>	<u>35</u>
Total operating revenues	<u>1,286,124</u>	<u>1,276,932</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	83,820	64,410
Food and beverage	90,258	93,100
Payroll and related benefits	850,468	852,458
Other expenses	598,532	551,992
Management fee	87,834	87,051
Depreciation	<u>274,333</u>	<u>246,247</u>
Total operating expenses	<u>1,985,245</u>	<u>1,895,258</u>
Operating loss	<u>(699,121)</u>	<u>(618,326)</u>
Non-Operating Revenues :		
Interest revenue	<u>752</u>	<u>655</u>
Total non-operating revenues	<u>752</u>	<u>655</u>
Loss before contributions and transfers	<u>(698,369)</u>	<u>(617,671)</u>
Capital contributions	55,165	506,563
Transfers in	<u>300,000</u>	<u>424,296</u>
Change in net position	<u>(343,204)</u>	<u>313,188</u>
Net position at beginning of year	<u>6,157,460</u>	<u>5,844,272</u>
Net position at end of year	<u>\$ 5,814,256</u>	<u>\$ 6,157,460</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,327,834	\$ 1,251,786
Payments to suppliers	(806,842)	(828,620)
Payments to employees	(852,769)	(848,539)
Net cash used by operating activities	<u>(331,777)</u>	<u>(425,373)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	<u>300,000</u>	<u>424,296</u>
Net cash provided by non-capital financing activities	<u>300,000</u>	<u>424,296</u>
Cash Flows from Capital and Related Financing Activities:		
Net cash used by capital and related financing activities	<u>-0-</u>	<u>-0-</u>
Cash Flows from Investing Activities:		
Interest received	<u>752</u>	<u>655</u>
Net cash provided by investing activities	<u>752</u>	<u>655</u>
Change in cash and cash equivalents	(31,025)	(422)
Cash and cash equivalents at the beginning of year	<u>95,246</u>	<u>95,668</u>
Cash and cash equivalents at the end of year	<u>\$ 64,221</u>	<u>\$ 95,246</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$(<u>699,121</u>)	\$(<u>618,326</u>)
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	274,333	246,247
(Increase) decrease in accounts receivable	38,164	(23,305)
(Increase) decrease in inventory	(6,574)	(10,304)
(Increase) decrease in prepaid expenses	(568)	(253)
Increase (decrease) in accounts payable	60,744	(21,510)
Increase (decrease) in accrued wages payable	(2,301)	3,919
Increase (decrease) in unearned revenues	<u>3,546</u>	<u>(1,841)</u>
Total adjustments	<u>367,344</u>	<u>192,953</u>
Net cash used by operating activities	\$(<u>331,777</u>)	\$(<u>425,373</u>)
Noncash Investing, Capital, and Financing Activities:		
Capital contributions	<u>55,165</u>	<u>506,563</u>
Net effect of noncash transactions	<u>55,165</u>	<u>506,563</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017
With Comparative Actual Totals for 2016

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 854,970	\$ 854,970
Cart	211,538	211,538
Pro shop	101,803	101,803
Range	56,089	56,089
Food and beverage	281,997	281,997
Other	517	517
Total operating revenues	1,506,914	1,506,914
Operating Expenses:		
Cost of Sales:		
Pro shop	62,181	62,181
Food and beverage	115,765	115,765
Payroll and related benefits	917,193	917,193
Other expenses	573,902	573,902
Management fee	87,840	87,840
Depreciation		
Total operating expenses	1,756,881	1,756,881
Operating loss	(249,967)	(249,967)
Non-Operating Revenues:		
Interest revenue		
Total non-operating revenues	-0-	-0-
Loss before contributions and transfers	(249,967)	(249,967)
Capital contributions		
Transfers in	250,000	250,000
Change in net position	33	33
Fund balances - beginning	6,157,460	6,157,460
Fund balances - ending	\$ 6,157,493	\$ 6,157,493

2017			2016	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 731,092	\$	\$ 731,092	\$(123,878)	\$ 749,944
148,987		148,987	(62,551)	162,154
132,680		132,680	30,877	99,137
45,086		45,086	(11,003)	48,180
228,279		228,279	(53,718)	217,482
			(517)	35
<u>1,286,124</u>	<u>-0-</u>	<u>1,286,124</u>	<u>(220,790)</u>	<u>1,276,932</u>
83,820		83,820	(21,639)	64,410
90,258		90,258	25,507	93,100
850,468		850,468	66,725	852,458
598,532		598,532	(24,630)	551,992
87,834		87,834	6	87,051
<u>274,333</u>	<u>(274,333)</u>		<u>-0-</u>	<u>246,247</u>
<u>1,985,245</u>	<u>(274,333)</u>	<u>1,710,912</u>	<u>45,969</u>	<u>1,895,258</u>
<u>(699,121)</u>	<u>274,333</u>	<u>(424,788)</u>	<u>(174,821)</u>	<u>(618,326)</u>
<u>752</u>		<u>752</u>	<u>752</u>	<u>655</u>
<u>752</u>	<u>-0-</u>	<u>752</u>	<u>752</u>	<u>655</u>
<u>(698,369)</u>	<u>274,333</u>	<u>(424,036)</u>	<u>(174,069)</u>	<u>(617,671)</u>
55,165		55,165	55,165	506,563
<u>300,000</u>		<u>300,000</u>	<u>50,000</u>	<u>424,296</u>
<u>(343,204)</u>	<u>274,333</u>	<u>(68,871)</u>	<u>(68,904)</u>	<u>313,188</u>
<u>6,157,460</u>		<u>6,157,460</u>	<u>-0-</u>	<u>5,844,272</u>
<u>\$ 5,814,256</u>	<u>\$ 274,333</u>	<u>\$ 6,088,589</u>	<u>\$(68,904)</u>	<u>\$ 6,157,460</u>

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CAPITAL ASSET SCHEDULES

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Governmental Activities Capital Assets:		
Land	\$ 2,477,779	\$ 2,397,003
Buildings	31,806,105	31,546,203
Improvements other than buildings	13,687,820	13,644,748
Machinery and equipment	14,123,853	12,789,359
Infrastructure	98,230,835	97,708,549
Construction in progress	<u>2,067,381</u>	<u>810,472</u>
Total governmental activities capital assets	<u>\$ 162,393,773</u>	<u>\$ 158,896,334</u>
Investments in Governmental Activities Capital Assets by Source:		
General fund	\$ 13,290,508	\$ 13,286,470
Special revenue fund	16,747,982	5,830,923
Capital projects fund	102,093,111	112,890,023
Contributed	<u>30,262,172</u>	<u>26,888,918</u>
Total governmental activities capital assets	<u>\$ 162,393,793</u>	<u>\$ 158,896,334</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION
September 30, 2017**

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government	\$ 1,094,732	\$ 7,449,641	\$ 1,446,370
Public safety		7,594,266	634,424
Public works		1,954,871	734,663
Culture and recreation	<u>1,383,047</u>	<u>14,807,327</u>	<u>10,872,363</u>
 Total governmental activities capital assets	 <u>\$ 2,477,779</u>	 <u>\$ 31,806,105</u>	 <u>\$ 13,687,820</u>

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

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 1,575,591	\$ 1,340,048	\$ 384,126	\$ 13,290,508
8,300,347	218,945		16,747,982
2,530,849	95,242,859	1,629,869	102,093,111
<u>1,717,066</u>	<u>1,428,983</u>	<u>53,386</u>	<u>30,262,172</u>
<u>\$ 14,123,853</u>	<u>\$ 98,230,835</u>	<u>\$ 2,067,381</u>	<u>\$ 162,393,773</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**CAPITAL ASSETS USED
IN THE OPERATIONS OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION
For the Year Ended September 30, 2017**

Function	Governmental Activities Capital Assets 10/01/16	Additions	Deductions/ Transfers	Governmental Activities Capital Assets 09/30/17
General government	\$ 13,129,286	\$ 181,112	\$(19,890)	\$ 13,290,508
Public safety	15,641,228	1,574,338	(467,584)	16,747,982
Public works	100,501,608	1,614,171	(22,668)	102,093,111
Culture and recreation	<u>29,624,212</u>	<u>693,060</u>	<u>(55,100)</u>	<u>30,262,172</u>
 Total governmental activities capital assets	 <u>\$ 158,896,334</u>	 <u>\$ 4,062,681</u>	 <u>\$(565,242)</u>	 <u>\$ 162,393,773</u>

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

OTHER SCHEDULES

CITY OF LAKE JACKSON

Lake Jackson, Texas

**CONSOLIDATED SCHEDULE OF ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES, AND LIABILITIES AND DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES - GENERAL FUND - SUB-FUNDS**

September 30, 2017

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
<u>Assets and Deferred Outflows of Resources</u>				
Assets:				
Cash and cash equivalents	\$ 7,493	\$ 12,810,570	\$	\$
Receivables (net of allowance for uncollectibles):				
Property tax	32,831			
Accounts	50,049			
Sales tax	1,035,218			
Franchise tax	108,058			
Grants	19,586			
Due from clearing fund	5,321,129	168,676		910,307
Investments		300,000		
Inventories:				
Resale items	4,619			
Supplies	70,046			
Prepaid expenditures			173,676	
	<u>6,649,029</u>	<u>13,279,246</u>	<u>173,676</u>	<u>910,307</u>
Deferred Outflows of Resources:				
Deferred outflows of resources				
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 6,649,029</u>	<u>\$ 13,279,246</u>	<u>\$ 173,676</u>	<u>\$ 910,307</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 12,818,063
					32,831
					50,049
					1,035,218
					108,058
					19,586
6,751,732	117,832	64,943	113,303	(13,447,922)	-0-
					300,000
					4,619
					70,046
					<u>173,676</u>
<u>6,751,732</u>	<u>117,832</u>	<u>64,943</u>	<u>113,303</u>	<u>(13,447,922)</u>	<u>14,612,146</u>
					-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 6,751,732</u>	<u>\$ 117,832</u>	<u>\$ 64,943</u>	<u>\$ 113,303</u>	<u>\$(13,447,922)</u>	<u>\$ 14,612,146</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**CONSOLIDATED SCHEDULE OF ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES, AND LIABILITIES AND DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES - GENERAL FUND - SUB-FUNDS - Continued**

September 30, 2017

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 648,648	\$	\$	\$
Cash bonds and taxes	318,750			
Accrued wages	404,154			
Unearned revenue	83,136			
Due to other funds		<u>13,279,246</u>	<u>168,676</u>	
Total liabilities	<u>1,454,688</u>	<u>13,279,246</u>	<u>168,676</u>	<u>-0-</u>
Deferred Inflows of Resources:				
Deferred inflows of resources – property taxes	<u>32,831</u>			
Total deferred inflows of resources	<u>32,831</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Non-spendable:				
Inventory	74,665			
Prepaid expenditures			173,676	
Committed:				
Contingencies				910,307
Assigned:				
Unemployment insurance				
Equipment replacement				
Special events				
Park improvement				
Unassigned	<u>5,086,845</u>		<u>(168,676)</u>	
Total fund balances	<u>5,161,510</u>	<u>-0-</u>	<u>5,000</u>	<u>910,307</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,649,029</u>	<u>\$ 13,279,246</u>	<u>\$ 173,676</u>	<u>\$ 910,307</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$ 102,796	\$ 1,543	\$	\$ 25,730	\$	\$ 778,717
					318,750
					404,154
					83,136
				(13,447,922)	-0-
<u>102,796</u>	<u>1,543</u>	<u>-0-</u>	<u>25,730</u>	<u>(13,447,922)</u>	<u>1,584,757</u>
					32,831
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>32,831</u>
					74,665
					173,676
					910,307
	116,289				116,289
6,648,936					6,648,936
		64,943			64,943
			87,573		87,573
					4,918,169
<u>6,648,936</u>	<u>116,289</u>	<u>64,943</u>	<u>87,573</u>	<u>-0-</u>	<u>12,994,558</u>
<u>\$ 6,751,732</u>	<u>\$ 117,832</u>	<u>\$ 64,943</u>	<u>\$ 113,303</u>	<u>\$(13,447,922)</u>	<u>\$ 14,612,146</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017

	General	Clearing	Payroll	General Contingencies
Revenues:				
Taxes:				
Property	\$ 3,976,175	\$	\$	\$
Sales	6,300,735			
Franchise	1,605,848			
Other	222,443			
Industrial district	4,394,560			
Intergovernmental	9,678			
Revenue producing facilities	1,236,652			
Fines and fees	535,164			
Licenses and permits	341,122			
Investment earnings	48,640			4,047
Miscellaneous	118,150			
Total revenues	18,789,167	-0-	-0-	4,047
Expenditures:				
Current:				
General government and administration				
General administration	1,558,857			
Finance	990,106			
Elections	4,595			
Legal	197,174			
Municipal court	383,746			
Engineering	469,889			
Flood Related Expenditures	954,041			
Public Safety:				
Police	5,595,150			
Fire	668,445			
EMS department	383,560			
Humane	333,637			
Public works:				
Garage	706,119			
Street	764,540			
Drainage	687,876			
Building inspection	593,504			
Culture and recreation:				
Parks	1,276,652			
Recreation	2,218,220			
Civic Center & Jasmine Hall	636,787			
Commissions and Boards	315,912			
Special event				
Capital outlay	27,453			
Total expenditures	18,766,263	-0-	-0-	-0-

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 3,976,175
					6,300,735
					1,605,848
					222,443
					4,394,560
42,949					52,627
					1,236,652
					535,164
					341,122
29,347	525	47	566		83,172
		33,542			151,692
<u>72,296</u>	<u>525</u>	<u>33,589</u>	<u>566</u>	<u>-0-</u>	<u>18,900,190</u>
7,743	9,288				1,558,857
6,190					996,296
					4,595
					197,174
					383,746
					469,889
					954,041
5,537					5,600,687
15,810					684,255
					383,560
					333,637
2,860					708,979
14,919					779,459
					687,876
1,954					595,458
			26,285		1,302,937
10,452					2,228,672
					636,787
					315,912
		116,330			116,330
<u>1,293,236</u>	<u></u>	<u></u>	<u>33,240</u>	<u></u>	<u>1,353,929</u>
<u>1,358,701</u>	<u>9,288</u>	<u>116,330</u>	<u>59,525</u>	<u></u>	<u>20,310,107</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>22,904</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>4,047</u>
Other Financing Sources (Uses):				
Sale of capital assets				
Transfers in	890,390			
Transfers out	(<u>2,591,088</u>)			
Total other financing sources (uses)	(<u>1,700,698</u>)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net changes in fund balances	(<u>1,677,794</u>)	<u>-0-</u>	<u>-0-</u>	<u>4,047</u>
Fund balances - beginning	<u>6,839,304</u>		<u>5,000</u>	<u>906,260</u>
Fund balances - ending	\$ <u>5,161,510</u>	\$ <u>-0-</u>	\$ <u>5,000</u>	\$ <u>910,307</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Park</u>	<u>Consolidation</u>	<u>Total</u>
<u>\$ (1,286,405)</u>	<u>\$ (8,763)</u>	<u>\$ (82,741)</u>	<u>\$ (58,959)</u>	<u>\$ -0-</u>	<u>\$ (1,409,917)</u>
30,142					30,142
1,920,552		96,750		(1,291,088)	1,616,604
<u>(299,776)</u>	<u> </u>	<u> </u>	<u> </u>	<u>1,291,088</u>	<u>(1,599,776)</u>
<u>1,650,918</u>	<u>-0-</u>	<u>96,750</u>	<u>-0-</u>	<u>-0-</u>	<u>46,970</u>
364,513	(8,763)	14,009	(58,959)	-0-	(1,362,947)
<u>6,284,423</u>	<u>125,052</u>	<u>50,934</u>	<u>146,532</u>	<u> </u>	<u>14,357,505</u>
<u>\$ 6,648,936</u>	<u>\$ 116,289</u>	<u>\$ 64,943</u>	<u>\$ 57,573</u>	<u>\$ -0-</u>	<u>\$ 12,994,558</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2017

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 3,548,447	\$ 402,830	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	<u>758,721</u>	<u></u>	<u></u>
	<u>4,307,168</u>	<u>402,830</u>	<u>-0-</u>
Current Restricted Assets:			
Cash and cash equivalents	812,899		
Due from other governments			
	<u>812,899</u>	<u>-0-</u>	<u>-0-</u>
Total current restricted assets			
	<u>5,120,067</u>	<u>402,830</u>	<u>-0-</u>
Total current assets			
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts			<u>2,275,755</u>
	<u>-0-</u>	<u>-0-</u>	<u>2,275,755</u>
Total noncurrent restricted assets			
Capital Assets:			
Property, plant and equipment	70,304,952		
Construction in progress			
Less accumulated depreciation	<u>(40,241,164)</u>	<u></u>	<u></u>
	<u>30,063,788</u>	<u>-0-</u>	<u>-0-</u>
Total capital assets (net of accumulated depreciation)			
	<u>30,063,788</u>	<u>-0-</u>	<u>2,275,755</u>
Total noncurrent assets			
Total assets	<u>35,183,855</u>	<u>402,830</u>	<u>2,275,755</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - debt refunding cost			62,317
Deferred outflows of resources - pension	<u>1,100,574</u>	<u></u>	<u></u>
	<u>1,100,574</u>	<u>-0-</u>	<u>62,317</u>
Total deferred outflows of resources			

(continued)

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	Total
\$ 1,414,615	\$	\$	\$	\$ 5,365,892
<u>2,593</u>				<u>761,314</u>
<u>1,417,208</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>6,127,206</u>
	(5,318)	327,892	2,439,329	3,574,802
	<u>5,318</u>			<u>5,318</u>
<u>-0-</u>	<u>-0-</u>	<u>327,892</u>	<u>2,439,329</u>	<u>3,580,120</u>
<u>1,417,208</u>	<u>-0-</u>	<u>327,892</u>	<u>2,439,329</u>	<u>9,707,326</u>
				<u>2,275,755</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,275,755</u>
				70,304,952
145,945		39,854	4,704,672	4,890,471
				(40,241,164)
<u>145,945</u>	<u>-0-</u>	<u>39,854</u>	<u>4,704,672</u>	<u>34,954,259</u>
<u>145,945</u>	<u>-0-</u>	<u>39,854</u>	<u>4,704,672</u>	<u>37,230,014</u>
<u>1,563,153</u>	<u>-0-</u>	<u>367,746</u>	<u>7,144,001</u>	<u>46,937,340</u>
				62,317
				<u>1,100,574</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,162,891</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2017

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 488,028	\$	\$
Accrued wages	101,810		
Accrued compensated absences	97,500		
Revenue bonds payable	<u>700,000</u>		
	<u>1,387,338</u>	<u>-0-</u>	<u>-0-</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest			150,222
Customer deposits	812,899		
Revenue bonds payable			<u>535,996</u>
Total current liabilities payable from restricted assets	<u>812,899</u>	<u>-0-</u>	<u>686,218</u>
Total current liabilities	<u>2,200,237</u>	<u>-0-</u>	<u>686,218</u>
Noncurrent Liabilities:			
Revenue bonds payable	8,305,000		329,013
Accrued compensated absences	62,608		
Net pension obligation	<u>1,481,958</u>		
Total noncurrent liabilities	<u>9,849,566</u>	<u>-0-</u>	<u>329,013</u>
Total liabilities	<u>12,049,803</u>	<u>-0-</u>	<u>1,015,231</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	<u>111,452</u>		
Total deferred inflows of resources	<u>111,452</u>	<u>-0-</u>	<u>-0-</u>
Net Position:			
Net investment in capital assets	21,058,788		(266,696)
Restricted For:			
Revenue bond retirement			1,589,537
Construction			
Unrestricted	<u>3,064,386</u>	<u>402,830</u>	
Total net position	<u>\$ 24,123,174</u>	<u>\$ 402,830</u>	<u>\$ 1,322,841</u>

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	Total
\$ 41,481	\$	\$	\$ 200,665	\$ 730,174
				101,810
				97,500
				700,000
<u>41,481</u>	<u>-0-</u>	<u>-0-</u>	<u>200,665</u>	<u>1,629,484</u>
				150,222
				812,899
				535,996
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,499,117</u>
<u>41,481</u>	<u>-0-</u>	<u>-0-</u>	<u>200,665</u>	<u>3,128,601</u>
				8,634,013
				62,608
				1,481,958
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,178,579</u>
<u>41,481</u>	<u>-0-</u>	<u>-0-</u>	<u>200,665</u>	<u>13,307,180</u>
				111,452
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>111,452</u>
145,945		39,854	4,704,672	25,682,563
				1,589,537
		327,892	2,238,664	2,566,556
<u>1,375,727</u>				<u>4,842,943</u>
<u>\$ 1,521,672</u>	<u>\$ -0-</u>	<u>\$ 367,746</u>	<u>\$ 6,943,336</u>	<u>\$ 34,681,599</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2017

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 4,589,691	\$	\$
Sewer service	4,365,801		
Garbage fees	3,849,309		
Tapping and connection fees	280,557		
Other	<u>209,845</u>		
Total operating revenues	<u>13,295,203</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	571,646		
Water production and treatment	3,584,521		
Sewer collection	2,432,267		
Sanitation	3,014,234		
Depreciation	<u>2,286,699</u>		
Total operating expenses	<u>11,889,367</u>	<u>-0-</u>	<u>-0-</u>
Operating income	<u>1,405,836</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	27,850	1,791	14,788
Gain on disposition of capital assets	8,500		
Interest expense and fiscal charges			<u>(446,456)</u>
Total non-operating revenues (expenses)	<u>36,350</u>	<u>1,791</u>	<u>(431,668)</u>
Income (loss) before contributions and transfers	1,442,186	1,791	(431,668)
Capital Contributions	209,122		
Transfers in (out):			
Transfers in	299,776		
Transfers out	<u>(1,194,854)</u>		
Intrafund transfers	<u>(418,025)</u>		<u>(41,915)</u>
Change in net position	338,205	1,791	(473,583)
Net position at beginning of year	<u>23,784,969</u>	<u>401,039</u>	<u>1,796,424</u>
Net position at end of year	\$ <u>24,123,174</u>	\$ <u>402,830</u>	\$ <u>1,322,841</u>

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	Total
\$	\$	\$	\$	\$ 4,589,691
				4,365,801
				3,849,309
				280,557
<u>2,593</u>				<u>212,438</u>
<u>2,593</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>13,297,796</u>
				571,646
				3,584,521
				2,432,267
				3,014,234
				<u>2,286,699</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,889,367</u>
<u>2,593</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,408,429</u>
4,758		4,976	43,336	97,499
				8,500
				(446,456)
<u>4,758</u>	<u>-0-</u>	<u>4,976</u>	<u>43,336</u>	<u>(340,457)</u>
7,351	-0-	4,976	43,336	1,067,972
				209,122
			3,900,000	4,199,776
				(1,194,854)
(143,100)		(2,396,960)	3,000,000	<u>-0-</u>
(135,749)		(2,391,984)	6,943,336	4,282,016
<u>1,657,421</u>	<u>-0-</u>	<u>2,759,730</u>	<u>-0-</u>	<u>30,399,583</u>
<u>\$ 1,521,672</u>	<u>\$ -0-</u>	<u>\$ 367,746</u>	<u>\$ 6,943,336</u>	<u>\$ 34,681,599</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

CONSOLIDATED SCHEDULE OF CASH FLOWS
ENTERPRISE FUND - SUB-FUNDS

For the Year Ended September 30, 2017

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 13,234,627	\$	\$
Payments to suppliers	(6,843,040)		
Payments to employees	(2,504,657)		
Net cash provided (used) by operating activities	3,886,930	-0-	-0-
Cash Flows from Non-Capital Financing Activities:			
Transfer in	299,776		
Transfers out	(1,194,854)		
Intrafund transfers	(3,333,085)		(41,915)
Net cash provided (used) by non-capital financing activities	(4,228,163)	-0-	(41,915)
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(346,038)		
Proceeds from sale of capital assets	8,500		
Proceeds from sale of bonds	3,385,000		500,000
Principal and premium paid on capital debt	(1,735,417)		(220,907)
Interest and fiscal charges paid on capital debt			(404,850)
Net cash used by capital and related financing activities	1,312,045	-0-	(125,757)
Cash Flows from Investing Activities:			
Interest received	27,850	1,791	14,788
Net cash provided by investing activities	27,850	1,791	14,788
Change in cash and cash equivalents	998,662	1,791	(152,884)
Cash and cash equivalents at the beginning of year	3,362,684	401,039	2,428,639
Cash and cash equivalents at the end of year	\$ 4,361,346	\$ 402,830	\$ 2,275,755
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:			
Operating income	\$ 1,405,836	\$	\$
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,286,699		
(Increase) decrease in accounts receivable	(95,320)		
Increase (decrease) in accounts payable	75,610		
Increase (decrease) in accrued wages payable	24,121		
Increase (decrease) in net pension obligation	136,098		
Increase (decrease) in accrued compensated absences	19,142		
Increase (decrease) in customer deposits	34,744		
Total adjustments	2,481,094	-0-	-0-
Net cash provided (used) by operating activities	\$ 3,886,930	\$ -0-	\$ -0-
Non-cash Investing, Capital, and Financing Activities:			
Capital contributions	\$ 209,122	\$	\$
Net effect of non-cash transactions	\$ 209,122	\$ -0-	\$ -0-

Utility Construction	2007 Utility Bond	2013 Revenue Bond	North Sewer Extension	Total
\$ 39,981	\$	\$ (372,885)	\$ 200,665	\$ 13,234,627
				(6,975,279)
				(2,504,657)
<u>39,981</u>	<u>-0-</u>	<u>(372,885)</u>	<u>200,665</u>	<u>3,754,691</u>
			3,900,000	4,199,776
375,000			3,000,000	(1,194,854)
<u>375,000</u>	<u>-0-</u>		<u>6,900,000</u>	<u>-0-</u>
				3,885,000
(501,766)		(533,172)	(4,329,538)	(5,710,514)
				8,500
				(1,956,324)
				(404,850)
<u>(501,766)</u>	<u>-0-</u>	<u>(533,172)</u>	<u>(4,329,538)</u>	<u>(4,178,188)</u>
				97,499
4,758		4,976	43,336	97,499
<u>4,758</u>	<u>-0-</u>	<u>4,976</u>	<u>43,336</u>	<u>97,499</u>
(82,027)	-0-	(901,081)	2,814,463	2,678,924
<u>1,496,642</u>	<u>(5,318)</u>	<u>1,228,973</u>	<u>(375,134)</u>	<u>8,537,525</u>
<u>\$ 1,414,615</u>	<u>\$(5,318)</u>	<u>\$ 327,892</u>	<u>\$ 2,439,329</u>	<u>\$ 11,216,449</u>
<u>\$ 2,593</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,408,429</u>
				2,286,699
(2,593)				(97,913)
39,981		(372,885)	200,665	(56,629)
				24,121
				136,098
				19,142
				34,744
<u>37,388</u>	<u>-0-</u>	<u>(372,855)</u>	<u>200,665</u>	<u>2,346,262</u>
<u>\$ 39,981</u>	<u>\$ -0-</u>	<u>\$(372,855)</u>	<u>\$ 200,665</u>	<u>\$ 3,754,691</u>
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 209,122
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 209,122</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS
DEBT SERVICE SCHEDULE**

September 30, 2017

Year Ending 09/30	Series 2009		Series 2009 Refunding	
	Principal	Interest	Principal	Interest
2018	\$ 120,000	\$ 11,325	\$ 285,000	\$ 7,162
2019	120,000	6,750	60,000	1,088
2020	120,000	2,250		
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
TOTAL	\$ <u>360,000</u>	\$ <u>20,325</u>	\$ <u>345,000</u>	\$ <u>8,250</u>

(continued)

Series 2009 Certificate		Series 2010		Series 2011	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 250,000	\$ 25,000	\$ 150,000	\$ 74,850	\$ 755,000	\$ 141,500
250,000	15,000	150,000	69,375	745,000	111,500
250,000	5,000	150,000	63,375	745,000	81,700
		150,000	57,375	740,000	52,000
		150,000	51,375	555,000	26,100
		150,000	45,375	375,000	7,500
		150,000	39,375		
		150,000	33,375		
		150,000	27,375		
		150,000	21,375		
		150,000	15,375		
		150,000	9,281		
		150,000	3,094		
<hr/>		<hr/>		<hr/>	
<u>\$ 750,000</u>	<u>\$ 45,000</u>	<u>\$ 1,950,000</u>	<u>\$ 510,975</u>	<u>\$ 3,915,000</u>	<u>\$ 420,300</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2017

Year Ending 09/30	Series 2013 LTB		Series 2013 Certificate	
	Principal	Interest	Principal	Interest
2018	\$ 200,000	\$ 71,500	\$ 100,000	\$ 39,750
2019	200,000	68,500	100,000	37,750
2020	200,000	65,500	100,000	35,750
2021	200,000	62,000	100,000	33,750
2022	200,000	58,000	100,000	31,750
2023	200,000	54,000	100,000	29,625
2024	200,000	50,000	100,000	27,375
2025	200,000	46,000	100,000	24,875
2026	200,000	41,500	100,000	22,125
2027	200,000	36,500	100,000	19,375
2028	200,000	31,500	100,000	16,500
2029	200,000	26,500	100,000	13,500
2030	200,000	21,000	100,000	10,500
2031	200,000	15,000	100,000	7,500
2032	200,000	9,000	100,000	4,500
2033	200,000	3,000	100,000	1,500
2034				
2035				
2036				
2037				
TOTAL	\$ 3,200,000	\$ 659,500	\$ 1,600,000	\$ 356,125

(continued)

<u>Series 2013A Certificate</u>		<u>Series 2014 Certificate</u>		<u>Series 2015LT Refunding Bonds</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 150,000	\$ 21,938	\$ 275,000	\$ 123,062	\$ 470,000	\$ 206,587
150,000	18,375	275,000	117,218	465,000	192,563
150,000	14,625	275,000	111,031	460,000	178,687
150,000	10,875	275,000	104,844	825,000	159,413
150,000	6,750	275,000	98,656	820,000	134,737
150,000	2,250	275,000	92,469	810,000	110,288
		275,000	85,937	800,000	86,137
		275,000	79,063	615,000	64,912
		275,000	72,188	605,000	47,369
		275,000	65,141	595,000	30,869
		275,000	57,922	320,000	18,287
		275,000	50,187	315,000	9,556
		275,000	41,594	190,000	2,613
		275,000	32,656		
		275,000	23,719		
		275,000	14,438		
		275,000	4,812		
<hr/>		<hr/>		<hr/>	
<u>\$ 900,000</u>	<u>\$ 74,813</u>	<u>\$ 4,675,000</u>	<u>\$ 1,174,937</u>	<u>\$ 7,290,000</u>	<u>\$ 1,242,018</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2017

Year Ending	<u>Series 2016 LT Refunding Bonds</u>		<u>Series 2016 LT Certificate</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>09/30</u>				
2018	\$ 150,000	\$ 75,576	\$ 270,000	\$ 81,300
2019	150,000	71,825	270,000	75,900
2020	150,000	67,326	270,000	70,500
2021	150,000	62,824	270,000	65,100
2022	150,000	58,326	270,000	59,700
2023	150,000	53,825	270,000	54,300
2024	150,000	49,325	270,000	47,550
2025	150,000	44,825	270,000	39,450
2026	150,000	41,074	270,000	32,700
2027	150,000	38,075	120,000	28,800
2028	150,000	35,075	115,000	26,450
2029	150,000	32,075	115,000	24,150
2030	150,000	28,700	115,000	21,563
2031	145,000	25,012	115,000	18,687
2032	145,000	21,388	115,000	15,525
2033	145,000	17,762	115,000	12,075
2034	145,000	13,956	115,000	8,625
2035	145,000	9,969	115,000	5,175
2036	145,000	5,981	115,000	1,725
2037	<u>145,000</u>	<u>1,994</u>		
TOTAL	\$ <u>2,965,000</u>	\$ <u>754,913</u>	\$ <u>3,585,000</u>	\$ <u>689,275</u>

(continued)

Totals

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 3,175,000	\$ 879,550	\$ 4,054,550
2,935,000	785,844	3,720,844
2,870,000	695,744	3,565,744
2,860,000	608,181	3,468,181
2,670,000	525,394	3,195,394
2,480,000	449,632	2,929,632
1,945,000	385,699	2,330,699
1,760,000	332,500	2,092,500
1,750,000	284,331	2,034,331
1,590,000	240,135	1,830,135
1,310,000	201,109	1,511,109
1,305,000	165,249	1,470,249
1,180,000	129,064	1,309,064
835,000	98,855	933,855
835,000	74,132	909,132
835,000	48,775	883,775
535,000	27,393	562,393
260,000	15,144	275,144
260,000	7,706	267,706
<u>145,000</u>	<u>1,994</u>	<u>146,994</u>
<u>\$ 31,535,000</u>	<u>\$ 5,956,431</u>	<u>\$ 37,491,431</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

WATERWORKS AND SEWER SYSTEM REVENUE BONDS - DEBT SERVICE SCHEDULE

September 30, 2017

Year Ending 09/30	Series 2009 Refunding		Series 2010 Refunding	
	Principal	Interest	Principal	Interest
2018	\$ 85,000	\$ 45,875	\$ 765,000	\$ 121,800
2019	85,000	42,900	765,000	91,200
2020	85,000	39,500	760,000	60,600
2021	85,000	36,100	755,000	30,200
2022	85,000	32,700		
2023	85,000	29,300		
2024	85,000	25,688		
2025	85,000	22,075		
2026	85,000	18,462		
2027	85,000	14,850		
2028	85,000	11,025		
2029	80,000	7,200		
2030	80,000	3,600		
2031				
2032				
2033				
2034				
2035				
2036				
TOTAL	<u>\$ 1,095,000</u>	<u>\$ 329,275</u>	<u>\$ 3,045,000</u>	<u>\$ 303,800</u>

Series 2013 Refunding		Series 2016 Refunding		Totals		
Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 100,000	\$ 45,750	\$ 250,000	\$ 112,950	\$ 1,200,000	\$ 326,375	\$ 1,526,375
100,000	43,250	250,000	105,450	1,200,000	282,800	1,482,800
100,000	40,750	250,000	97,950	1,195,000	238,800	1,433,800
100,000	38,000	250,000	90,450	1,190,000	194,750	1,384,750
100,000	35,250	250,000	82,950	435,000	150,900	585,900
100,000	32,500	245,000	75,450	430,000	137,250	567,250
100,000	29,750	245,000	68,100	430,000	125,538	553,538
100,000	27,000	245,000	60,750	430,000	109,825	539,825
100,000	24,000	240,000	53,400	425,000	95,862	520,862
100,000	21,000	235,000	46,200	420,000	82,050	502,050
100,000	18,000	145,000	39,150	330,000	68,175	398,175
100,000	15,000	145,000	34,800	325,000	57,000	382,000
100,000	12,000	145,000	30,450	325,000	46,050	371,050
100,000	9,000	145,000	26,100	245,000	35,100	280,100
100,000	6,000	145,000	21,750	245,000	27,750	272,750
100,000	3,000	145,000	17,400	245,000	20,400	265,400
		145,000	13,050	145,000	13,050	158,050
		145,000	8,700	145,000	8,700	153,700
		<u>145,000</u>	<u>4,350</u>	<u>145,000</u>	<u>4,350</u>	<u>149,350</u>
<u>\$ 1,600,000</u>	<u>\$ 400,250</u>	<u>\$ 3,765,000</u>	<u>\$ 989,400</u>	<u>\$ 9,505,000</u>	<u>\$ 2,022,725</u>	<u>\$ 11,527,725</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

INSURANCE COVERAGE

September 30, 2017

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Texas Municipal League:		
General and Auto Liability:		
General liability	\$ 5,000,000	10/01/18
Automobile liability	5,000,000	10/01/18
Other Liability:		
Law enforcement liability	5,000,000	10/01/18
Errors and omissions	2,000,000	10/01/18
Property coverage	53,333,390	10/01/18
Mobil equipment	3,281,498	10/01/18
Boiler and machinery	8,000,000	10/01/18
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	54,803,104	01/26/19
Pollution liability insurance	2,000,000	10/01/18

STATISTICAL SECTION

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

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>(Restated) 2012</u>
Governmental Activities:					
Net investment in capital assets	\$ 22,531,131	\$ 24,720,024	\$ 29,710,085	\$ 30,758,109	\$ 31,925,095
Restricted	6,127,672	5,539,740	3,464,062	3,492,533	2,954,878
Unrestricted	<u>12,901,474</u>	<u>13,589,900</u>	<u>11,359,453</u>	<u>11,811,249</u>	<u>12,831,196</u>
Total governmental activities net Position	<u>\$ 41,560,277</u>	<u>\$ 43,849,664</u>	<u>\$ 44,533,600</u>	<u>\$ 46,061,891</u>	<u>\$ 47,711,169</u>
Business-type Activities Net Position:					
Net investment in capital assets	\$ 27,384,565	\$ 27,423,694	\$ 28,033,629	\$ 28,073,361	\$ 27,647,349
Restricted	4,433,305	3,762,045	2,477,733	2,108,449	2,203,481
Unrestricted	<u>3,228,210</u>	<u>3,586,865</u>	<u>3,024,992</u>	<u>3,474,825</u>	<u>3,249,031</u>
Total business-type activities net position	<u>\$ 35,046,080</u>	<u>\$ 34,772,604</u>	<u>\$ 33,536,354</u>	<u>\$ 33,656,635</u>	<u>\$ 33,099,861</u>
Primary Government:					
Net investment in capital assets	\$ 49,915,696	\$ 52,143,718	\$ 57,743,714	\$ 58,831,470	\$ 59,572,444
Restricted	10,560,977	9,301,785	5,941,795	5,600,982	5,158,359
Unrestricted	<u>16,129,684</u>	<u>17,176,765</u>	<u>14,384,445</u>	<u>15,286,074</u>	<u>16,080,227</u>
Total primary government net position	<u>\$ 76,606,357</u>	<u>\$ 78,622,268</u>	<u>\$ 78,069,954</u>	<u>\$ 79,718,526</u>	<u>\$ 80,811,030</u>

Source: Comprehensive Annual Financial Report

2013	(Restated) 2014	2015	2016	2017
\$ 32,758,260	\$ 32,216,296	\$ 33,568,778	\$ 36,518,760	\$ 34,776,336
3,336,660	3,555,361	3,770,121	3,156,731	3,135,742
<u>13,720,520</u>	<u>13,914,437</u>	<u>15,824,959</u>	<u>14,662,475</u>	<u>13,393,452</u>
<u>\$ 49,815,440</u>	<u>\$ 49,686,094</u>	<u>\$ 53,163,858</u>	<u>\$ 54,337,966</u>	<u>\$ 51,305,530</u>
\$ 25,127,439	\$ 25,271,709	\$ 25,797,977	\$ 30,118,830	\$ 31,654,276
4,128,057	5,098,779	4,277,148	2,315,334	4,156,093
<u>3,459,981</u>	<u>2,667,740</u>	<u>2,789,247</u>	<u>4,122,879</u>	<u>4,685,486</u>
<u>\$ 32,715,477</u>	<u>\$ 33,038,228</u>	<u>\$ 32,864,372</u>	<u>\$ 36,557,043</u>	<u>\$ 40,495,855</u>
\$ 57,885,699	\$ 57,488,005	\$ 59,366,755	\$ 66,637,590	\$ 66,430,612
7,464,717	8,654,140	8,047,269	5,472,065	7,291,835
<u>17,180,501</u>	<u>16,582,177</u>	<u>18,614,206</u>	<u>18,785,354</u>	<u>18,078,938</u>
<u>\$ 82,530,917</u>	<u>\$ 82,724,322</u>	<u>\$ 86,028,230</u>	<u>\$ 90,895,009</u>	<u>\$ 91,801,385</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2008	2009	2010	2011	(Restated) 2012
Expenses					
Governmental Activities:					
General government and administration	\$ 2,894,285	\$ 3,075,201	\$ 3,222,710	\$ 3,079,021	\$ 3,338,677
Public safety	5,464,662	5,739,091	6,046,380	6,140,172	6,146,043
Public works	5,925,876	5,758,443	5,694,647	4,288,666	4,378,048
Culture and recreation	4,977,391	4,885,568	5,037,305	4,961,616	4,896,044
Interest on long-term debt	<u>1,260,296</u>	<u>1,180,102</u>	<u>1,233,922</u>	<u>1,293,892</u>	<u>1,629,413</u>
Total governmental activities expenses	<u>20,522,510</u>	<u>20,638,405</u>	<u>21,234,964</u>	<u>19,763,367</u>	<u>20,388,225</u>
Business-type Activities:					
Water and sewer	6,614,955	6,913,963	7,013,299	7,410,839	7,811,698
Sanitation	2,573,279	2,718,214	2,747,149	2,432,879	2,219,316
Golf Course	<u>2,017,199</u>	<u>2,167,996</u>	<u>2,197,021</u>	<u>2,060,021</u>	<u>1,922,542</u>
Total business-type activities expenses	<u>11,205,433</u>	<u>11,800,173</u>	<u>11,957,469</u>	<u>11,903,739</u>	<u>11,953,556</u>
Total primary government expenses	<u>\$ 31,727,943</u>	<u>\$ 32,438,578</u>	<u>\$ 33,492,433</u>	<u>\$ 31,667,106</u>	<u>\$ 32,341,781</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General government and administration	\$ 451,580	\$ 447,112	\$ 410,235	\$ 459,598	\$ 550,251
Public safety					
Public works	239,063	186,017	237,964	213,772	227,672
Culture and recreation	986,604	931,477	1,035,350	1,005,931	1,042,830
Operating grants and contributions	744,892	1,566,242	1,025,417	405,794	131,528
Capital grants and contributions					<u>100,168</u>
Total governmental activities program revenues	<u>2,422,139</u>	<u>3,130,848</u>	<u>2,708,966</u>	<u>2,085,095</u>	<u>2,052,449</u>
Business-type Activities:					
Charges for Services:					
Water and sewer	6,678,843	7,003,764	6,807,782	7,784,450	7,362,306
Sanitation	2,970,992	3,038,754	3,015,623	3,036,999	3,052,811
Golf	1,847,418	1,869,731	1,550,705	1,571,415	1,519,738
Operating grants and contributions		53,182	99,687		143,858
Capital grants and contributions				<u>14,445</u>	<u>28,969</u>
Total business-type activities program revenues	<u>11,497,253</u>	<u>11,965,431</u>	<u>11,473,797</u>	<u>12,407,309</u>	<u>12,107,682</u>
Total primary government program revenues	<u>\$ 13,919,392</u>	<u>\$ 15,096,279</u>	<u>\$ 14,182,763</u>	<u>\$ 14,492,404</u>	<u>\$ 14,160,131</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2008	2009	2010	2011	(Restated) 2012
Net (Expense)/Revenue:					
Governmental activities	\$(18,100,371)	\$ 17,507,557	\$(18,525,998)	\$(17,678,272)	\$(18,335,776)
Business-type activities	<u>291,820</u>	<u>165,258</u>	<u>(483,672)</u>	<u>503,570</u>	<u>154,126</u>
Total primary governmental net expense	<u>(17,808,551)</u>	<u>(17,342,299)</u>	<u>(19,009,670)</u>	<u>(17,174,702)</u>	<u>(18,181,650)</u>
General Revenues & Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property	5,366,631	5,685,508	5,690,679	5,640,962	5,537,580
Sales	6,890,894	7,043,241	6,709,639	5,918,501	7,230,131
Occupancy	272,703	218,277	206,933	226,240	219,915
Franchise	1,525,195	1,586,698	1,610,075	1,619,883	1,593,448
Other	145,269	130,559	134,657	130,638	130,992
Industrial district	3,422,770	3,962,165	3,843,335	3,984,300	4,100,000
Investment earnings	656,899	193,207	99,729	100,646	106,725
Miscellaneous	182,791	138,624	282,518	165,279	22,367
Gain (loss) on sale/retirement of capital assets	22,498	325,310	70,055		
Transfers	<u>707,506</u>	<u>513,355</u>	<u>745,253</u>	<u>420,114</u>	<u>753,332</u>
Total governmental activities	<u>19,193,156</u>	<u>19,796,944</u>	<u>19,392,873</u>	<u>19,206,563</u>	<u>19,985,054</u>
Business-type Activities:					
Investment earnings	264,341	74,621	38,844	36,825	42,432
Gain on disposition of capital assets					
Miscellaneous					
Transfers	<u>(707,506)</u>	<u>(513,353)</u>	<u>(745,253)</u>	<u>(420,114)</u>	<u>(753,332)</u>
Total business-type activities	<u>(443,165)</u>	<u>(438,734)</u>	<u>(706,409)</u>	<u>(383,289)</u>	<u>(710,900)</u>
Total primary government	<u>18,749,991</u>	<u>19,358,210</u>	<u>18,686,464</u>	<u>18,823,274</u>	<u>19,274,154</u>
Change in Net Position					
Governmental activities	1,092,785	2,289,387	866,875	1,528,281	1,649,278
Business-type activities	<u>(151,345)</u>	<u>(273,476)</u>	<u>(1,190,081)</u>	<u>120,281</u>	<u>(556,774)</u>
Total primary government	<u>\$ 941,440</u>	<u>\$ 2,015,911</u>	<u>\$ (323,206)</u>	<u>\$ 1,648,572</u>	<u>\$ 1,092,504</u>

Source: Comprehensive Annual Financial Report

<u>2013</u>	(Restated) <u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$(18,241,858)	\$(19,726,474)	\$(18,892,735)	\$(19,077,486)	\$(22,743,421)
<u>174,387</u>	<u>(314,773)</u>	<u>136,456</u>	<u>1,120,049</u>	<u>471,974</u>
<u>(18,067,471)</u>	<u>(20,041,247)</u>	<u>(18,756,279)</u>	<u>(17,957,437)</u>	<u>(22,271,447)</u>
5,606,122	5,687,918	5,827,889	5,879,917	6,090,100
7,712,671	7,978,873	9,129,362	9,417,731	9,489,693
274,101	311,774	498,844	526,662	539,553
1,616,709	1,657,659	1,734,149	1,720,294	1,687,768
141,546	4,186,100	4,249,304	4,317,295	4,394,560
4,100,000	164,284	206,901	217,926	222,443
107,960	61,941	57,363	96,689	171,392
191,495	142,508	333,321	613,002	473,897
290,564	29,403	7,314		1,666
<u>595,525</u>	<u>(623,332)</u>	<u>326,052</u>	<u>(2,537,922)</u>	<u>(3,360,087)</u>
<u>20,346,129</u>	<u>19,597,128</u>	<u>22,370,499</u>	<u>20,251,594</u>	<u>19,710,985</u>
36,754	14,192	15,740	34,700	98,251
				8,500
<u>(595,525)</u>	<u>623,332</u>	<u>(326,052)</u>	<u>2,537,922</u>	<u>3,360,087</u>
<u>558,771</u>	<u>637,524</u>	<u>(310,312)</u>	<u>2,572,622</u>	<u>3,466,838</u>
<u>19,787,358</u>	<u>20,234,552</u>	<u>22,060,187</u>	<u>22,824,216</u>	<u>23,177,823</u>
2,104,271	(129,446)	3,477,764	1,174,108	(3,032,436)
<u>(384,384)</u>	<u>322,751</u>	<u>(173,856)</u>	<u>3,692,671</u>	<u>3,938,812</u>
<u>\$ 1,719,887</u>	<u>\$ 193,305</u>	<u>\$ 3,303,908</u>	<u>\$ 4,866,779</u>	<u>\$ 906,376</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	2008	2009	2010	2011	2012
General Fund:					
Reserved for other/non-spendable*	\$ 442,782	\$ 331,434	\$ 262,501	\$ 179,575	\$ 135,790
Committed:					
General contingencies				1,032,819	1,037,756
Assigned:					
Unemployment insurance				203,627	194,179
Equipment replacement				4,033,149	4,909,100
Special events				6,660	31,881
Parks				336,842	284,576
Unreserved/unassigned*	<u>7,914,743</u>	<u>9,290,235</u>	<u>70,273,711</u>	<u>5,503,023</u>	<u>5,636,513</u>
Total general fund	<u>\$ 8,357,525</u>	<u>\$ 9,621,669</u>	<u>\$ 10,536,212</u>	<u>\$ 11,295,695</u>	<u>\$ 12,229,795</u>
All Other Governmental Funds:					
Reserved For:					
Debt service	\$ 527,608	\$ 719,637	\$ 705,816		
Capital projects	5,648,872	4,838,804	9,470,729		
Unreserved, Reported In:					
Special Revenue	2,432,834	2,578,102	2,784,937		
Capital projects	<u>2,299,863</u>	<u>1,612,184</u>	<u>1,378,000</u>		
Total all other governmental funds	<u>\$ 10,909,177</u>	<u>\$ 6,748,727</u>	<u>\$ 14,339,482</u>		
Restricted:					
Debt Service				\$ 671,628	\$ 608,056
Capital Projects				5,562,372	3,321,850
Economic Development				2,526,505	2,207,924
Encourage tourism				60,661	39,718
Law enforcement				121,667	142,911
Traffic safety				131,313	48,533
Contributor purpose				4,157	
Program education					75,138
Assigned:					
General construction				<u>1,353,206</u>	<u>1,475,196</u>
Total all other governmental funds				<u>\$ 10,431,509</u>	<u>\$ 7,919,326</u>

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 88,399	\$ 90,320	\$ 100,472	\$ 80,608	\$ 248,341
800,085	801,448	903,264	906,260	910,307
176,847	165,785	144,302	125,052	116,289
5,544,711	5,813,661	6,193,352	6,284,423	6,648,936
12,308	12,937	32,652	50,934	64,943
245,889	295,836	172,762	146,532	87,573
<u>6,240,900</u>	<u>6,644,409</u>	<u>7,480,835</u>	<u>6,763,696</u>	<u>4,918,169</u>
<u>\$ 13,109,139</u>	<u>\$ 13,824,396</u>	<u>\$ 15,027,639</u>	<u>\$ 14,357,505</u>	<u>\$ 12,994,558</u>

\$ 707,536	\$ 717,734	\$ 714,676	\$ 693,467	\$ 3,304,455
7,526,486	5,112,819	9,510,524	3,126,573	2,543,712
2,292,698	2,412,766	2,519,353	1,901,916	1,708,061
42,375	45,523	49,798	45,333	77,791
122,313	108,418	70,847	96,797	89,425
26,738	23,492			
124,901	196,245	281,104	366,271	284,202
<u>1,370,332</u>	<u>1,903,546</u>	<u>2,102,001</u>	<u>2,044,549</u>	<u>2,644,777</u>
<u>\$ 12,313,379</u>	<u>\$ 10,520,543</u>	<u>\$ 15,248,303</u>	<u>\$ 8,274,906</u>	<u>\$ 10,652,423</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)

	2008	2009	2010	2011	2012
Revenues:					
Taxes and industrial district	\$ 17,628,611	\$ 18,612,438	\$ 18,187,067	\$ 18,526,662	\$ 18,824,139
Intergovernmental	744,892	1,566,242	1,025,417	405,794	131,528
Charges for services	986,604	931,477	1,035,350	1,005,931	1,042,830
Fines and fees	429,564	425,746	383,023	418,536	504,603
Licenses and permits	239,063	186,017	237,964	213,772	227,672
Special assessment	100	655	2,349	4,712	
Investment earnings	656,900	191,524	99,729	100,646	106,725
Contributions	515				100,168
Miscellaneous	182,275	140,307	282,518	160,567	290,564
Total revenues	20,868,524	22,054,406	21,253,417	20,836,620	21,228,229
Expenditures:					
General government administration	2,707,090	2,874,769	2,984,712	2,862,240	3,068,045
Public safety	4,949,286	5,189,939	5,410,431	5,559,479	5,600,724
Public works	3,882,411	3,679,429	3,637,437	2,671,957	2,717,025
Culture and recreation	4,227,705	4,102,208	4,199,311	4,067,243	4,105,287
Capital outlay	2,393,437	6,007,292	4,615,889	5,355,135	4,181,783
Debt Service:					
Principal retirement	2,580,000	2,260,000	2,530,000	2,715,000	2,830,000
Interest and fiscal charges	1,238,338	1,273,840	1,318,896	1,272,263	1,187,465
Total expenditures	21,978,267	25,387,477	24,696,676	24,503,317	23,690,329
Excess (deficiency) of revenues over (under) expenditures	(1,109,743)	(3,333,071)	(3,443,259)	(3,666,697)	(2,462,100)
Other Financing Sources (Uses):					
Issuance of bonds		9,245,000	8,000,000		7,360,000
Discount on bonds issued					810,870
Bond issuance premium		144,553	133,249		73,120
Sale of capital assets	54,638	386,858	70,055	28,330	
Payment to bond refunding escrow agent		(6,894,852)			(8,113,305)
Transfers in	5,217,473	3,608,298	4,172,617	4,058,123	4,071,614
Transfers out	(4,509,967)	(3,053,092)	(3,427,364)	(3,638,009)	(3,318,282)
Total other financing sources (uses)	762,144	3,436,765	8,948,557	448,444	884,017
Net change in fund balances	\$(347,599)	\$ 103,694	\$ 5,505,298	\$(3,218,253)	\$(1,578,083)
Debt Service as a percentage of noncapital Expenditures	19.5%	18.2%	19.2%	20.8%	20.6%

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 19,468,703	\$ 19,985,385	\$ 21,636,472	\$ 22,073,188	\$ 22,421,836
304,854	6,613	111,615	254,433	130,185
1,043,331	1,135,711	1,186,243	1,263,879	1,236,652
569,700	625,201	573,801	472,117	535,164
245,897	501,138	666,610	496,068	341,122
107,960	61,941	57,363	96,689	171,392
<u>191,495</u>	<u>142,508</u>	<u>333,321</u>	<u>613,002</u>	<u>473,897</u>
<u>21,931,940</u>	<u>22,458,497</u>	<u>24,565,425</u>	<u>25,269,376</u>	<u>25,310,248</u>
3,478,670	3,762,435	3,787,952	4,039,007	4,645,330
5,686,957	5,751,812	5,966,657	6,038,765	7,005,479
2,618,713	2,697,647	2,578,564	2,837,563	2,795,351
4,101,500	4,236,809	4,812,107	5,068,207	5,318,988
3,736,077	4,111,550	3,166,664	10,051,261	3,820,985
2,785,000	2,805,000	3,150,000	3,210,000	3,395,000
<u>1,068,892</u>	<u>1,115,999</u>	<u>1,163,523</u>	<u>1,000,440</u>	<u>1,128,293</u>
<u>23,475,809</u>	<u>24,481,252</u>	<u>24,625,467</u>	<u>32,245,243</u>	<u>28,109,426</u>
<u>(1,543,869)</u>	<u>(2,022,755)</u>	<u>(60,042)</u>	<u>(6,975,867)</u>	<u>(2,799,178)</u>
6,000,000	1,500,000	5,500,000	7,870,000	6,820,000
106,996	40,920	83,600	537,550	268,528
14,745	127,588	81,393	41,105	30,142
			(8,300,732)	
3,929,614	4,315,121	4,646,206	4,930,442	5,162,794
<u>(3,334,089)</u>	<u>(4,938,453)</u>	<u>(4,320,154)</u>	<u>(5,829,749)</u>	<u>(8,467,716)</u>
<u>6,717,266</u>	<u>1,045,176</u>	<u>5,991,045</u>	<u>(751,384)</u>	<u>3,813,748</u>
<u>\$ 5,173,397</u>	<u>\$ (977,579)</u>	<u>\$ 5,931,003</u>	<u>\$ (7,727,251)</u>	<u>\$ 1,014,570</u>
19.5%	19.2%	20.1%	19.0%	18.60%

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			
2008	\$ 1,548,589,780	\$ 117,138,400	\$ 274,123,140	\$ 1,391,605,040	\$ 0.38500
2009	1,598,884,378	121,221,910	280,572,592	1,439,533,696	0.39000
2010	1,627,373,340	124,429,670	295,147,652	1,456,655,358	0.39000
2011	1,619,266,640	120,047,810	299,801,676	1,439,512,774	0.39000
2012	1,608,903,194	115,032,120	312,052,094	1,411,883,220	0.39000
2013	1,567,292,079	119,916,600	315,852,118	1,371,356,561	0.39000
2014	1,689,132,358	120,394,220	360,227,700	1,449,298,878	0.39000
2015	1,762,892,528	121,122,020	387,056,318	1,496,958,230	0.38750
2016	1,891,672,481	126,898,430	380,347,986	1,638,222,925	0.36000
2017	2,181,716,658	148,736,930	431,167,524	1,899,286,064	0.33750

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
2008	\$ 0.2332	\$ 0.1518	\$ 0.3850	\$ 0.3114	\$ 1.1339	\$ 0.0560	\$ 0.1210	\$ 0.0821
2009	0.2332	0.1568	0.3900	0.3300	1.1922	0.0535	0.1565	0.0821
2010	0.2340	0.1560	0.3900	0.4031	1.2415	0.0535	0.1902	0.0909
2011	0.2345	0.1555	0.3900	0.4131	1.2415	0.0535	0.2392	0.0942
2012	0.2315	0.1585	0.3900	0.4259	1.2595	0.0515	0.2594	0.0948
2013	0.2323	0.1577	0.3900	0.4302	1.2553	0.0450	0.2673	0.1002
2014	0.2376	0.1524	0.3900	0.4920	1.2553	0.0450	0.2673	0.1002
2015	0.2408	0.1467	0.3875	0.4985	1.2553	0.0450	0.2809	0.0980
2016	0.2323	0.1277	0.3600	0.5174	1.2553	0.0401	0.2850	0.0915
2017	0.2251	0.1124	0.3375	0.4574	1.2553	0.0401	0.3032	0.0850

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

2017			2008		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
DOW Chemical Company	\$ 85,545,630	3.5%	Brazos Outlets Center LLC	\$ 20,187,550	1.45%
Lex Lake Jackson LP	66,321,990	2.7%	Wal-Mart Stores, Inc.	16,679,590	1.20%
Cole Ofc Lake Jackson	36,428,430	1.5%	Home Depot	11,318,580	0.81%
Brazos Mall Partners LLC	23,200,610	.95%	Edgewater Assoc.LTD	11,240,910	0.81%
PP 2014 CC	22,451,780	.92%	Fazio Peter & Shari (Lowe's)	10,963,850	0.79%
Partners of Lake Jackson	17,570,670	.72%	Dow Chemical Company	9,820,892	0.67%
Redwood Edgewater DST	17,464,170	.72%	Centerpoint Energy	9,360,250	0.67%
Napa Ventures Oyster Creek LLC	16,603,340	.68%	Buc-ee's LTD	7,562,690	0.54%
HEB Grocery Companyt	12,383,230	.51%	Lake Jackson Apts Assoc.	5,892,120	0.42%
DCM Lake Jackson Property LLC	<u>12,100,000</u>	<u>.50%</u>	Texas Dow Employees C.U.	<u>5,811,570</u>	<u>0.42%</u>
Total	<u>\$ 310,069,850</u>	<u>12.70%</u>	Total	<u>\$ 108,838,002</u>	<u>7.78%</u>

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 8
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 5,348,657	\$ 5,294,887	99.0%	\$ 43,491	\$ 5,338,378	99.8%
2009	5,636,199	5,582,960	99.1%	36,656	5,619,616	99.7%
2010	5,706,573	5,606,421	98.2%	46,109	5,652,530	99.1%
2011	5,599,633	5,545,788	99.0%	40,193	5,585,981	99.8%
2012	5,506,055	5,468,387	99.3%	32,504	5,500,891	99.9%
2013	5,581,007	5,546,523	99.4%	27,029	5,573,552	99.9%
2014	5,652,730	5,617,595	99.4%	23,651	5,641,246	99.8%
2015	5,800,884	5,762,010	99.3%	21,381	5,783,391	99.7%
2016	5,897,602	5,852,979	99.2%	21,792	5,854,771	99.3%
2017	6,339,467	6,300,623	99.4%		6,300,623	99.4%

Source: Brazoria County Tax Office

¹ Adjusted Tax Levy

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 9
Sales Tax Analysis
Last Ten Fiscal Years

Fiscal Year	General Fund Sales Tax Collections ¹	Half-Cent Sales Tax Collections ²	Total Sales Tax Collections	Percentage Growth	Sales Tax as a % of Total Revenues	Per Capita ³
2008	\$ 4,553,842	\$ 2,337,052	\$ 6,890,894	(1.2%)	33.0%	\$ 249.54
2009	4,634,553	2,408,688	7,043,241	2.2%	31.9%	255.06
2010	4,432,443	2,277,196	6,709,639	(4.7%)	31.6%	249.87
2011	4,562,725	2,355,777	6,918,501	3.1%	33.2%	257.64
2012	4,772,141	2,457,990	7,230,131	4.5%	34.1%	262.47
2013	5,093,359	2,619,312	7,712,671	6.7%	35.2%	279.04
2014	5,226,636	2,752,237	7,978,872	3.5%	35.5%	287.87
2015	5,991,129	3,138,233	9,129,362	14.4%	37.1%	328.75
2016	6,190,272	3,227,460	9,417,732	3.2%	37.3%	337.24
2017	6,377,917	3,188,958	9,566,875	1.6%	37.8%	343.97

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			
2008	\$ 22,120,000	\$ 5,310,000	\$ 13,460,000	\$ 653,017	\$ 41,543,017	5.76%	\$ 1,504
2009	22,895,368	4,674,632	12,390,000	542,143	40,502,143	5.61%	1,467
2010	26,780,000	6,260,000	13,025,000	561,044	46,626,044	5.00%	1,729
2011	24,540,000	5,785,000	11,765,000	230,875	42,320,875	4.54%	1,576
2012	22,740,000	4,655,000	10,550,000	-0-	37,945,000	3.92%	1,377
2013	24,090,000	6,250,000	11,345,000	-0-	41,685,000	4.39%	1,508
2014	21,785,000	7,250,000	10,145,000	-0-	39,180,000	4.27%	1,414
2015	19,410,000	11,975,000	8,960,000	-0-	37,154,999	4.29%	1338
2016	20,658,003	8,700,000	7,941,333	-0-	37,299,336	3.58%	1,336
2017	23,960,000	11,510,000	14,455,000	-0-	49,925,000	4.54%	1,795

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

*See Table 14 for personal income and population data.

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Fiscal Year	Gross Bonded Debt ¹	Less: Amounts Available in Debt Service Fund	Net Bonded Debt	Percentage of Actual Taxable Value of Property ²	Per Capita ³
2008	\$ 27,430,000	\$ 527,553	\$ 16,647,447	1.20%	\$ 993
2009	27,570,000	719,582	17,470,786	1.21%	998
2010	33,040,000	679,125	18,904,510	1.30%	1,196
2011	30,325,000	648,230	17,398,243	1.21%	1,098
2012	27,395,000	608,056	15,998,944	1.13%	1,067
2013	30,340,000	707,537	18,034,981	1.32%	1,098
2014	29,035,000	715,235	16,450,608	1.15%	1,048
2015	31,385,000	705,319	18,007,886	1.20%	1,130
2016	29,358,003	685,096	28,672,907	1.75%	1,027
2017	34,470,000	728,509	34,741,491	1.83%	1,275

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

¹ Does not include Revenue Bonds

² See Table 5 for property value data.

³ See Table 14 for population data.

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Governmental Unit	Debt Outstanding	As of	Estimated Percentage Applicable**	Estimated Share of Overlapping Debt
Debt repaid with property taxes:				
Angleton Danbury Medical	\$ 7,810,000	09/30/17	0.02%	\$ 1,562
Angleton ISD	126,229,993	09/30/17	0.01%	12,623
Brazoria County	75,150,000	09/30/17	6.06%	4,554,090
Brazosport College District	55,995,000	09/30/17	17.86%	10,000,707
Brazosport ISD	191,264,050	09/30/17	17.87%	34,178,886
Columbia-Brazoria ISD	34,294,998	09/30/17	0.98%	336,091
Port Freeport	2,250,000	09/30/17	11.19%	251,775
Velasco DD	5,420,000	09/30/17	17.98%	<u>974,516</u>
Subtotal, overlapping debt				50,310,250
City of Lack Jackson (direct debt)	35,470,000	* 09/30/17	100.00%	<u>35,470,000</u>
Total direct and overlapping debt				<u>\$ 85,780,250</u>

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

* Gross Debt

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 13
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer System Revenue Bonds						
	Utility Revenue and Other ⁰	Less: Operating Expenses ¹	Net Available Revenue	Average Annual Requirement	Average Coverage	Maximum Annual Requirements	Maximum Coverage
2008	\$ 6,937,654	\$ 4,417,633	\$ 2,520,021	\$ 921,297	2.74	\$ 1,634,680	1.54
2009	7,078,385	4,692,032	2,386,353	881,665	2.71	1,590,720	1.50
2010	6,843,586	4,998,514	1,845,072	806,403	2.29	1,654,081	1.12
2011	7,819,019	5,116,318	2,702,701	763,512	3.54	1,603,350	1.69
2012	7,546,012	5,249,307	2,296,705	716,854	3.20	1,564,350	1.47
2013	7,427,529	5,315,927	2,111,602	697,008	3.03	1,579,676	1.34
2014	7,316,364	5,341,519	1,974,845	650,551	3.04	1,539,275	1.28
2015	8,075,590	5,674,608	2,400,962	601,175	3.99	1,486,875	1.61
2016	8,644,107	6,222,344	2,421,763	643,455	3.76	1,526,375	1.59
2017	9,554,486	6,694,433	2,860,053	872,517	3.28	1,742,975	1.64

Source: Lake Jackson Finance Department

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 14
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Estimated Population	Estimated Personal Income	Per Capita Personal Income	Median Age ¹	School Enrollment	Unemploy- ment Rate	Labor Force
2008	27,614	\$ 721,636,662	\$ 26,133	--	6,921	5.8%	14,266
2009	27,614	721,636,662	26,133	--	6,422	7.1%	13,735
2010	26,853	932,175,042	34,714	37.0	6,276	8.4%	13,886
2011	26,853	932,175,042	34,714	--	6,867	7.5%	14,462
2012	27,547	967,175,170	35,110	--	6,338	6.2%	13,714
2013	27,640	950,594,880	34,392	--	6,268	6.1%	13,649
2014	27,717	943,292,661	34,033	--	6,172	5.0%	13,970
2015	27,770	964,840,880	34,744	--	6,150	4.2%	13,947
2016	27,926	1,043,091,952	37,352	36.9	6,300	4.5%	14,080
2017	27,813	1,099,114,134	39,518	-	6,125	3.2%	15,149

Source: Estimated Population, per capita income, and median age provided by U.S. Census and the Economic Development Alliance for Brazoria County.
 Estimated personal income is derived from per capita personal income and estimated population.
 School enrollment provided by Brazosport Independent School District.
 Unemployment rate and Labor Force provided by the Texas Employment Commission website.

¹ Median age only available in Census Years.

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table 15
Principal Employers
Current Year and Ten Years Ago

2017			2008		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
Various Industrial Contractors	4,843	3.0%	The Dow Chemical Company	4,300	4.4%
The Dow Chemical Company	3,900	2.4%	Various Contractors	4,170	4.3%
Texas Dept of Criminal Justice	2,409	1.5%	Texas Dept of Criminal Justice	2,461	2.5%
The Infinity Group	1,929	1.2%	The Infinity Group	1,957	2.0%
Olin Corporation	1,200	.74%	Wal-Mart Associates	1,757	1.8%
Phillips 66	1,035	.64%	Buc-ees	1,015	1.0%
BASF Corporation	956	.60%	ConocoPhillips	940	.96%
Brock Group	792	.50%	Kroger Food Stores	903	.92%
TDECU	737	.46%	Miken Specialties	825	.84%
CHI St. Luke's Health Brazosport	<u>650</u>	<u>.40%</u>	BASF	<u>675</u>	<u>.69%</u>
Total	<u>15,937</u>	<u>11.44%</u>	Total	<u>2,472</u>	<u>19.41</u>

Source: Economic Development Alliance for Brazoria County

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

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government and Administration	35	35	35	35	35	35	35	35	35	36
Public Safety:										
Police	59	59	61	60	60	60	60	60	60	62
Fire	1	1	1	1	1	1	1	1	2	2
Humane	3	3	3	3	3	3	3	1	3	3
Culture and Recreation	27	27	27	27	27	27	27	27	28	29
Public Works:										
Streets	7	7	7	7	7	7	7	7	7	7
Drainage	15	15	15	15	15	15	15	15	15	15
Building/Code	8	8	8	8	8	8	8	8	8	8
Garage	9	9	9	9	9	9	9	6	9	9
Water and Sewer	37	37	37	37	37	37	37	37	37	40
Sanitation	<u>25</u>									
	<u>226</u>	<u>226</u>	<u>228</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>222</u>	<u>229</u>	<u>236</u>

Source: City Budget

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police:										
% Criminal Offenses ³										
Cleared	55%	57%	43%	41%	39%	40% ²	45% ²	30%	49%	75%
Traffic contacts ³	14,406	13,515	15,169	22,500	18,523	16,074	16,000	14,599	9,204	16,137
Fire:										
Fire calls	532	520	520	502	441	525	688	688	650	517
EMS calls	2,197	2,448	2,730	2,811	2,907	2,958	3,719	3,719	3,904	4,177
Inspections	319	368	257	341	289	247	436	425	450	343
Public Works:										
Streets:										
Potholes repaired ⁴	235	223	469	665	301	436	547	852	660	550
Gutter sweeping (cu yd) ⁵	1,707	1,570	1,864	2,178	1,820	1,759	1,520	100%	100%	100%
Culture and Recreation:										
Recreation Center members	6,204	5,738	4,926	3,861	4,434	4600	4327	4900	5,889	8,388
Recreation Center Attendance	240,600	251,750	229,059	207,189	175,528	187,990	205,762	197,838	211,676	211,884
Water and Sewer:										
Number of sewer leaks Repaired ⁶	3	8	3	6	1	4	9	3	N/A	N/A
Linear feet of sewer mains cleaned	45,215	29,430	20,232	25,000	67,726	7,188	9205	4820	500	19,054
Millions of gallons of wastewater treated								845	950	915
Sanitation:										
Refuse Collected:⁶										
Residential garbage (cu yd)	28,000	24,070	22,214	24,000	20,331	20,120	22,000	N/A	N/A	N/A
Commercial garbage ⁶ (cu yd)	42,000	36,106	22,898	36,000	33,389	35,027	35,500	N/A	N/A	N/A
Garbage collected (compacted yd ³)								61,000	65,888	65,584
Large trash to landfill (non-compacted yd ³)								36,183	60,530	55,515

Source: City Departments

² Represents actual percentage; not estimate

³ Uniform Crime Report (Beginning 2017)

⁴ Man Hours (Beginning 2015)

⁵ Swept 4 times a year (Beginning 2015)

⁶ Operating indicator no longer recorded in this format

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Culture and Recreation:										
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Community Center	2	2	2	2	2	2	2	2	2	2
Recreation Center	1	1	1	1	1	1	1	1	1	1
Parks Acreage ¹	1,306	1,306	1,306	1,306	1,306	1,306	1,306	1,306	1,643	1,643
Parks	23	23	23	23	23	23	23	23	23	23
Baseball/softball fields	23	23	23	23	23	23	23	23	23	23
Soccer fields	24	24	24	24	24	24	24	24	24	24
Water:										
Water mains (miles)	130	130	130	130	130	130	130	130	130	134
Fire Hydrants	917	917	917	917	917	1,000	1,000	1,000	1,015	1,015
Wastewater²										
Maximum daily treatment capacity (thousands of gallons)	5,890	5,890	5,890	5,890	5,890	5,890	5,890	5,890	5,890	5,890

Source: Various City departments

¹ In 2007 Dow donated 9.86 acres of land.

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

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CONTINUING FINANCIAL DISCLOSURES

As of 02/28/18

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-1 Bond Summary and Authorization (As of 2/28/18)

Summary of Bonds Outstanding

General Obligation Bonds and Certificates of Obligation

2009 Limited Tax Bonds	\$ 360,000
2009 Limited Tax Refunding Bonds	345,000
2009 Certificates of Obligation (downtown)*	750,000
2010 Limited Tax Bonds	1,950,000
2011 Limited Tax Refunding Bonds (\$ 2,420,000)*	3,915,000
2013 Limited Tax Bonds	3,200,000
2013 Certificates of Obligation (downtown)*	1,600,000
2013A Certificates of Obligation *	900,000
2014 Certificates of Obligation*	4,675,000
2015 Limited Tax Refunding Bonds (\$ 2,332,087)*	7,290,000
2016 Limited Tax General Obligation Bonds	2,965,000
2016 Certificates of Obligation *	3,585,000
2017 Limited Tax General Obligation Bonds	<u>3,935,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>35,470,000</u>

* Secured by a pledge of Ad Valorem Tax Revenues; but paid from revenues generated from Optional Half Cent Sales Tax. In the case of Refunding bonds, a portion indicated in parenthesis is repaid from the Half Cent Sales Tax.

Waterworks and Sewer System Bonds

2009 Waterworks and Sewer System Bonds	\$ 1,095,000
2010 Waterworks and Sewer System Refunding Bonds	3,045,000
2013 Waterworks and Sewer System Bonds	1,600,000
2016 Waterworks and Sewer System Bonds	3,765,000
2017 Waterworks and Sewer System Bonds	<u>4,950,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>14,455,000</u>

General Obligation Bonds Authorized but not Issued as of 02/28/18

Final \$ 9 million phase of \$ 16 million approved by the voters in May of 2016.

Waterworks and Sewer System Bonds Authorized but not Issued as of 02/28/18

None.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-2 Financial Information (As of 2/28/2018)

2017 (fiscal year 17-18) Assessed Valuation (100% of Actual) ¹	\$ <u>2,100,299,167</u>
<u>General Obligation Bonds Outstanding²</u>	
Presently outstanding (02/28/18)	\$ 35,470,000
Other Bonds issued to date	<u>-0-</u>
Gross debt	35,470,000
Less: Amounts payable from ½ Cent Optional Tax	16,262,087
Less: Debt Service Cash Balance	<u>2,829,857</u>
Net Debt	\$ <u>16,378,056</u>
Ratio of Net Debt to 2017 Assessed Valuation	0.78%
2018 Estimated Population	27,813
2017 Assessed Valuation per Capita	\$ 75,515.02
Net Debt per Capita	\$ 588.86
Area of the City	18 square miles

¹ Tax Year; Net of exemptions in the amount of \$ 417,519,475.

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.	\$ 126,229,993	09/30/17	0.01%	\$ 12,623
Angleton-Danbury Hospital District	7,810,100	09/30/17	0.02%	1,562
Brazoria County	75,150,000	09/30/17	6.06%	4,554,090
Brazosport I.S.D.	191,264,050	09/30/17	17.87%	34,178,886
Brazos River Harbor Navigation District	2,250,000	09/30/17	11.19%	251,775
Brazosport Jr. College	55,995,000	09/30/17	17.86%	10,000,707
Columbia-Brazoria I.S.D.	34,294,998	09/30/17	0.98%	336,091
Velasco Drainage District	5,420,000	09/30/17	17.98%	<u>974,516</u>
Total Overlapping Debt				50,310,251
City of Lake Jackson				<u>35,470,000</u>
Total Direct and Overlapping Debt				<u>\$ 85,780,251</u>
Ratio of Total Direct and Overlapping Debt to 2017 Assessed Valuation				4.08%
Per Capita Total Direct and Overlapping Debt				\$ 3,084
Assessed Valuation per Capita				\$ 75,515

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

* Gross Debt

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-4 Outstanding Debt Service Requirements As of February 28, 2018 General Obligation Debt

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2018	\$ 3,175,000	\$ 986,559	\$ 4,161,559
2019	3,135,000	905,529	4,040,529
2020	3,070,000	809,429	3,879,429
2021	3,060,000	715,866	3,775,866
2022	2,870,000	626,079	3,496,079
2023	2,680,000	543,441	3,223,441
2024	2,145,000	470,385	2,615,385
2025	1,960,000	410,185	2,370,185
2026	1,945,000	356,091	2,301,091
2027	1,785,000	306,044	2,091,044
2028	1,505,000	261,169	1,766,169
2029	1,500,000	219,460	1,719,460
2030	1,375,000	177,423	1,552,423
2031	1,030,000	141,756	1,171,756
2032	1,030,000	111,961	1,141,961
2033	1,030,000	81,340	1,111,340
2034	730,000	54,499	784,499
2035	455,000	36,594	491,594
2036	455,000	23,306	478,306
2037	340,000	11,500	351,500
2038	<u>195,000</u>	<u>3,169</u>	<u>198,169</u>
	<u>\$ 35,470,000</u>	<u>\$ 7,251,785</u>	<u>\$ 42,721,785</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-5 Water and Sewer System As of February 28, 2018 Revenue Bonds Debt Service Schedule

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2018	\$ 1,200,000	\$ 236,156	\$ 1,436,156
2019	1,300,000	442,975	1,742,975
2020	1,295,000	395,975	1,690,975
2021	1,290,000	348,925	1,638,925
2022	710,000	302,075	1,012,075
2023	705,000	280,175	985,175
2024	705,000	255,463	960,463
2025	705,000	230,750	935,750
2026	700,000	205,788	905,788
2027	695,000	180,975	875,975
2028	605,000	158,850	763,850
2029	600,000	139,425	739,425
2030	600,000	120,225	720,225
2031	520,000	101,025	621,025
2032	520,000	85,425	605,425
2033	520,000	69,825	589,825
2034	415,000	54,225	469,225
2035	415,000	41,775	456,775
2036	415,000	29,325	444,325
2037	270,000	16,875	286,875
2036	<u>270,000</u>	<u>8,437</u>	<u>278,437</u>
	<u>\$ 14,455,000</u>	<u>\$ 3,704,669</u>	<u>\$ 18,159,669</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 9/30/17, nor any of the debt to be repaid from the half-cent sales tax as indicated on CD-1.

	<u>Average Requirements (2018-2038)</u>	<u>Maximum Requirement 2018</u>
General Obligation Debt Service Requirements	\$ 1,110,221	\$ 2,269,475
Debt Service Fund tax rate required on 2017 Assessed Taxable Valuation of \$ 2,100,299,167 @ 98% collection	\$ 0.054	\$ 0.110

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

	<u>Average Requirements (2018-2038)</u>	<u>Maximum Requirement 2018</u>
General Obligation Debt Service Requirements	\$ 2,028,594	\$ 4,161,559
Debt Service Fund tax rate required on 2017 Assessed Taxable Valuation of \$ 2,100,299,167 @ 98% collection	\$ 0.098	\$ 0.202

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-7
Tax Rate and Tax Collection Information

Tax Collection Period

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

Tax Collection Record

Tax Year	Fiscal Year	Assessed Taxable Valuation	Tax Rate	Percent Tax Collections		Year Ending
				Current	Total	
2003	2004	\$ 1,187,071,311	0.3703	98.7%	99.9%	09/30/04
2004	2005	1,237,823,934	0.3700	99.0%	99.9%	09/30/05
2005	2006	1,273,933,920	0.3800	99.2%	99.9%	09/30/06
2006	2007	1,354,217,330	0.3700	99.2%	99.9%	09/30/07
2007	2008	1,391,605,040	0.3850	99.0%	99.8%	09/30/08
2008	2009	1,451,257,205	0.3900	99.0%	99.7%	09/30/09
2009	2010	1,456,655,358	0.3900	99.0%	99.1%	09/30/10
2010	2011	1,439,512,774	0.3900	98.2%	99.7%	09/30/11
2011	2012	1,414,924,084	0.3900	85.6%	99.7%	09/30/12
2012	2013	1,431,169,883	0.3900	99.4%	99.9%	09/30/13
2013	2014	1,451,619,228	0.3900	98.8%	99.8%	09/30/14
2014	2015	1,498,799,409	0.3875	99.3%	99.8%	09/30/15
2015	2016	1,638,222,925	0.3600	99.2%	99.7%	09/30/16
2016	2017	1,878,358,842	0.3375	99.4%	99.6%	09/30/17
2017	2018	2,100,299,167	0.3375	92.3%		thru 02/28/18

Tax Rate Limitations

The City is a Home Rule City with a maximum authorized rate for all purposes of \$ 2.50 per \$ 100 assessed valuation. This maximum tax rate is imposed both by the Constitution of the State of Texas and the City Charter. Under the rules of the Texas attorney general, the City may issue general obligation debt in an amount no greater than that which can be serviced by a debt tax of \$ 1.50 per \$ 100 assessed valuation, based on 90% collections.

Tax Rate Distribution

Tax Year	2017	2016	2015	2014	2013
General Fund	\$ 0.2295	\$ 0.2255	\$ 0.2323	\$ 0.2408	\$ 0.2323
Debt Service Fund	<u>0.1080</u>	<u>0.1120</u>	<u>0.1277</u>	<u>0.1467</u>	<u>0.1577</u>
Total Tax Rate	<u>\$ 0.3375</u>	<u>\$ 0.3375</u>	<u>\$ 0.3600</u>	<u>\$ 0.3875</u>	<u>\$ 0.3900</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

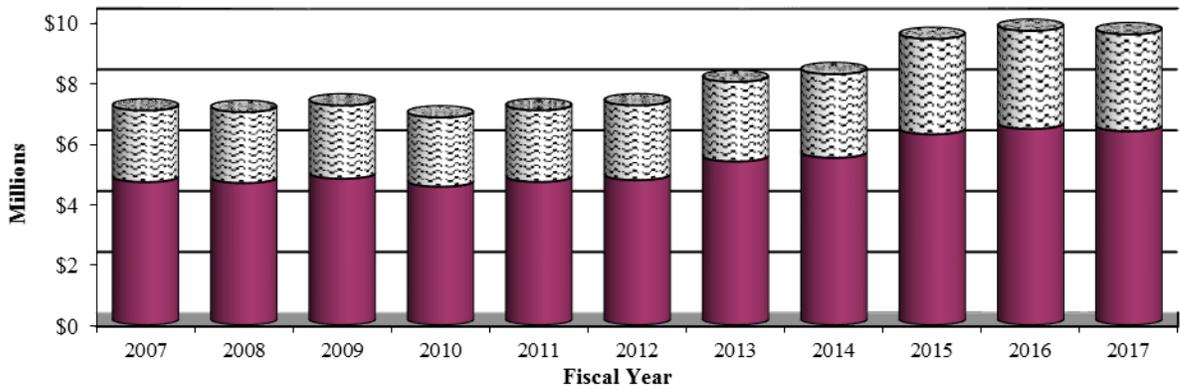
Table CD-8
Sales Tax Collection History

City Sales Tax Collection

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

Sales Tax Collection History

Fiscal Year	One Cent Sales Tax	Optional Half Cent Sales Tax ¹
2007	\$ 4,707,996	\$ 2,353,998
2008	4,674,104	2,337,052
2009	4,817,376	2,408,688
2010	4,554,392	2,277,196
2011	4,711,554	2,355,777
2012	4,915,980	2,457,990
2013	5,238,624	2,619,312
2014	5,504,474	2,752,237
2015	6,276,466	3,138,233
2016	6,454,920	3,227,460
2017	6,377,916	3,188,958



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

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-9
Economic Development Fund

<u>Resources</u>	<u>ACTUAL 2014-56</u>	<u>ACTUAL 2015-16</u>	<u>ACTUAL 2016-17</u>	<u>AMENDED 2017-18</u>
Fund Balance	\$ <u>2,412,766</u>	\$ <u>2,519,354</u>	\$ <u>1,901,916</u>	\$ <u>1,708,061</u>
Revenues:				
Half Cent Sales Tax	3,138,233	3,227,460	3,188,958	3,337,500
Miscellaneous		9,599	59,711	-0-
Interest income	<u>6,832</u>	<u>12,077</u>	<u>19,133</u>	<u>12,000</u>
	<u>3,145,065</u>	<u>3,249,136</u>	<u>3,267,802</u>	<u>3,349,500</u>
 Total Resources	 \$ <u>5,557,831</u>	 \$ <u>5,768,490</u>	 \$ <u>5,169,718</u>	 \$ <u>5,057,561</u>
<u>Expenditures</u>	<u>ACTUAL 2014-15</u>	<u>ACTUAL 2015-16</u>	<u>ACTUAL 2016-17</u>	<u>ADOPTED 2017-18</u>
Transfer to Economic Development Debt Service	\$ 1,518,442	\$ 1,479,945	\$ 1,751,590	\$ 1,403,284
MacLean Park Improvements	-0-	-0-	-0-	435,000
Dunbar Pavillion Restroom	-0-	-0-	-0-	275,000
Dog Park (\$ 580,000)	-0-	-0-	-0-	200,000
Golf Course Lake Dredging	-0-	-0-	-0-	75,000
Wet Well Repairs for Recharging Irrigation	-0-	-0-	-0-	25,000
Misc Repairs at Golf Course	-0-	-0-	-0-	15,000
S. Parking Place - Design	29,137	10,366	28,255	-0-
Golf Course & Bunker Renovations – 2016 Flood	-0-	349,916	55,165	-0-
Golf Course Pump House	-0-	-0-	-0-	115,000
A/C Replacement Golf Course	3,025	-0-	-0-	-0-
Rec Air Handlers & Controllers	154,600	-0-	-0-	-0-
This Way – Center Way to 332	-0-	385,303	-0-	-0-
Rec Center Renovations	-0-	-0-	158,614	25,861
Park Facility Signs	-0-	-0-	44,776	-0-
MacLean Park Pavillion Repairs	-0-	-0-	54,204	-0-
Jasmine Tennis Complex Renovations	-0-	-0-	56,510	10,000
JSL Park Picnic Shelter	-0-	-0-	49,304	-0-
Downtown Maintenance	52,893	44,435	37,863	55,000
Recreation Center - A/C Rooftops	125,956	284,307	-0-	-0-
Recreation Center Natatorium Lighting	-0-	39,906	-0-	-0-
Purchase 202 Winding Way	-0-	-0-	86,776	4,950
Transfer to Golf Course Debt Service	504,425	498,100	498,600	488,800
Golf Course Operating	300,000	424,296	300,000	250,000
Transfer to General Fund	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
 Total Expenditures	 \$ <u>3,038,478</u>	 \$ <u>3,866,574</u>	 \$ <u>3,461,657</u>	 \$ <u>3,727,895</u>
 Ending Fund Balance	 \$ <u>2,519,353</u>	 \$ <u>1,901,916</u>	 \$ <u>1,708,061</u>	 \$ <u>1,329,666</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-10 Debt Service Fund Management Index

General Debt Service Fund

Debt Service Fund Balance as of 9/30/17	\$	728,489
Debt Service Tax Levy of \$.1080 per \$ 100 of Assessed Valuation on 2017 Assessed Valuation of \$ 2,100,299,167 at 98% collection		2,222,957
Interest Earnings on Debt Service Fund		<u>8,500</u>
Total Available for 2018 Debt Service		2,959,946
Less: 2017 Debt Service Requirements		<u>2,285,197</u>
Projected Debt Service Fund Balance at 9/30/18	\$	<u>674,749</u>

Economic Development and Golf Course Debt Service Funds

These funds were established to account for the debt service on all bond issues which are to be repaid with the revenue from the optional half-cent sales tax. As of 02/28/18, there are seven outstanding issues, the 2009 CO's for the Downtown Revitalization Project, the 2011 Limited Tax Refunding Bonds originally for the Golf Course, the 2013 CO's for Phase 3 of the Downtown Project (South Parking Place), the 2013A CO's for the extension of water for further development, the 2014 CO's for infrastructure improvement incentives for Dow and HEB, the 2015 Refunding Bonds, and the 2016 CO's for replacement of force main from Lift Station 25 to the Wastewater Treatment Plant and Extension of Sewer to the northwest.

	<u>Golf Course</u>	<u>Economic Development</u>
Debt Service Fund Balance as of 9/30/17	\$ -0-	\$ -0-
Transfer from Golf Course Operations		
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>488,400</u>	<u>1,403,284</u>
Total Available for 2018 Debt Service	488,400	1,403,284
Less: 2017 Debt Service Requirements	<u>488,400</u>	<u>1,824,841</u>
Projected Debt Service Fund Balance at 9/30/17	\$ <u>-0-</u>	\$ <u>(421,557)</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-11

Utility Debt Service Fund Management Index

Utility Revenue Interest and Sinking Fund (Including Reserve Balance)

Debt Service Fund Balance as of 9/30/17	\$ 2,275,755
Transfer from Utility Operating Fund (as budgeted)	1,619,335
Transfer from Debt Service Reserve (as budgeted)	-0-
2018 Projected Interest Earnings	<u>10,000</u>
Total Available for 2018 Debt Service	3,905,090
Less: 2018 Debt Service Requirements (including agent fees)	<u>1,599,344</u>
Projected Debt Service Fund Balance at 9/30/18	<u>\$ 2,305,746</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	Fiscal Year	
	2017	2016
Revenues:		
Taxes	\$ 22,421,836	\$ 22,073,188
Intergovernmental	130,185	254,433
Charges for services	1,236,652	1,263,879
Fines and fees	535,164	472,117
Licenses and permits	341,122	496,068
Investment earnings	171,392	96,689
Miscellaneous	473,897	613,002
Total revenues	25,310,248	25,269,376
Expenditures:		
General government and administration	4,645,330	4,039,007
Public safety	7,005,479	6,038,765
Public works	2,795,351	2,837,563
Culture and recreation	5,318,988	5,068,207
Capital Outlay	3,820,985	10,051,261
Debt Service:		
Principal	3,395,000	3,210,000
Interest and fiscal charges	1,128,293	1,000,440
Total expenditures	28,109,426	32,245,243
Excess of revenues over (under) expenditures	(2,799,178)	(6,975,867)
Other Financing Sources (Uses):		
Issuance of bonds	6,820,000	7,870,000
Bonds issued premium	268,528	537,550
Sale of capital assets	30,142	41,105
Transfers in	5,162,794	4,930,442
Transfers out	(8,467,716)	(5,829,749)
Payment to bond refunding escrow agent		(8,300,732)
Total other financing sources (uses)	3,813,748	(751,384)
Net change in fund balances	\$ 1,014,570	\$(7,727,251)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

The following schedule presents a summary of the Proprietary Funds for the fiscal year ended September 30, 2017 and 2016.

	2017	2016
Revenues:		
Water and sewer services	\$ 8,955,492	\$ 8,082,234
Sanitation service	3,849,309	3,765,504
Tapping and connection fees	280,557	289,097
Golf course fees and charges	1,286,124	1,276,932
Other	212,438	238,731
	14,583,920	13,652,498
Operating Expenses:		
Utility administration	571,646	443,853
Water and sewer	6,016,788	5,778,491
Golf course	1,710,912	1,649,011
Sanitation	3,014,234	2,864,997
Depreciation	2,561,032	2,432,551
	13,874,612	13,168,903
Net revenues	709,308	483,595
Nonoperating Revenues (Expenses):		
Interest earnings	98,251	34,700
Gain on disposition of capital assets	8,500	
Interest expense and fiscal charges	(446,456)	(308,857)
Contributions	264,287	2,583,926
Transfers:		
for franchise fee	(102,000)	(102,000)
for water and w/w admin fee	(438,390)	(438,390)
for equipment replacement	(654,464)	(636,516)
for utility projects		750,000
for golf course operation	300,000	424,296
for debt proceeds	3,900,000	
Assets purchased by general fund	299,776	901,917
	3,229,504	3,209,076
Net income	\$ 3,938,812	\$ 3,692,671

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-14
Water and Sewer Information

Water and Sewer Rates

Current water and sewer rates became effective October 1, 2017.

Water:	First 2000 gallons	\$ 13.25 Minimum
	Over 2000 gallons	\$ 4.20 per 1,000 gallons
	Over 20,000 gallons	\$ 4.70 per 1,000 gallons
Sewer:	First 2000 gallons	\$ 13.40 Minimum
	Over 2000 gallons	\$ 4.50 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 \$ 3.05.

In addition to the above, the City operates 12 water wells with a peak production capacity of 9.1 million gallons. Water storage capacity includes five elevated tanks (2.55 million gallons of capacity) and 4 ground storage tanks (4.5 million gallons total capacity).

Wastewater Treatment Plant

Sewer treatment is provided to the City by one water reclamation facility. This facility has a permitted capacity of 5.89 million gallons per day. Wastewater generated throughout the City flows through a series of lift stations prior to reaching the treatment plant. There are currently four “master” lift stations that pump directly to the treatment plant, and 42 lift stations that serve various subdivisions and convey wastewater to a “master” lift station.

Water and Sewer Customers

Currently, the City has 25 apartment complexes (3,487 units); 413 Commercial businesses, 60 institutions (churches, schools, etc.) and 8,433 residences utilizing the City’s water and sewer services.

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-15
Top Ten Utility Customers

<u>Name of Business</u>	<u>Type of Business</u>	<u>FY 2017 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Dow Innovation Center	Office Building/Labs	25,480	2.74%
Buc-ee's #29	Gas Station/Car Wash	25,332	2.72%
Brazosport Hospital	Hospital	22,518	2.42%
Brazosport College	College	18,545	1.99%
The Palms	Apartments	14,840	1.59%
Raamco Raintree LP	Apartments	12,034	1.29%
Gateway Housing	Apartments	11,239	1.21%
Westdale Edgewater	Apartments	10,020	1.08%
Brazos Mall Partners	Retail	9,330	1.00%
Residence of Lake Jackson	Apartments	<u>7,948</u>	<u>0.85%</u>
		<u>157,286</u>	<u>16.89%</u>

Total water consumption for the period October 1, 2016 to September 30, 2017 in thousands of gallons was 930,758.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-16
Principal Taxpayers and Assessed Valuation

Principal Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Tax Year 2017 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Dow Chemical Company	Various Properties	\$ 85,545,630	4.06%
Lex Lake Jackson LP	Industrial	66,321,990	3.15%
Cole Ofc Lake Jackson TX	Industrial	36,428,430	1.73%
Brazos Mall Partners, LLC	Mall - Retail	23,200,610	1.10%
PP 2014 LLC	Apartments	22,451,780	1.07%
Partners of Lake Jackson LP	Apartments	17,570,670	0.83%
Redwood Edgewater Dst	Apartments	17,464,170	0.83%
Napa Ventures Oyster Creek LLC	Apartments	16,603,340	0.79%
HEB Grocery Company	Grocery	12,383,230	0.59%
DCM Lake Jackson Property LLC	Apartments	12,100,000	0.57%
		<u>\$ 310,069,850</u>	<u>14.71%</u>

Assessed Valuation by Classification

<u>Classification</u>	<u>2017 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,562,778,527	64.22%
Real, Vacant Platted Lots/Tracts	11,592,840	0.47%
Commercial & Industrial	558,141,844	22.86%
Real, Acreage (Land only)	16,086,361	0.66%
Utilities & Pipelines	20,986,640	0.86%
Special Inventory & Other	267,045,497	10.93%
Total Market/Appraised Value	\$ 2,436,631,709	<u>100.00%</u>
Less Exemptions	<u>431,924,651</u>	
	2,004,707,058	
Under protest at certification	<u>102,859,724</u>	
Net Taxable Value	<u>\$ 2,107,566,782</u>	

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-17
General Fund - Budget Summary

On September 7, 2017 the 2017-18 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	2015-16 <u>Actual</u>	2016-17 <u>Actual</u>	2017-18 <u>Adopted Budget</u>
Revenues:			
Property tax	\$ 3,773,882	\$ 3,952,293	\$ 4,388,426
Sales tax	6,190,271	6,300,735	6,600,000
Franchise fees	1,734,284	1,707,848	1,722,000
Industrial district	4,317,295	4,394,560	4,485,526
Licenses and permits	733,957	420,207	460,800
Fines and fees	468,501	535,114	516,000
Civic Center fees	297,944	295,722	285,500
Recreation Center fees	965,935	940,929	961,150
Intergovernmental *	98,419	199,995	100,280
Interest and other	105,454	120,448	184,500
Utility Administrative fee	438,390	438,390	438,390
Transfer from Economic Development	350,000	350,000	350,000
Transfer from General Contingency	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Total revenues	 <u>\$ 19,474,332</u>	 <u>\$ 19,656,241</u>	 <u>\$ 20,492,572</u>
Expenditures:			
General government services	\$ 1,507,397	\$ 1,629,770	\$ 1,724,413
Financial services	1,314,065	1,431,461	1,602,194
Legal services	163,067	197,974	213,229
Public safety services *	6,428,036	7,803,156	8,079,594
Engineering services	417,381	478,835	517,351
Public works services	2,809,306	3,030,071	3,524,452
Storm damage clean up/flood	192,909	954,041	-0-
Parks & recreation services	3,911,549	4,209,056	4,500,020
Miscellaneous services	300,279	315,911	331,319
Prior Year Budget saving transfers	<u>1,300,000</u>	<u>1,300,000</u>	<u>-0-</u>
 Total expenditures	 <u>\$ 18,343,989</u>	 <u>\$ 21,350,275</u>	 <u>\$ 20,492,572</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-18
Utility Fund - Budget Summary

On September 4, 2017 the 2017-18 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2015-16</u> Actual	<u>2016-17</u> Actual	<u>2017-18</u> Adopted Budget
Revenues:			
Plumbing fees	\$ 18,773	\$ 17,286	\$ 20,000
Tap fees	78,445	74,555	50,000
Administrative fees	192,044	188,715	195,500
Water sales	4,342,585	4,829,899	4,679,482
Sewer sales	3,981,553	4,365,801	4,290,177
Senior discount	(234,849)	(240,208)	(250,000)
Sanitation sales	3,824,848	3,917,821	4,035,033
Other revenues	177,046	140,081	123,586
Interest & sales tax discount	15,869	36,350	20,000
Transfer from General Contingency	-0-	-0-	-0-
Transfer from Utility Contingency	-0-	-0-	-0-
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 12,396,314</u>	<u>\$ 13,330,300</u>	<u>\$ 13,163,778</u>
Expenditures:			
Utility administration	\$ 474,302	\$ 610,113	\$ 638,629
Water	3,375,475	3,663,389	4,002,292
Wastewater	2,610,498	2,611,073	2,696,595
Sanitation	3,188,153	3,372,556	3,416,537
Non-departmental	2,109,725	1,848,892	2,409,725
Budget savings transfer to Capital	200,000	375,000	-0-
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 11,958,153</u>	<u>\$ 12,481,023</u>	<u>\$ 13,163,778</u>