

THE CITY OF ENCHANTMENT

CITY OF LAKE JACKSON



FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023
ANNUAL COMPREHENSIVE FINANCIAL REPORT

*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

of the

**CITY OF
LAKE JACKSON, TEXAS**

**For the Year Ended
September 30, 2023**

Official Issuing Report:

**Modesto Mundo
City Manager**

**James Bryson
Director of Finance**

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CITY OF LAKE JACKSON, TEXAS

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INTRODUCTORY SECTION

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CITY OF LAKE JACKSON

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

March 31, 2024

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

We are pleased to submit the Annual Comprehensive Financial Report for the City of Lake Jackson, Texas (the “City”) for the fiscal year ended September 30, 2023.

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

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

Belt Harris Pechacek, LLLP, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the City’s financial statements for the year ended September 30, 2023.

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

PROFILE OF THE CITY

Background

The City is part of Texas history. The land that the City is built on was part of Stephen F. Austin’s original land grant from the Mexican government. The City 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 of 1941. The City incorporated in 1944.

Dow leaders with a great vision for a modern city created Lake Jackson in 1941. They wanted to build a community with a heart for progressive development, a spirit for economic diversity, and an eye to protect natural resources. Seven decades later, Lake Jackson reigns as that city.

Location

The City encompasses 18 square miles and has produced an orderly, well planned residential community. The City 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 29,000 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. The City serves as the regional retail and medical center.

Structure

On January 30, 1954, the City adopted a Home Rule Charter and approved the Council/Manager form of government with a Mayor and five City Council members, elected on an “at-large”, non-partisan basis for a term of two years. Operating under a Home Rule Charter and the Council/Manager plan, the City Council is the legislative body of the City. The City Manager, who is responsible for the general administration of the City, is appointed by the City Council. The Basic Financial Statements of the City include all government activities, organizations, and functions for which the City is financially responsible as defined by the Governmental Accounting Standards Board. Based on these criteria, no other governmental organizations are included in this report. For additional information on the reporting entity, refer to Note 1 to the basic financial statements.

Services Provided

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

In addition, the City provides water, sewer, and sanitation services, including curbside recycling for persons residing within its City limits. The City has an agreement with the Brazosport Water Authority (BWA) to obtain 2,000,000 gallons of surface water per day on a take or pay basis. The surface water is supplemented by the City’s twelve water wells. The water wells and BWA have a peak production capacity of 9.1 million gallons per day. Water storage capacity includes five elevated tanks (2.55 million gallons total capacity) and five ground storage tanks (4.6 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. Average flows for fiscal year 2023 were 3.17 million gallons per day. Wastewater generated throughout the City flows through a series of lift stations prior to reaching the treatment plant. There are currently five “master” lift stations that pump directly to the treatment plant, and 44 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, aluminum, cardboard, newspaper, and magazines in a blue bag.

AREA ECONOMY

Since 1940, when the Dow Chemical Company made the decision to build its first chemical plant in southern Brazoria County, the area has been a major center for a variety of petrochemical plants and the manufacturing of critical chemicals used in the day-to-day lives of people in the U.S. and worldwide. The City serves as the main retail, medical, and commercial center for this portion of the county.

In April 2021, Port Freeport began groundbreaking on a \$295 million federal cost shared project to deepen, widen, and make general improvements to the Freeport Harbor Channel. This project will make Port Freeport the deepest port in Texas and open them to receiving the larger ships in service today. This provides the Port opportunity to market to a wider range of vessels,

expand capacity and customer base, and potentially attract new liner services. This, in turn, is expected to facilitate additional economic opportunities.

Economists are forecasting substantial growth in the petrochemical market in 2022 and sustained growth through 2025. The growth is mainly due to companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures and the closure of commercial activities that resulted in operational challenges. While oil price volatility is likely to have a negative impact on the petrochemicals market, it will benefit from the forecasted growth in the automobiles industry as petrochemical products are used in manufacturing of brake parts and other components.

CITY ECONOMY

As the state's first master-planned community, the City has become a Texas Gulf Coast jewel with a beautiful, family-friendly city and vibrant economy. As a result, we are the chosen residential and business hub for the nearby Brazosport area. Here, businesses and residents enjoy seaside resort living 50 miles south of Houston. Just 10 minutes away, the Gulf of Mexico makes the City a seaside getaway with fishing, beaches, and water sports. This natural amenity also makes the City a strategic location for business. We are within miles of a deep-water port, a major railroad connection, the Texas Gulf Coast Regional Airport, and State Highway 288.

A part of the City's positive economic forecast is a result of the spinoff from the region's major petrochemical investments. The projects include Dow's Research and Development facility located in the City limits. This high-dollar investment infusion reveals the supreme confidence that prominent businesses have in the City's future. The City can support scientists, engineers, safety and regulatory sectors, and others that can find collaborators and partners in the City's existing business climate. The City's auxiliary system can provide software support, rapid prototyping facilities, a collaboration center, daycare, and accommodations for the aging workforce.

The direct economic impact to the City from these projects has been substantial. Both Lex Lake Jackson LP (Dow research facility) and Cole OFC (Dow administration building) are now among our top taxpayers. The research facility is also among the City's top water customers.

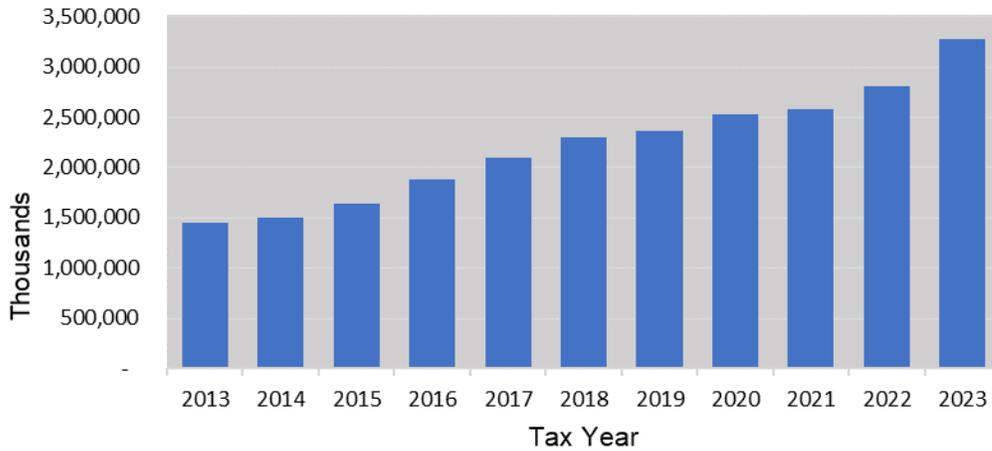
The City awarded a bid for the construction of the next \$9 million phase of downtown street revitalization. As of September 2022, the project is 95% completed with a finalization scheduled for mid-spring 2024.

Voters approved a \$26.5 million bond package on May 1, 2021. Projects in the bond package include a small expansion of police facilities, a brand-new animal services facility, and \$20.1 million of neighborhood street, drainage, water, and sewer rehabilitation. The second tranche of the bond package was funded in December 2023 leaving only the police facilities at \$2.4 million as unfunded.

The City welcomes planned neighborhoods, housing contractors, and others who want to find opportunities. An unmet housing demand makes Lake Jackson a golden opportunity. To meet the growing need for more homes, the City entered into its first Public Investment District (PID) with a developer for a subdivision on the north side of town.

Overall, taxable assessed values increased for fiscal year 2022 and fiscal year 2023 with another new apartment complex, numerous smaller new and renovated commercial projects, and continued residential construction. We anticipate values to maintain a steady growth.

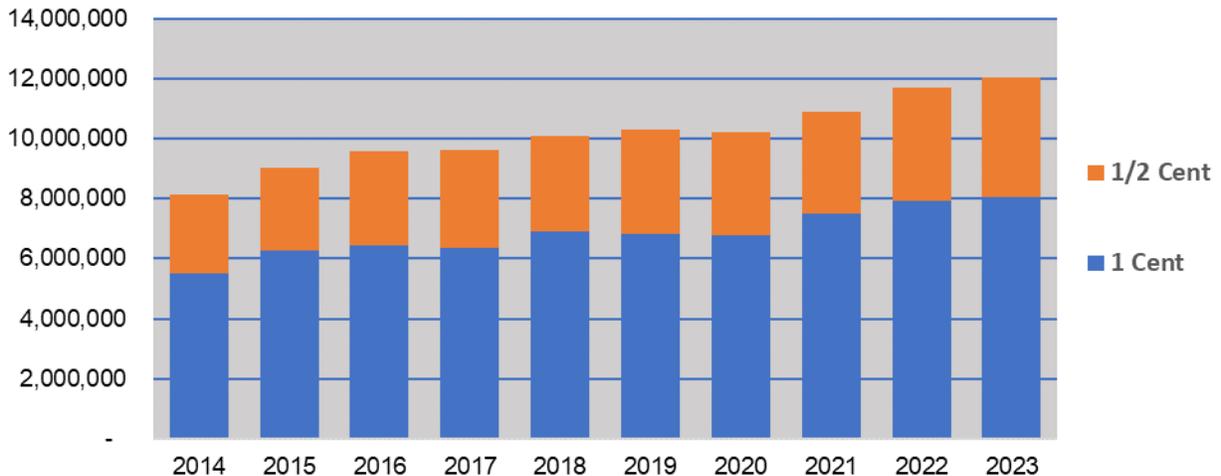
Taxable Assessed Property Valuations



Sales tax has remained steady in fiscal year 2022-2023. In fiscal year 2023, the local economy has remained solid and continued being a significant source of revenue.

The City's portion of the 8.25% sales tax rate is 1.5% -- of which 1% is allocated to the general fund, and 0.5% is allocated to the economic development fund. Sales tax comprises 30% of the general operating fund budget.

Sales Tax Revenue



MAJOR ISSUES AND INITIATIVES

Engineering is complete with bidding and construction is underway on a major wastewater improvement to replace Lift Station 1 and the force main to the wastewater plant. Within the next several years, there will likely be another Revenue Bond issue for improvements to the wastewater treatment plant.

The City is focusing on two elements – maintain infrastructure and maintain a well-managed City. One major problem identified by staff and City Council is infrastructure deterioration (street maintenance lagging, utilities aging, and facilities and equipment creating internal service demands/hampering external service requests). Another is employee vacancies and not reaching full staffing.

To address these concerns, the City is:

- Making compensation, employment requirements and scheduling adjustments.
- Establishing cost recovery standards for major service areas.

The future of the City and all Southern Brazoria County continues to be bright.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

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

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

Budgetary Controls

The City Charter provides that the City Council shall adopt the annual budget prepared by City Management as revised by the City Council. This budget is reviewed and revised by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within all funds. The City Council must authorize all increases in total spending in any fund. The budgets for the capital projects funds are prepared on a project basis with costs being incurred over the project period. The City's Finance Office monitors expenditure activity on a monthly basis against budgeted amounts and reports significant variances to the City Manager, who in turn reports to the City Council. A financial report is submitted to the City Council on a quarterly basis. The City continues to follow and improve upon its strong and fiscally conservative policies that lead to its sound financial condition.

DEBT ADMINISTRATION

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

INDEPENDENT AUDIT

Pursuant to Article III, Section 3.14 of the City Charter, an audit of the accounts and financial statements has been completed by the City's independent Certified Public Accountants – Belt Harris Pechacek, LLLP. Their opinion 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 for its annual comprehensive financial report for the fiscal year ended September 30, 2022. 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 Annual Comprehensive Financial Report (ACFR), whose contents conform to program standards. The ACFR 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 has received a Certificate of Achievement the last 28 years. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

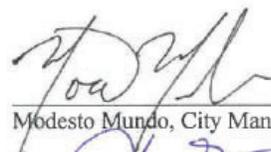
RESPONSIBILITY FOR FINANCIAL REPORTING

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Modesto Mundo, City Manager



James Bryson, Director of Finance

CITY OF LAKE JACKSON, TEXAS
*CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING*



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lake Jackson
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

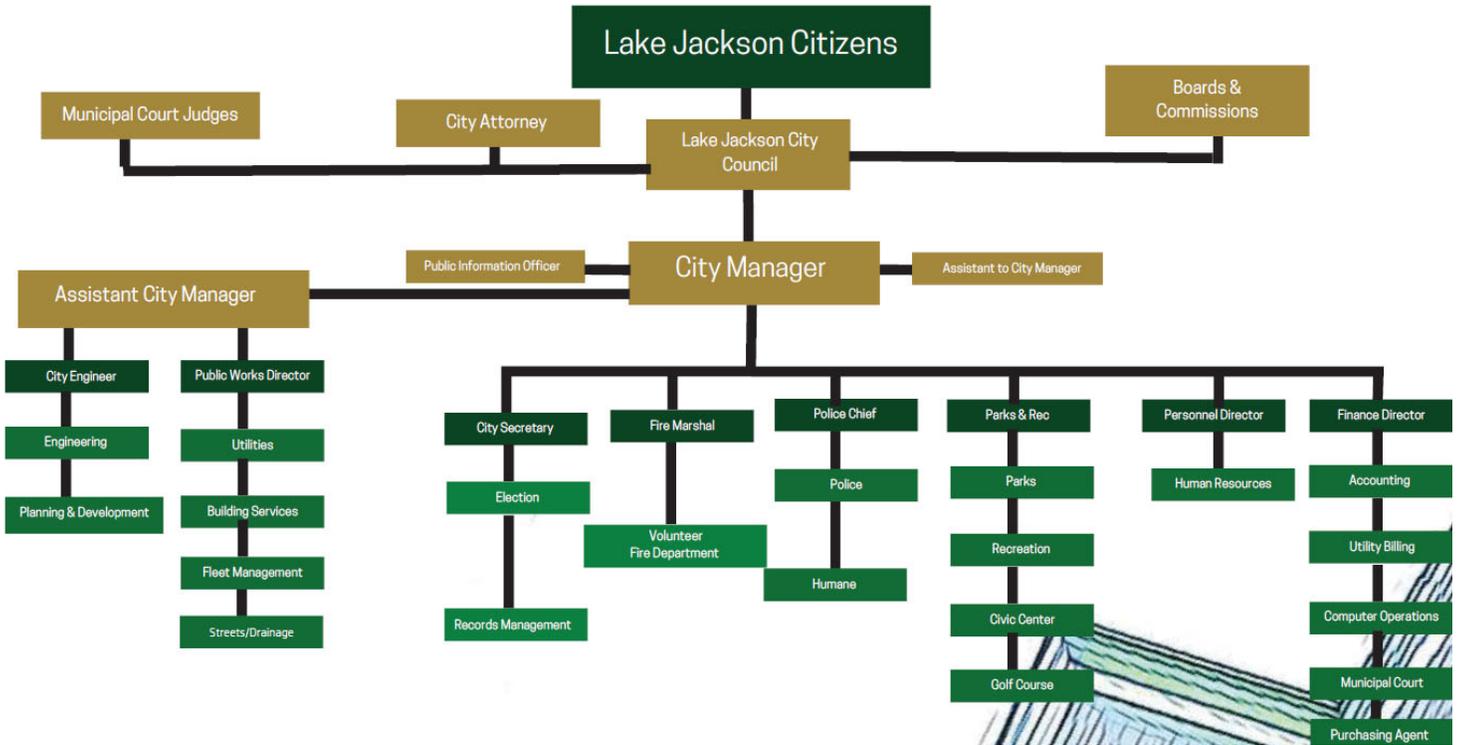
Christopher P. Morill

Executive Director/CEO

CITY OF LAKE JACKSON, TEXAS

ORGANIZATIONAL CHART

September 30, 2023



CITY OF LAKE JACKSON, TEXAS

PRINCIPAL OFFICIALS

September 30, 2023

<u>City Officials</u>	<u>Elective Position</u>	<u>Term Expires</u>
Gerald Roznovsky	Mayor	2024
Matthew Broaddus	Council Member – Position 1	2025
Vinay Singhania	Council Member – Position 2	2024
Rhonda Seth	Mayor Pro Tem, Council Member – Position 3	2025
Chase Blanchard	Council Member – Position 4	2024
Jon “J.B.” Baker	Council Member – Position 5	2025

<u>Key Staff</u>	<u>Position</u>
Modesto Mundo	City Manager
James Bryson	Finance Director
Giselle G. Hernandez	Controller
Riazul Mia	Assistant City Manager
Sally Villarreal	City Secretary
Sherri Russell	City Attorney
Tyler Harper	Fire Chief
Debra Webb	Interim Public Works Director
Sal Aguirre	City Engineer
Paul Kibodeaux	Police Chief
Robin Hyden	Director of Parks and Recreation
Chris Sermarini	EMS Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Jackson, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefits liability and related ratios, schedule of the City's proportionate share of the net pension liability, and schedules of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections and the other sub-fund statements but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 31, 2024

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF LAKE JACKSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including general government and administration, public safety, public works, and culture and recreation. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, occupancy and other taxes, industrial district fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's utility (water and sewer and sanitation) and golf course operations.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City'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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, general governmental debt service fund, economic development fund (special revenue fund), and the infrastructure improvements fund, which are reported as major funds. The general governmental debt service fund is considered a nonmajor fund for reporting purposes, but the City has elected to present as major due to its significance.

The City adopts an annual appropriated budget for its general fund, general governmental debt service fund, and special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

CITY OF LAKE JACKSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Proprietary Funds

The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility (water and sewer system and sanitation) and golf course operations. The proprietary funds financial statements provide separate information for its utility and golf course operations. The proprietary funds financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general and economic development fund, schedules of changes in net pension and total other postemployment benefits liability and related ratios for Texas Municipal Retirement System (TMRS), schedule of the City's proportionate share of the net pension liability for Texas Emergency Services Retirement System (TESRS), and schedules of contributions for both TMRS and TESRS. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$123,708,345 as of September 30, 2023. The largest portion of the City's net position, 63.2 percent, reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF LAKE JACKSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental		Business-Type		Total	
	Activities		Activities		Primary	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 46,555,801	\$ 54,182,048	\$ 32,833,489	\$ 24,790,159	\$ 79,389,290	\$ 78,972,207
Capital assets, net	71,622,442	66,061,379	38,203,430	39,031,414	109,825,872	105,092,793
Total Assets	118,178,243	120,243,427	71,036,919	63,821,573	189,215,162	184,065,000
Deferred outflows - pensions	5,884,994	1,385,634	1,501,139	355,793	7,386,133	1,741,427
Deferred outflows - OPEB	92,865	142,074	25,929	38,958	118,794	181,032
Deferred loss on refunding	83,677	96,944	-	-	83,677	96,944
Total Deferred Outflows of Resources	6,061,536	1,624,652	1,527,068	394,751	7,588,604	2,019,403
Long-term liabilities	44,843,519	41,758,729	21,495,385	14,461,455	66,338,904	56,220,184
Current liabilities	2,078,337	7,284,312	2,161,729	1,819,955	4,240,066	9,104,267
Total Liabilities	46,921,856	49,043,041	23,657,114	16,281,410	70,578,970	65,324,451
Deferred inflows - pensions	3,386	3,890,965	391	1,037,740	3,777	4,928,705
Deferred inflows - OPEB	239,573	24,341	63,660	6,674	303,233	31,015
Deferred inflows - leases	-	-	2,209,441	2,384,192	2,209,441	2,384,192
Total Deferred Inflows of Resources	242,959	3,915,306	2,273,492	3,428,606	2,516,451	7,343,912
Net Position:						
Net investment in capital assets	46,591,942	41,473,527	31,569,227	33,095,598	78,161,169	74,569,125
Restricted	5,196,980	7,846,356	3,641,982	1,633,333	8,838,962	9,479,689
Unrestricted	25,286,042	19,589,849	11,422,172	9,777,377	36,708,214	29,367,226
Total Net Position	\$ 77,074,964	\$ 68,909,732	\$ 46,633,381	\$ 44,506,308	\$ 123,708,345	\$ 113,416,040

A portion of the City's net position, \$8,838,962 or 7.1 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$36,708,214, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$10,292,305, which is from a surplus for governmental and business-type activities. Total assets increased from prior year, which was primarily due to an increase in capital assets. The increase in capital assets is mainly due to capital assets that were funded through grants. The net increase in total liabilities includes an increase in long-term liabilities and decrease in current liabilities. The decrease in current liabilities is mostly due to a decrease in unearned grant proceeds that were spent during the fiscal year on capital additions. The increase in long-term liabilities is largely due to the issuance of debt in the current year. There was a net increase in deferred outflows of resources and a net decrease in deferred inflows of resources from prior year due primarily to the changes related to the pension plan for the net difference between projected and actual investment earnings.

CITY OF LAKE JACKSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Activities

The following table provides a summary of the City's changes in net position:

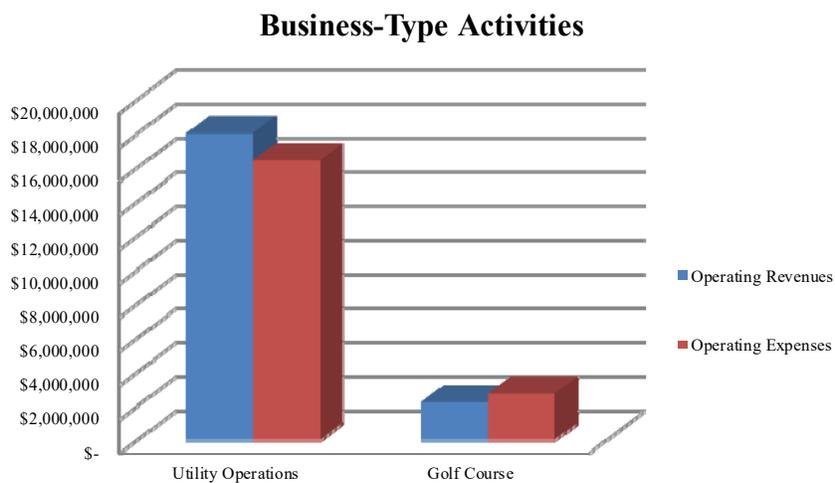
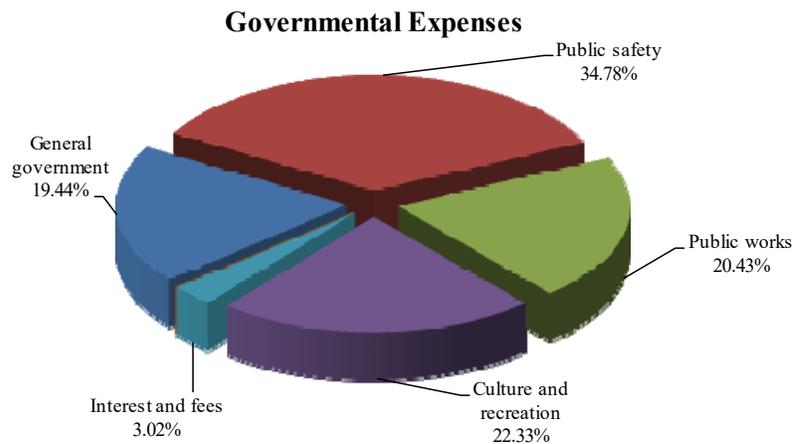
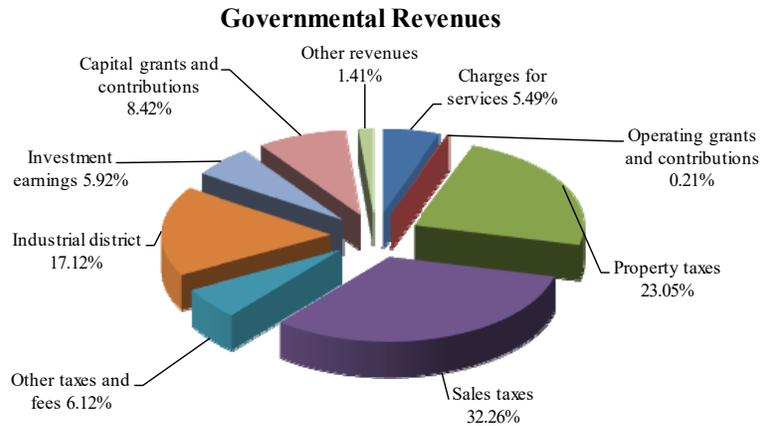
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 2,028,110	\$ 1,779,056	\$ 20,225,628	\$ 18,218,431	\$ 22,253,738	\$ 19,997,487
Operating grants and contributions	77,865	142,985	-	-	77,865	142,985
Capital grants and contributions	3,105,808	-	1,867,131	-	4,972,939	-
General revenues:						
Taxes:						
Property	8,513,047	8,196,599	-	-	8,513,047	8,196,599
Sales	11,919,333	11,739,782	-	-	11,919,333	11,739,782
Franchise, occupancy, and other	2,260,357	2,324,643	-	-	2,260,357	2,324,643
Industrial district	6,323,810	5,583,516	-	-	6,323,810	5,583,516
Investment earnings	2,195,058	331,298	1,157,807	142,759	3,352,865	474,057
Other revenues	522,169	296,225	-	-	522,169	296,225
Total Revenues	36,945,557	30,394,104	23,250,566	18,361,190	60,196,123	48,755,294
Expenses						
General government	5,876,608	5,490,852	-	-	5,876,608	5,490,852
Public safety	10,508,653	8,814,132	-	-	10,508,653	8,814,132
Public works	6,171,917	5,486,432	-	-	6,171,917	5,486,432
Culture and recreation	6,746,331	5,993,872	-	-	6,746,331	5,993,872
Interest and fiscal agent fees	910,984	1,240,078	-	-	910,984	1,240,078
Water and sewer	-	-	12,110,795	11,008,302	12,110,795	11,008,302
Sanitation	-	-	4,842,671	3,588,880	4,842,671	3,588,880
Golf course	-	-	2,735,859	2,729,728	2,735,859	2,729,728
Total Expenses	30,214,493	27,025,366	19,689,325	17,326,910	49,903,818	44,352,276
Increase in Net Position Before Transfers	6,731,064	3,368,738	3,561,241	1,034,280	10,292,305	4,403,018
Transfers in (out)	1,434,168	1,367,307	(1,434,168)	(1,367,307)	-	-
Change in Net Position	8,165,232	4,736,045	2,127,073	(333,027)	10,292,305	4,403,018
Beginning net position	68,909,732	64,173,687	44,506,308	44,839,335	113,416,040	109,013,022
Ending Net Position	\$ 77,074,964	\$ 68,909,732	\$ 46,633,381	\$ 44,506,308	\$ 123,708,345	\$ 113,416,040

CITY OF LAKE JACKSON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2023

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.



CITY OF LAKE JACKSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

For the year ended September 30, 2023, revenues from governmental activities totaled \$36,945,557, which is an increase of \$6,551,453 from last year. This is primarily due to an increase in revenues for capital grants related to the coronavirus local relief fiscal recovery fund, revenues from the industrial district due to an increase in industrial assessed property values, and an increase in investment earnings from higher interest rates on pooled investments.

For the year ended September 30, 2023, expenses for governmental activities totaled \$30,214,493. Overall governmental expenses increased by \$3,189,127 largely due to increases in personnel costs.

Net position for business-type activities increased \$2,127,073 compared to the prior year. Revenues increased \$4,889,376 compared to the prior year, which was primarily due to an increase in charges for services as a result of an increase in utility billing rates and garbage pickup services provided and an increase in capital grants related to the coronavirus local relief fiscal recovery fund. Expenses increased \$2,362,415 compared to the prior year due to an increase in maintenance and sanitation expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure 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 the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$43,826,915. Of this, \$119,796 is nonspendable, \$16,262,383 is restricted for various purposes, \$987,908 is committed for contingencies, and \$18,037,259 is assigned for various projects. The remaining balance of \$8,419,569 is unassigned in the general fund.

There was a net decrease in the combined fund balance for the governmental funds of \$40,622 compared to the prior year. The net decrease includes transfers from the utility fund of \$1,668,826 for capital-related projects and reimbursement of administrative costs.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$8,419,569, while total fund balance reached \$22,148,584. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35 percent of total general fund expenditures while total fund balance represents 93 percent of the same amount. The general fund demonstrated an overall increase of \$3,223,457 in fund balance, mainly due to revenues exceeding expenditures. Compared to the prior year, revenues increased \$3,327,774 mainly due to an increase in revenues for industrial district fees, property tax revenues from an increase in property values, and investment income from higher interest rates on pooled investments. Expenditures increased \$1,618,824 compared to the prior year due to increases in expenditures from personnel costs and capital outlay.

The general governmental debt service fund has a total fund balance of \$853,086, all of which is restricted for the payment of debt service. The increase in fund balance during the year was \$39,345. There was an increase in revenues of \$70,510 from prior year primarily due to an increase in investment earnings from higher interest rates on pooled investments. Expenditures decreased by \$167,820 from prior year mainly due to a decrease in interest paid on debt.

CITY OF LAKE JACKSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The economic development fund had a total fund balance of \$3,748,346, which is restricted for economic development. There was a decrease in the economic development fund of \$305,184, which included transfers to other governmental funds of \$2,866,320 for debt service payments from debt issued for projects related to economic development and the costs to support recreation operations to encourage economic activity. Revenues increased by \$292,185 from prior year, which was primarily due to higher interest rates on pooled investments. Expenditures increased by \$604,764 from prior year mainly due to an increase in capital outlay for projects related to the City parks.

There was a decrease in fund balance for the infrastructure improvements fund of \$212,658. This includes revenue from investment earnings of \$321,626 and expenditures on capital outlay of \$534,284. The ending fund balance for the infrastructure improvement fund of \$6,806,372 is restricted for future capital projects.

Proprietary Funds – The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The City's utility operations fund reported an increase in net position of \$2,178,418, which was primarily due to intergovernmental revenue for capital grants. The golf course operations fund reported a decrease in net position of \$51,345, which included transfers from economic development and contributions of capital assets from governmental activities of \$460,658. The ending net position for the utility operations fund was \$41,658,707, and the golf course operations fund was \$4,974,674.

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been a planned decrease in budgeted fund balance in the amount of \$3,048,448 in the general fund. However, the net change in fund balance increased by \$3,223,457, resulting in a positive variance of \$6,271,905 from budgeted as amended over actual. Actual general fund revenues were more than original and amended budgeted revenues by \$2,829,602 during 2023, which was primarily due to more than anticipated revenues from industrial district, intergovernmental, and investment earnings. Actual expenditures were less than budgeted amounts by \$3,442,282 for the fiscal year. This positive budget variance is primarily due to less expenditures than budgeted for general government, public safety, and capital outlay.

CAPITAL ASSETS

At the end of the current fiscal year, the City's governmental and business-type activities had invested \$109,825,872 in a variety of capital assets, infrastructure, and right-to-use assets (net of accumulated depreciation/amortization). This represents a net increase of \$4,733,079.

Major capital asset events during the current year include the following:

- Construction in progress for downtown revitalization of \$3,335,907
- Generator for \$552,000
- Public safety equipment upgrades of \$592,883

More detailed information about the City's capital assets is presented in note III.D. to the financial statements.

CITY OF LAKE JACKSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

LONG-TERM DEBT

At the end of the current fiscal year, the City had total bonds and certificates of obligation outstanding of \$51,925,000. Of this amount, \$29,100,000 was general obligation bonds, certificates of obligation accounted for \$5,010,000, and revenue bonds totaled \$17,815,000.

During the year, the City's certificates of obligation and general obligation bonds, which are reported as debt for governmental activities, decreased by \$3,795,000 from principal payments on debt outstanding. The City's revenue bonds, which are reported as debt for business-type activities, had a net increase of \$4,805,000. The net increase in revenue bonds include principal payments on debt outstanding of \$1,000,000 and an issuance of revenue bond series 2022 for \$5,805,000.

More detailed information about the City's long-term liabilities is presented in note III.E. to the financial statements.

Current underlying ratings on debt issues are as follows:

	Moody's Investors Services	Standard and Poor's
General obligation bonds and certificates of obligation	Aa1	AA
Revenue bonds	Aa3	AA

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City adopted a fiscal year 2023-2024 total operating budget of \$43,252,200, which is an increase of roughly 5 percent from the prior year operating budget. The 2023 estimated taxable value for fiscal year 2024 property tax revenues is \$3,474,301,205, which is an increase of \$663,778,404 from the estimated taxable values for fiscal year 2023. The 2023 maintenance and operation tax rate was \$0.200663 for property tax revenues within the general fund for fiscal year 2024, which is a decrease of \$0.024098 from prior year rate. The approved 2023 interest and sinking tax rate was \$0.126510 for property tax revenues within the debt service fund for fiscal year 2024, which is an increase of \$0.028150 from the prior year rate.

The proposed general fund budget for fiscal year 2023-2024 is \$25,705,900, which is an increase of \$1,928,955 from prior year actual general fund expenditures.

For fiscal year 2023-2024, the City anticipates generating \$17.5 million in total utility fund operating revenues, which is an increase of roughly 5% from prior year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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.

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BASIC FINANCIAL STATEMENTS

CITY OF LAKE JACKSON, TEXAS

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 43,429,699	\$ 11,203,319	\$ 54,633,018
Investments	100,000	-	100,000
Accounts receivables, net of allowances	2,789,690	1,211,673	4,001,363
Lease receivables	-	2,344,889	2,344,889
Inventory	114,796	78,354	193,150
Prepaid items	121,616	20,168	141,784
Restricted assets:			
Temporarily restricted cash and cash equivalents	-	17,975,086	17,975,086
Capital assets:			
Nondepreciable/nonamortizable capital assets	14,371,802	4,069,959	18,441,761
Depreciable/amortizable capital assets, net	57,250,640	34,133,471	91,384,111
Total Assets	118,178,243	71,036,919	189,215,162
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pension from TMRS	5,669,632	1,501,139	7,170,771
Deferred outflows - pension from TESRS	215,362	-	215,362
Deferred outflows - OPEB from TMRS	92,865	25,929	118,794
Deferred loss on refunding	83,677	-	83,677
Total Deferred Outflows of Resources	6,061,536	1,527,068	7,588,604
<u>Liabilities</u>			
Accounts payable and accrued liabilities	1,578,365	825,452	2,403,817
Unearned revenue	103,430	172,360	275,790
Accrued bond interest	43,291	293,224	336,515
Customer deposits	353,251	870,693	1,223,944
Noncurrent liabilities:			
Portion due within one year:			
Compensated absences	639,700	105,856	745,556
Total OPEB liability - TMRS	12,589	3,330	15,919
Bonds payable	3,265,000	1,295,000	4,560,000
Lease liabilities	23,680	231,450	255,130
Portion due in more than one year:			
Compensated absences	33,668	5,571	39,239
Bonds payable (net of deferred charges)	32,846,186	17,314,726	50,160,912
Lease liabilities	34,485	525,044	559,529
Net pension liability - TMRS	7,081,021	1,874,831	8,955,852
Net pension liability - TESRS	379,528	-	379,528
Total OPEB liability - TMRS	527,662	139,577	667,239
Total Liabilities	46,921,856	23,657,114	70,578,970

CITY OF LAKE JACKSON, TEXAS

STATEMENT OF NET POSITION (Continued)

September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pension from TMRS	\$ 1,478	\$ 391	\$ 1,869
Deferred inflows - pension from TESRS	1,908	-	1,908
Deferred inflows - OPEB from TMRS	239,573	63,660	303,233
Deferred inflows - leases	-	2,209,441	2,209,441
Total Deferred Inflows of Resources	242,959	2,273,492	2,516,451
<u>Net Position</u>			
Net investment in capital assets	46,591,942	31,569,227	78,161,169
Restricted for:			
Expendable			
Debt service	941,003	3,641,982	4,582,985
Enabling legislation	503,946	-	503,946
Economic development	3,748,346	-	3,748,346
Capital projects	3,685	-	3,685
Unrestricted	25,286,042	11,422,172	36,708,214
Total Net Position	\$ 77,074,964	\$ 46,633,381	\$ 123,708,345

See Notes to Financial Statements.

CITY OF LAKE JACKSON, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 5,876,608	\$ 401,815	\$ -	\$ -
Public safety	10,508,653	-	77,865	798,884
Public works	6,171,917	546,270	-	2,306,924
Culture and recreation	6,746,331	1,080,025	-	-
Interest and fiscal agent fees	910,984	-	-	-
Total Governmental Activities	30,214,493	2,028,110	77,865	3,105,808
Business-Type Activities				
Water and sewer	12,110,795	12,790,698	-	1,867,131
Sanitation	4,842,671	5,220,025	-	-
Golf course	2,735,859	2,214,905	-	-
Total Business-Type Activities	19,689,325	20,225,628	-	1,867,131
Total Primary Government	\$ 49,903,818	\$ 22,253,738	\$ 77,865	\$ 4,972,939

General Revenues:

- Taxes:
 - Property
 - Sales
 - Franchise
 - Occupancy
 - Other
- Industrial district
- Investment revenue
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,474,793)	\$ -	\$ (5,474,793)
(9,631,904)	-	(9,631,904)
(3,318,723)	-	(3,318,723)
(5,666,306)	-	(5,666,306)
(910,984)	-	(910,984)
<u>(25,002,710)</u>	<u>-</u>	<u>(25,002,710)</u>
-	2,547,034	2,547,034
-	377,354	377,354
-	(520,954)	(520,954)
<u>-</u>	<u>2,403,434</u>	<u>2,403,434</u>
<u>(25,002,710)</u>	<u>2,403,434</u>	<u>(22,599,276)</u>
8,513,047	-	8,513,047
11,919,333	-	11,919,333
1,558,151	-	1,558,151
435,058	-	435,058
267,148	-	267,148
6,323,810	-	6,323,810
2,195,058	1,157,807	3,352,865
522,169	-	522,169
1,434,168	(1,434,168)	-
<u>33,167,942</u>	<u>(276,361)</u>	<u>32,891,581</u>
8,165,232	2,127,073	10,292,305
<u>68,909,732</u>	<u>44,506,308</u>	<u>113,416,040</u>
<u>\$ 77,074,964</u>	<u>\$ 46,633,381</u>	<u>\$ 123,708,345</u>

CITY OF LAKE JACKSON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2023

	General	General Governmental Debt Service	Economic Development	Infrastructure Improvements
<u>Assets</u>				
Cash and cash equivalents	\$ 21,720,080	\$ 853,086	\$ 3,305,912	\$ 6,825,061
Investments	100,000	-	-	-
Receivables, net	2,060,434	33,062	636,731	-
Inventories	114,796	-	-	-
Prepaid items	121,616	-	-	-
Total Assets	\$ 24,116,926	\$ 886,148	\$ 3,942,643	\$ 6,825,061
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 850,883	\$ -	\$ 194,297	\$ 18,689
Customer deposits	353,251	-	-	-
Unearned revenue	103,430	-	-	-
Total Liabilities	1,307,564	-	194,297	18,689
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	67,428	33,062	-	-
Unavailable revenue - court collections	593,350	-	-	-
	660,778	33,062	-	-
<u>Fund Balances</u>				
Nonspendable:				
Inventories	114,796	-	-	-
Prepaid items	5,000	-	-	-
Restricted for:				
Debt service	-	853,086	-	-
Enabling legislation	-	-	-	-
Economic development	-	-	3,748,346	-
Capital projects	-	-	-	6,806,372
Committed:				
Contingencies	987,908	-	-	-
Assigned to:				
General construction	-	-	-	-
Unemployment insurance	13,451	-	-	-
Equipment replacement	12,197,840	-	-	-
Special events	56,156	-	-	-
Park improvement	353,864	-	-	-
Unassigned	8,419,569	-	-	-
Total Fund Balances	22,148,584	853,086	3,748,346	6,806,372
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 24,116,926	\$ 886,148	\$ 3,942,643	\$ 6,825,061

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ 10,725,560	\$ 43,429,699
-	100,000
59,463	2,789,690
-	114,796
-	121,616
<u>\$ 10,785,023</u>	<u>\$ 46,555,801</u>
\$ 514,496	\$ 1,578,365
-	353,251
-	103,430
<u>514,496</u>	<u>2,035,046</u>
-	100,490
-	593,350
<u>-</u>	<u>693,840</u>
-	114,796
-	5,000
98,146	951,232
503,946	503,946
-	3,748,346
4,252,487	11,058,859
-	987,908
5,415,948	5,415,948
-	13,451
-	12,197,840
-	56,156
-	353,864
-	8,419,569
<u>10,270,527</u>	<u>43,826,915</u>
<u>\$ 10,785,023</u>	<u>\$ 46,555,801</u>

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CITY OF LAKE JACKSON, TEXAS

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

September 30, 2023

Total fund balances - total governmental funds \$ 43,826,915

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets, nondepreciable/nonamortizable	14,371,802
Capital assets, net depreciable/amortizable	57,250,640

Long-term liabilities and deferred outflows and deferred inflows related to the net pension and total other postemployment benefits (OPEB) liability are not recognized in the governmental funds.

Net pension liability	(7,460,549)
Deferred outflows - pensions	5,884,994
Deferred inflows - pensions	(3,386)
Total OPEB liability	(540,251)
Deferred outflows - OPEB	92,865
Deferred inflows - OPEB	(239,573)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

693,840

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	(43,291)
Noncurrent liabilities due in one year	(3,928,380)
Noncurrent liabilities due in more than one year	(32,914,339)
Deferred loss on refunding	83,677

Net Position of Governmental Activities \$ 77,074,964

See Notes to Financial Statements.

CITY OF LAKE JACKSON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2023

	General	General Governmental Debt Service	Economic Development	Infrastructure Improvements
Revenues				
Taxes:				
Property	\$ 5,756,916	\$ 2,769,206	\$ -	\$ -
Sales	7,871,050	-	4,048,283	-
Franchise	1,500,507	-	-	-
Occupancy	-	-	-	-
Other	267,148	-	-	-
Industrial district	6,323,810	-	-	-
Licenses and permits	546,270	-	-	-
Fines and forfeitures	434,449	-	-	-
Charges for services	1,080,025	-	-	-
Intergovernmental	857,233	-	-	-
Investment revenue	822,969	81,572	228,996	321,626
Other revenue	429,132	-	-	-
Total Revenues	25,889,509	2,850,778	4,277,279	321,626
Expenditures				
Current:				
General government	5,316,497	-	-	-
Public safety	8,818,140	-	-	-
Public works	3,180,193	-	-	-
Culture and recreation	5,216,934	-	464,384	-
Capital outlay	1,220,237	-	1,251,759	534,284
Debt service:				
Principal	23,061	2,056,534	-	-
Interest and fiscal agent fees	1,883	754,899	-	-
Total Expenditures	23,776,945	2,811,433	1,716,143	534,284
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,112,564	39,345	2,561,136	(212,658)
Other Financing Sources (Uses)				
Transfers in	1,110,893	-	-	-
Transfers (out)	-	-	(2,866,320)	-
Total Other Financing Sources (Uses)	1,110,893	-	(2,866,320)	-
Net Change in Fund Balances	3,223,457	39,345	(305,184)	(212,658)
Beginning fund balances	18,925,127	813,741	4,053,530	7,019,030
Ending Fund Balances	\$ 22,148,584	\$ 853,086	\$ 3,748,346	\$ 6,806,372

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 8,526,122
-	11,919,333
57,644	1,558,151
435,058	435,058
-	267,148
-	6,323,810
-	546,270
-	434,449
-	1,080,025
2,326,440	3,183,673
739,895	2,195,058
93,037	522,169
3,652,074	36,991,266
245,255	5,561,752
80,328	8,898,468
1,309,198	4,489,391
407,135	6,088,453
5,720,319	8,726,599
1,738,466	3,818,061
361,208	1,117,990
9,861,909	38,700,714
(6,209,835)	(1,709,448)
3,490,320	4,601,213
(66,067)	(2,932,387)
3,424,253	1,668,826
(2,785,582)	(40,622)
13,056,109	43,867,537
\$ 10,270,527	\$ 43,826,915

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CITY OF LAKE JACKSON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Net changes in fund balances - total governmental funds \$ (40,622)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital outlay	10,535,901
Depreciation/amortization expense	(4,974,838)

The issuance of long-term debt (e.g., bonds and certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are recognized at the government-wide level.

Principal payments on debt	3,795,000
Amortization of deferred amounts	(13,267)
Compensated absences	(26,918)
Lease activity	23,061
Premiums on issuance of bonds	214,780
Accrued interest	5,493
Deferred outflows - pensions	4,499,360
Deferred inflows - pensions	3,887,579
Net pension liability	(9,691,020)
Deferred outflows - OPEB	(49,209)
Deferred inflows - OPEB	(215,232)
Total OPEB liability	260,873

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds. This includes the change in deferred inflows of resources for unavailable revenues.

Change in deferred inflows for property taxes	(13,075)
Change in deferred inflows for court receivables	(32,634)

Change in Net Position of Governmental Activities	\$ 8,165,232
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See Notes to Financial Statements.

CITY OF LAKE JACKSON, TEXAS

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2023

	Business-Type Activities		
	Utility Operations	Golf Course Operations	Total
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 10,861,423	\$ 341,896	\$ 11,203,319
Accounts receivable (net of allowance for uncollectibles)	1,206,029	5,644	1,211,673
Lease receivables	2,344,889	-	2,344,889
Inventories	-	78,354	78,354
Prepaid items	-	20,168	20,168
Restricted cash and cash equivalents:			
Revenue bond covenant account	17,104,393	-	17,104,393
Customer deposits	870,693	-	870,693
Total Current Assets	32,387,427	446,062	32,833,489
Noncurrent Assets			
Capital assets:			
Land	-	3,821,585	3,821,585
Construction in progress	216,134	32,240	248,374
Buildings	6,205,826	1,222,546	7,428,372
Improvements other than buildings	74,466,755	4,946,406	79,413,161
Machinery and equipment	8,573,109	413,441	8,986,550
Right-to-use assets	-	836,689	836,689
Less accumulated depreciation and amortization	(56,715,860)	(5,815,441)	(62,531,301)
Total Noncurrent Assets	32,745,964	5,457,466	38,203,430
Total Assets	65,133,391	5,903,528	71,036,919
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pensions	1,501,139	-	1,501,139
Deferred outflows - OPEB	25,929	-	25,929
Total Deferred Outflows of Resources	1,527,068	-	1,527,068

CITY OF LAKE JACKSON, TEXAS

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2023

	Business-Type Activities		
	Utility Operations	Golf Course Operations	Total
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 825,452	\$ -	\$ 825,452
Unearned revenue	-	172,360	172,360
Accrued interest payable	293,224	-	293,224
Compensated absences - current	105,856	-	105,856
Total OPEB liability - current	3,330	-	3,330
Bonds payable due within one year	1,295,000	-	1,295,000
Lease liabilities due within one year	-	231,450	231,450
Current Liabilities Payable From Restricted Assets			
Customer deposits	870,693	-	870,693
Total Current Liabilities	3,393,555	403,810	3,797,365
Noncurrent Liabilities			
Compensated absences	5,571	-	5,571
Bonds payable	17,314,726	-	17,314,726
Lease liabilities	-	525,044	525,044
Net pension liability - TMRS	1,874,831	-	1,874,831
Total OPEB liability	139,577	-	139,577
Total Noncurrent Liabilities	19,334,705	525,044	19,859,749
Total Liabilities	22,728,260	928,854	23,657,114
Deferred Inflows of Resources			
Deferred inflows - pensions	391	-	391
Deferred inflows - OPEB	63,660	-	63,660
Deferred inflows - leases	2,209,441	-	2,209,441
Total Deferred Inflows of Resources	2,273,492	-	2,273,492
Net Position			
Net investment in capital assets	26,868,255	4,700,972	31,569,227
Restricted for:			
Debt service	3,641,982	-	3,641,982
Unrestricted net position	11,148,470	273,702	11,422,172
Total Net Position	\$ 41,658,707	\$ 4,974,674	\$ 46,633,381

See Notes to Financial Statements.

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CITY OF LAKE JACKSON, TEXAS

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

For the Year Ended September 30, 2023

	Business-Type Activities		
	Utility Operations	Golf Course Operations	Total
<u>Operating Revenues</u>			
Water services	\$ 6,154,867	\$ -	\$ 6,154,867
Sewer services	5,975,128	-	5,975,128
Garbage services	5,220,025	-	5,220,025
Tapping and connection fees	364,552	-	364,552
Golf course fees and charges	-	2,214,905	2,214,905
Other revenues	296,151	-	296,151
	Total Operating Revenues	2,214,905	20,225,628
<u>Operating Expenses</u>			
Utility administration	773,629	-	773,629
Water and production and treatment	4,978,874	-	4,978,874
Sewer collection	2,482,055	-	2,482,055
Sanitation	4,842,671	-	4,842,671
Golf course operations	-	2,075,329	2,075,329
Depreciation and amortization	3,353,138	645,173	3,998,311
	Total Operating Expenses	2,720,502	19,150,869
	Operating Income (Loss)	(505,597)	1,074,759
<u>Nonoperating Revenues (Expenses)</u>			
Intergovernmental revenue	1,867,131	-	1,867,131
Investment revenues	1,148,856	8,951	1,157,807
Interest and fiscal agent fees	(523,099)	(15,357)	(538,456)
	Total Nonoperating Revenues (Expenses)	(6,406)	2,486,482
	Income (Loss) Before Transfers and Contributions	(512,003)	3,561,241
<u>Transfers and Contributions</u>			
Capital contributions	-	234,658	234,658
Transfers in	-	226,000	226,000
Transfers (out)	(1,894,826)	-	(1,894,826)
	Total Transfers and Contributions	460,658	(1,434,168)
	Change in Net Position	(51,345)	2,127,073
Beginning net position	39,480,289	5,026,019	44,506,308
	Ending Net Position	\$ 4,974,674	\$ 46,633,381

See Notes to Financial Statements.

CITY OF LAKE JACKSON, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2023

	Business-Type Activities		
	Utility Operations	Golf Course Operations	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 17,618,178	\$ 2,249,416	\$ 19,867,594
Payments to suppliers	(12,248,475)	(1,047,850)	(13,296,325)
Payments to employees	(831,184)	(1,079,787)	(1,910,971)
Net Cash Provided by Operating Activities	4,538,519	121,779	4,660,298
<u>Cash Flows from Noncapital Financing Activities</u>			
Intergovernmental revenue	1,867,131	-	1,867,131
Transfers from other funds	-	226,000	226,000
Transfers to other funds	(1,894,826)	-	(1,894,826)
Net Cash Provided (Used) by Noncapital Financing Activities	(27,695)	226,000	198,305
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of capital assets	(2,221,880)	(509,420)	(2,731,300)
Leases	-	509,420	509,420
Proceeds from issuance of debt	6,190,165	-	6,190,165
Principal paid on capital debt	(1,000,000)	(218,173)	(1,218,173)
Interest and fiscal agent fees paid	(675,157)	(15,357)	(690,514)
Net Cash Provided (Used) by Capital and Related Financing Activities	2,293,128	(233,530)	2,059,598
<u>Cash Flows from Investing Activities</u>			
Interest on investments	1,148,856	8,951	1,157,807
Net Cash Provided by Investing Activities	1,148,856	8,951	1,157,807
Net Increase in Cash and Cash Equivalents	7,952,808	123,200	8,076,008
Beginning cash and cash equivalents	20,883,701	218,696	21,102,397
Ending Cash and Cash Equivalents	\$ 28,836,509	\$ 341,896	\$ 29,178,405
Ending Cash and Cash Equivalents:			
Unrestricted cash and cash equivalents	\$ 10,861,423	\$ 341,896	\$ 11,203,319
Restricted cash and cash equivalents	17,975,086	-	17,975,086
	\$ 28,836,509	\$ 341,896	\$ 29,178,405

See Notes to Financial Statements.

CITY OF LAKE JACKSON, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2023

	Business-Type Activities		
	Utility Operations	Golf Course Operations	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 1,580,356	\$ (505,597)	\$ 1,074,759
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,353,138	645,173	3,998,311
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts receivable	(331,495)	23,889	(307,606)
Lease receivables	106,215	-	106,215
Deferred outflows of resources	(1,132,317)	-	(1,132,317)
Inventories	-	(5,671)	(5,671)
Prepays	-	(5,133)	(5,133)
Net pension asset	244,873	-	244,873
Increase (Decrease) in Liabilities:			
Accounts payable and accrued liabilities	55,125	(41,504)	13,621
Unearned revenue	-	10,622	10,622
Compensated absences	4,492	-	4,492
Customer deposits	7,486	-	7,486
Deferred inflows of resources	(1,155,114)	-	(1,155,114)
Net pension liability	1,874,831	-	1,874,831
Total OPEB liability	(69,071)	-	(69,071)
Net Cash Provided by Operating Activities	\$ 4,538,519	\$ 121,779	\$ 4,660,298
Noncash investing, capital, and financing activities:			
Capital contribution	\$ -	\$ 234,658	\$ 234,658

See Notes to Financial Statements.

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CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lake Jackson, Texas (the “City”) was incorporated on March 14, 1944 and adopted the “Home Rule Charter” on April 1, 1958, pursuant to the laws of the State of Texas (the “State”), which provide for a Council-Manager form of government.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police and fire services, general administrative services which includes finance and municipal court, streets and drainage, building and code inspection, planning, engineering, street repair and maintenance, water and sewer, sanitation, park maintenance, and recreational activities for citizens.

The City is an independent political subdivision of the State governed by an elected council and a mayor 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. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are both legally and substantively separate from the government. There were no discretely presented component units that were both legally and substantively separate in the government-wide financial statements. 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.

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 a 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 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.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 the 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. The Corporation’s revenues, expenditures, and other financing sources/uses are reported within the City’s economic development fund.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City’s proprietary funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City’s water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, receipts from other taxes and industrial districts, franchise fees, licenses and permits, fines and forfeitures, intergovernmental funding, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, capital outlay, and debt service payments on leases payables. The general fund is always considered a major fund for reporting purposes.

The *debt service funds* are used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes and sales tax revenue from the economic development fund that are transferred to the reported nonmajor debt service funds. The general governmental debt service fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major due to its significance.

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted for specified purposes. The economic development fund accounts for the City's Development Corporation's one-half cent sales tax and approved expenditures for providing parks and recreation facilities and infrastructure projects. The economic development fund is considered a major fund for reporting purposes. The remaining special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects funds* are used to account for the expenditures of resources accumulated from the sale of bonds, proceeds from grants, transfers from other funds, and related interest earnings for capital improvement projects. The infrastructure improvements fund accounts for the proceeds of the 2021 limited tax bonds for the financing of a new animal control facility, work on street improvement, street panel replacement, and library flooring. The infrastructure improvements fund is considered a major fund for reporting purposes. The remaining capital projects fund are considered nonmajor funds for reporting purposes.

The City reports the following proprietary funds:

The *enterprise funds* are used to account for the operations that provide water, sewer, and sanitation services to the residents of the City and accounts for the City's Wilderness Golf Course activity. The enterprise fund also includes other operating revenue for the use of their infrastructure for communication signals. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The utility operations fund is considered a major fund for reporting purposes and includes the operations for water, sewer, and sanitation services and other revenues for the use of its infrastructure. The golf

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

course fund is considered a nonmajor fund, but the City has elected to present it as a major fund due to its significance.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt are reported as other financing sources.

Property taxes, sales taxes, franchise fees, 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. Entitlements are recorded as revenues when all eligibility requirements are met,

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and balances in statewide investment pools. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with a maturity date of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and cash equivalents."

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Money market mutual funds that meet certain criteria
- Statewide investment pools
- Certificates of deposit that meet certain criteria

3. Inventories and Prepaid Items

Inventories are stated at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The consumption method is used to recognize expenditures.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the enterprise fund are restricted by bond covenants for repayment of debt and to finance construction projects and for customer deposits.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	20 to 50 years
Improvements other than buildings	10 to 40 years
Machinery and equipment	5 to 10 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows related to leases are amortized over the terms of the leases.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and court collections. These amount are deferred and recognized as an inflow of resources in the period that the amounts becomes available.

7. Compensated Employee Absences

Employees earn vacation based on years of service with the City within certain limits. Only accumulated vacation and earned compensatory time are paid upon termination of employment. Vacation pay is accrued when incurred in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. 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 effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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 debt issued is reported as other financing sources. 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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of notes payable are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum note payments at inception of the asset purchase. In the year of acquisition, notes payable are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Note payments representing both principal and interest are recorded as expenditures in the general fund upon

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

payment with an appropriate reduction of principal recorded in the government-wide financial statements.

9. Leases

Lessee

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible, right-to-use lease asset (the “lease asset”) in the government-wide financial statements. The City recognizes a lease liability and lease asset with an initial, individual value of at least \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Lessor

The City is a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

10. Subscription-Based Information Technology Arrangements

The City has noncancellable subscription-based information technology arrangements (SBITAs) to finance the use of information technology software. The City would recognize a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the government-wide financial statements. The City’s SBITAs to report are immaterial to the financial statements as a whole and are not recognized as a subscription liability or a subscription asset.

11. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

12. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. In accordance with City Resolution 11-624, the City committed fund balance for contingencies, which is reported within a sub-fund of the general fund, for emergency use and in the event purchases cannot be accommodated through current year savings.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

By resolution, the Council has also authorized the City Manager and/or Finance Director as the officials authorized to assign fund balance to a specific purpose as approved by the City's fund balance policy. Assignments of fund balance by the City Manager and Finance Director do not require formal action by the City Council. Assigned balances for construction projects from general and utility fund resources are reported in the nonmajor fund. The assigned balances for replacement equipment purchases, paying unemployment claims, conducting or hosting special events and making park improvements are reported within sub-funds of the general fund.

The City has established a target level of unassigned fund balance to alleviate revenue shortfalls and/or unanticipated expenditures to ensure the orderly and continued provision of services. The City shall strive to maintain an unassigned fund balance in the general fund equal to at least 25 percent of normal recurring operating costs, based on the current year's budgeted operating expenditures. Should unassigned fund balance fall below the goal or have a deficiency, the City will seek to reduce expenditures prior to increasing revenues to replenish fund balance within a reasonable timeframe.

14. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

15. Pensions

For the 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 the 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.

16. Other Postemployment Benefits

The City participates in a defined benefit group-term life insurance plan administered 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 funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include 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.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects funds, which adopt project length budgets. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2023. The motel occupancy tax fund, police seizure fund, program education fund, economic development debt service fund, and golf course facilities debt service fund are all nonmajor special revenue and debt service funds that have adopted budgets.

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year end) are completed. Such encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 25,476,894	0.11
TexStar	24,922,766	0.24
Texas CLASS	10,929,712	0.20
Certificate of Deposit	100,000	0.72
Total Value	\$ 61,429,372	
Portfolio weighted average maturity		0.18

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City’s investment policy limits investments in public fund investment pools rated as to investment quality not less than “AAA” or “AAA-m”, or at an equivalent rating by at least one nationally recognized rating service. Investments in Securities Exchange Commission (SEC) registered and regulated money market mutual funds must have an investment quality not less than “AAA-”, or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2023, the City’s investments in investment pools were rated “AAAm” by Standard & Poor’s.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2023, market values of pledged securities were \$14,001,292 which exceeded the City’s deposits at the depository bank at September 30, 2023.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

The City invested in certificate of deposits at a local financial institution 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.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Standard & Poor’s rated TexPool “AAAm”. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool’s liquidity.

TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. J.P. Morgan Investment Management Inc. (JPMIM) and Hilltop Securities Inc. (HTS) serve as co-administrators. JPMIM provides investment management services and FirstSouthwest, a division of HTS, provides participant service and marketing. Custodial, fund accounting, and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary, J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexSTAR's liquidity.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

B. Receivables

Amounts recorded as receivable as of September 30, 2023 for the City's individual major and aggregate nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				
	General	Governmental Debt Service	Economic Development	Nonmajor	Total
Property taxes	\$ 89,903	\$ 44,083	\$ -	\$ -	\$ 133,986
Sales taxes	1,249,222	-	636,731	-	1,885,953
Franchise fees	66,100	-	-	13,566	79,666
Grants	-	-	-	37,760	37,760
Accounts receivable	1,562,641	-	-	68,425	1,631,066
Other receivables	97,603	-	-	8,137	105,740
Less allowance	(1,005,035)	(11,021)	-	(68,425)	(1,084,481)
	\$ 2,060,434	\$ 33,062	\$ 636,731	\$ 59,463	\$ 2,789,690

	Enterprise Funds		
	Utility Operations	Golf Course Operations	Total
Accounts receivable	\$ 1,236,340	\$ 5,644	\$ 1,241,984
Other receivables	16,944	-	16,944
Less allowance	(47,255)	-	(47,255)
	\$ 1,206,029	\$ 5,644	\$ 1,211,673

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

C. Lease Receivable

The City has entered into several lease agreements (the “Agreements”) as a lessor for the use of their water towers located throughout the City with the lessee mounting communication signals on the towers. The Agreements’ remaining terms at year end range from 150 to 275 months after extension options in which it is reasonably certain that these options will be exercised. As of September 30, 2023, the value of the lease receivables is \$2,344,889. The interest rate on the leases receivable is based on the City’s incremental borrowing rate for the terms of the Agreements and is 3.00%. The lease revenue that was recorded within the utility operations fund’s other revenues for fiscal year 2023 was \$234,600, which consists of the interest payments on the leases receivable of \$71,971 and the amortization of the deferred inflow of resources from leases of \$162,629. The future receipts from principal and interest on lease receivables and amortization of deferred inflows are as follows:

Fiscal Year Ending Sep 30	Lease Receipts			Amortization of Deferred Inflows
	Principal	Interest	Total	
2024	\$ 107,009	\$ 68,895	\$ 175,904	\$ 162,629
2025	115,614	65,567	181,181	162,629
2026	124,641	61,976	186,617	162,629
2027	134,108	58,107	192,215	162,629
2028	144,033	53,949	197,982	162,629
2029-2033	821,023	197,006	1,018,029	767,425
2034-2038	515,218	95,874	611,092	397,727
2039-2043	330,636	30,255	360,891	203,779
2044	52,607	793	53,400	27,365
Total	\$ 2,344,889	\$ 632,422	\$ 2,977,311	\$ 2,209,441

CITY OF LAKE JACKSON, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023

D. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year end:

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 2,551,017	\$ -	\$ -	\$ 2,551,017
Construction in progress	7,828,898	4,702,665	(710,778)	11,820,785
Total capital assets not being depreciated/amortized	10,379,915	4,702,665	(710,778)	14,371,802
Other capital assets:				
Buildings	32,838,769	1,443,611	-	34,282,380
Improvements other than buildings	127,728,305	1,710,843	-	129,439,148
Machinery and equipment	17,427,972	3,389,560	(53,749)	20,763,783
Right-to-use assets - equipment	103,685	-	-	103,685
Total other capital assets	178,098,731	6,544,014	(53,749)	184,588,996
Less accumulated depreciation/amortization for:				
Buildings	(18,338,879)	(943,397)	-	(19,282,276)
Improvements other than buildings	(90,598,303)	(3,166,265)	-	(93,764,568)
Machinery and equipment	(13,456,577)	(841,686)	53,749	(14,244,514)
Right-to-use assets - equipment	(23,508)	(23,490)	-	(46,998)
Total accumulated depreciation/amortization	(122,417,267)	(4,974,838)	53,749	(127,338,356)
Other capital assets, net	55,681,464	1,569,176	-	57,250,640
Governmental Activities Capital Assets, Net	\$ 66,061,379	\$ 6,271,841	\$ (710,778)	71,622,442
			Plus unspent bond proceeds	11,055,174
			Plus net deferred charge on refunding	83,677
			Less associated debt	(36,169,351)
			Net Investment in Capital Assets	\$ 46,591,942

Depreciation was charged to governmental functions as follows:

General government	\$ 425,961
Public safety	1,023,649
Public works	2,619,206
Culture and recreation	906,022
Total Governmental Activities	
Depreciation/Amortization Expense	\$ 4,974,838

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Remaining commitments under related construction contracts for governmental fund projects at year end are as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Animal control facilities	\$ 3,700,000	\$ 637,248	\$ 3,062,752
Pine Oak, North Shady, and Forest Oak rehabilitation	2,600,000	188,722	2,411,278
Downtown revitalization	9,000,000	8,425,876	574,124
Street panel replacement	1,000,000	373,897	626,103
Shy Pond drainage improvements	1,722,198	169,640	1,552,558
Parks and recreation improvements	3,500,000	1,863,062	1,636,938
Total Governmental Activities	<u>\$ 21,522,198</u>	<u>\$ 11,658,445</u>	<u>\$ 9,863,753</u>

The following is a summary of changes in capital assets for business-type activities for the year end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 3,821,585	\$ -	\$ -	\$ 3,821,585
Construction in progress	1,073,670	-	(825,296)	248,374
Total capital assets not being depreciated/amortized	<u>4,895,255</u>	<u>-</u>	<u>(825,296)</u>	<u>4,069,959</u>
Other capital assets:				
Buildings	7,428,372	170,765	(170,765)	7,428,372
Improvements other than buildings	76,332,071	3,081,090	-	79,413,161
Machinery and equipment	8,752,202	234,348	-	8,986,550
Right-to-use assets - equipment	652,137	509,420	(324,868)	836,689
Total other capital assets	<u>93,164,782</u>	<u>3,995,623</u>	<u>(495,633)</u>	<u>96,664,772</u>
Less accumulated depreciation/amortization for:				
Buildings	(6,643,341)	(192,572)	170,765	(6,665,148)
Improvements other than buildings	(45,976,450)	(3,285,504)	-	(49,261,954)
Machinery and equipment	(6,216,805)	(294,237)	-	(6,511,042)
Right-to-use assets - equipment	(192,027)	(225,998)	324,868	(93,157)
Total accumulated depreciation/amortization	<u>(59,028,623)</u>	<u>(3,998,311)</u>	<u>495,633</u>	<u>(62,531,301)</u>
Other capital assets, net	34,136,159	(2,688)	-	34,133,471
Business-Type Activities Capital Assets, Net	<u>\$ 39,031,414</u>	<u>\$ (2,688)</u>	<u>\$ (825,296)</u>	<u>38,203,430</u>
			Plus unspent bond proceeds	12,732,017
			Less associated debt	(19,366,220)
			Net Investment in Capital Assets	<u>\$ 31,569,227</u>

Depreciation/amortization was charged to business-type functions as follows:

Utility	\$ 645,173
Golf course	3,353,138
Total Business-Type Activities Depreciation/Amortization Expense	<u>\$ 3,998,311</u>

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Remaining commitments under related construction contracts for business-type activities projects at year end are as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Lift station improvements	\$ 3,276,646	\$ 273,296	\$ 3,003,350
Water and wastewater rehabilitation	1,177,516	-	1,177,516
Total Business-Type Activities	<u>\$ 4,454,162</u>	<u>\$ 273,296</u>	<u>\$ 4,180,866</u>

E. Long-Term Debt

The following is a summary of changes in the City's governmental activities long-term liabilities for the fiscal year ended September 30, 2023.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Debt and other payables:					
General obligation bonds	\$ 32,285,000	\$ -	\$ (3,185,000)	\$ 29,100,000 *	\$ 2,655,000
Certificates of obligation	5,620,000	-	(610,000)	5,010,000 *	610,000
Premiums on debt issuances	2,215,966	-	(214,780)	2,001,186 *	-
Leases payable	81,226	-	(23,061)	58,165 *	23,680
	<u>40,202,192</u>	<u>-</u>	<u>(4,032,841)</u>	<u>36,169,351</u>	<u>3,288,680</u>
Other liabilities:					
Net pension liability - TMRS	-	7,081,021	-	7,081,021	-
Net pension liability - TESRS	108,963	270,565	-	379,528	-
Total OPEB liability	801,124	-	(260,873)	540,251	12,589
Compensated absences	646,450	641,046	(614,128)	673,368	639,700
	<u>646,450</u>	<u>641,046</u>	<u>(614,128)</u>	<u>673,368</u>	<u>639,700</u>
Total Governmental Activities	<u>\$ 41,758,729</u>	<u>\$ 7,992,632</u>	<u>\$ (4,907,842)</u>	<u>\$ 44,843,519</u>	<u>\$ 3,940,969</u>
				<u>Long-term debt due in more than one year</u>	<u>\$ 40,902,550</u>
				<u>*Debt associated with governmental activities capital assets</u>	<u>\$ 36,169,351</u>

Long-term liabilities of the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. For the governmental activities, compensated absences are generally liquidated by the general fund. For governmental activities, the net pension liability and total OPEB liability are fully liquidated by the general fund.

CITY OF LAKE JACKSON, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023

The following is a summary of changes in the City's total business-type activities long-term liabilities for the fiscal year ended September 30, 2023.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Debt and other payables:					
Revenue bonds	\$ 13,010,000	\$ 5,805,000	\$ (1,000,000)	\$ 17,815,000	* \$ 1,295,000
Premiums on debt issuances	667,295	385,165	(257,734)	794,726	*
Leases payable	465,247	509,420	(218,173)	756,494	* 231,450
	<u>14,142,542</u>	<u>6,699,585</u>	<u>(1,475,907)</u>	<u>19,366,220</u>	<u>1,526,450</u>
Other liabilities:					
Net pension liability - TMRS	-	1,874,831	-	1,874,831	-
Total OPEB liability	211,978	-	(69,071)	142,907	3,330
Compensated absences	106,935	106,080	(101,588)	111,427	105,856
	<u>106,935</u>	<u>106,080</u>	<u>(101,588)</u>	<u>111,427</u>	<u>105,856</u>
Total Business-Type Activities	<u>\$ 14,461,455</u>	<u>\$ 8,680,496</u>	<u>\$ (1,646,566)</u>	<u>\$ 21,495,385</u>	<u>\$ 1,635,636</u>

Long-term debt due in more than one year \$ 19,859,749

*Debt associated with business-type activities capital assets \$ 19,366,220

Governmental activities long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
Governmental Activities		
General Obligation Bonds		
Limited Tax, Series 2015	2.00-4.00%	\$ 3,440,000
Limited Tax, Series 2016	2.00-3.00%	2,065,000
Limited Tax, Series 2017	2.60-4.00%	2,935,000
Limited Tax, Series 2018	3.50-5.00%	7,050,000
Limited Tax, Series 2021	2.00-4.00%	6,975,000
Limited Tax Refunding, Series 2021	2.00-4.00%	6,635,000
		<u>29,100,000</u>
Certificates of Obligation		
Certificates of Obligation, Series 2016	2.00-3.00%	1,965,000
Certificates of Obligation, Series 2022	3.00-5.00%	3,045,000
		<u>5,010,000</u>
Leases Payable		
Postage machine and copiers	2.65%	58,165
		<u>58,165</u>
Total Governmental Activities Long-Term Debt		<u>\$ 34,168,165</u>

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Business-type activities long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<u>Business-Type Activities</u>		
Revenue Bonds		
Revenue Bonds, Series 2013	2.50-3.00%	\$ 1,000,000
Revenue Bonds Refunding, Series 2016	3.00%	2,270,000
Revenue Bonds, Series 2017	3.00-4.00%	4,100,000
Revenue & Refunding Bonds, Series 2019	2.10-4.00%	4,640,000
Revenue Bonds, Series 2022	4.00-5.00%	5,805,000
Total Revenue Bonds		17,815,000
Leases Payable		
Golf carts and golf maintenance equipment	2.65%	756,494
Total Leases Payable		756,494
Total Business-Type Activities Long-Term Debt		\$ 18,571,494

Certificates of Obligation and General Obligation Bonds

The City issues certificates of obligation and general obligation bonds to provide funds for the acquisition and construction of major capital facilities. This debt represents direct obligations of the City for which its full faith and credit are pledged. Repayment of this debt for governmental activities is secured by taxes levied on all taxable property located within the City. A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions. Annual debt service requirements for governmental activities are as follows:

Fiscal Year Ending Sep 30	Governmental Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2024	\$ 2,655,000	\$ 816,216	\$ 610,000	\$ 171,100
2025	2,465,000	733,691	610,000	146,000
2026	2,440,000	660,323	610,000	122,250
2027	2,425,000	587,498	460,000	101,350
2028	2,155,000	514,741	455,000	83,700
2029-2033	9,230,000	1,665,820	1,920,000	187,090
2034-2038	5,830,000	644,074	345,000	15,525
2039-2042	1,900,000	70,984	-	-
Total	\$ 29,100,000	\$ 5,693,347	\$ 5,010,000	\$ 827,015

The City authorized a portion of the certificates of obligation and general obligation bonds to be paid from revenues generated from sales taxes within the economic development fund since the majority of this debt provided funds for capital projects for economic development. The debt service payments during fiscal year 2023 that was paid by taxes levied on taxable property was for repayment of all of the limited tax series general obligation bonds series 2016, 2017, 2018, and 2021, along with a portion of the limited tax refunding general obligation bonds series 2021 and limited tax general obligation bonds series 2015. The remaining debt service payments during fiscal year 2023 for certificates of obligation and general obligation bonds were funded by sales taxes within the economic development fund.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Revenue Bonds

The City issues revenue bonds to provide funds for the acquisition and construction of major capital improvements to the utility fund for business-type activities. The annual debt service requirements for business-type activities are as follows:

Fiscal Year	Business-Type Activities	
	Revenue Bonds	
	Ending	
Sep 30	Principal	Interest
2024	\$ 1,295,000	\$ 635,320
2025	1,245,000	584,270
2026	1,240,000	535,020
2027	1,235,000	485,920
2028	1,145,000	439,720
2029-2033	5,470,000	1,590,190
2034-2038	4,485,000	739,288
2039-2043	1,700,000	180,250
Total	\$ 17,815,000	\$ 5,189,978

The bond ordinance for the revenue bonds requires pledged revenue for repayment of the revenue bonds. The table below represents the pledged amount and coverage requirements at September 30, 2023:

	Net Revenues Available for Debt Service of Revenue Bonds
Gross Revenues (1)	\$ 13,643,403
Operating Expenses (2)	8,234,558
	<u>\$ 5,408,845</u>
Average Annual Requirement (3)	\$ 1,459,149
Average coverage (5)	3.71
Maximum Annual Requirement (4)	\$ 1,930,320
Maximum coverage (5)	2.80

(1) Gross revenues, as defined in the revenue bond ordinance, include water, sewer, tapping and connection fees, and investment earnings.

(2) Total operating expenses, as defined in the revenue bond ordinances, do not include amortization, depreciation, interest and fiscal agent fees, sanitation, and fiscal charges.

(3) Average annual requirement is based on the annual average of future debt service payments.

(4) Maximum annual requirement is based on the annual debt service payments for fiscal year 2024.

(5) The average and maximum coverage shall be at least equal to or greater than 1.25 per bond ordinance.

The revenue bond ordinance requires that funds be restricted for future debt service payments that exceed the fiscal year 2024 and fiscal year 2025 principal and interest payments for the revenue bonds. The utility fund restricted \$3,641,982 for debt service payments as of year end, which complied with the bond ordinance restricted requirement.

CITY OF LAKE JACKSON, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023

During the fiscal year, the City issued \$5,805,000 in wasteworks and sewer system revenue bonds, series 2022 (the “Bonds”) for financing of improvements to the City’s utility system. The Bonds carry an interest rate of 4.00 to 5.00 percent and will mature in 2043.

Leases Payable

The City has entered into lease agreements as lessee for the acquisition and use of equipment. The lease interest rates used to determine the initial leases payable and right-to-use lease assets is based on an incremental borrowing rate of 2.65%. In addition, the City’s right-to-use lease assets are amortized using a straight-line basis over the remaining terms of the leases.

The City’s governmental activities has lease agreements for the use of postage machines and copiers. The lease agreement payments are paid monthly and quarterly. The remaining terms of the lease agreements as of September 30, 2023 are through fiscal year 2026. The future principal and interest lease payments and amortization of right-to-use assets as of September 30, 2023 for governmental activities were as follows:

Fiscal Year Ending Sep 30	Governmental Activities			Amortization of Right-to-Use Assets
	Leases Payable			
	Principal	Interest	Payments	
2024	\$ 23,680	\$ 1,265	\$ 24,945	\$ 23,490
2025	24,315	630	24,945	23,490
2026	10,170	83	10,253	9,707
Total	\$ 58,165	\$ 1,978	\$ 60,143	\$ 56,687

The City’s business-type activities has lease agreements for the use of golf carts and maintenance equipment for the golf operations fund. The City entered into lease agreements during the fiscal year and determined the initial leases payable and right-to-use asset to be \$509,420. The City determined that incremental borrowing rate for the measurement of the leases payable and right-to-use assets for the new lease arrangements to be 2.65%. The lease agreement payments for the new leases and remaining leases are paid monthly. The remaining terms for these lease agreements as of September 30, 2023 are from 26 to 55 months. The future principal and interest lease payments and amortization of right-to-use assets as of September 30, 2023 for business-type activities were as follows:

Fiscal Year Ending Sep 30	Business-Type Activities			Amortization of Right-to-use Assets
	Leases Payable			
	Principal	Interest	Payments	
2024	\$ 231,450	\$ 17,249	\$ 248,699	\$ 232,868
2025	237,658	11,041	248,699	232,868
2026	128,722	5,807	134,529	126,048
2027	102,623	2,917	105,540	98,851
2028	56,041	496	56,537	52,897
Total	\$ 756,494	\$ 37,510	\$ 794,004	\$ 743,532

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Legal Debt Margin

In accordance with State law, the City is only authorized to issue general obligation bonds of up to 10% of the average full valuation of taxable real property, which is currently \$281,052,280. The net indebtedness from general obligation bonds subject to the debt limit is \$29,879,710 (general obligation bonds and the premiums associated with the bonds of \$30,830,942 net of the restricted debt service fund balance of \$951,232 for governmental funds). This results in a legal debt margin of \$251,172,570.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

F. Interfund Transfers

Transfers between the primary government funds during the year were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
General	Nonmajor governmental	\$ 66,067
General	Economic development	450,000
General	Utility operations	594,826
Nonmajor governmental	Economic development	2,190,320
Nonmajor governmental	Utility operations	1,300,000
Golf course operations	Economic development	226,000
		<u>\$ 4,827,213</u>

Amounts transferred to the general fund are related to specific activity for reimbursement of administrative costs, special events for tourism, and projects for development during the fiscal year. Transfers to the nonmajor governmental funds are related to fiscal year 2023 and future debt service payments and projects for development. Transfers to the golf course operations fund are related to fiscal year 2023 development projects.

G. Fund Equity

As of September 30, 2023, \$503,946 of the City's total fund balance is restricted by enabling legislation for tourism, police equipment, and public education.

CITY OF LAKE JACKSON, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,824 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plans

The City provides for two pension plans; one is a defined benefit cash-balance plan administered through Texas Municipal Retirement System (TMRS) and one has a special funding situation administered by Texas Emergency Services Retirement System (TESRS). Both plans are described in detail below. Aggregate amounts for both pension plans are as follows:

	<u>TMRS</u>	<u>TESRS</u>	<u>Total</u>
Pension liability	\$ 8,955,852	\$ 379,528	\$ 9,335,380
Deferred outflows of resources	7,170,771	215,362	7,386,133
Deferred inflows of resources	1,869	1,908	3,777
Pension expense	2,751,171	80,194	2,831,365

1. Texas Municipal Retirement System

Plan Description

The City participates as one of 909 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the “Board”); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

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

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 member’s benefit is calculated based on the sum of the member’s contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2023	2022
Employee deposit rate	6.00%	6.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	170
Inactive employees entitled to, but not yet receiving, benefits	240
Active employees	233
Total	643

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, 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 actuarial cost method. The City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.07% and 11.18% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$1,552,001, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. 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, TMRS' actuary 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).

CITY OF LAKE JACKSON, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global public equity	35%	7.7%
Core fixed income	6%	4.9%
Non-core fixed income	20%	8.7%
Other public and private markets	12%	8.1%
Real estate	12%	5.8%
Hedge funds	5%	6.9%
Private equity	10%	11.8%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, TMRS's fiduciary net position was projected 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 TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) - (B)
Changes for the year:			
Service cost	\$ 1,807,478	\$ -	\$ 1,807,478
Interest	5,071,743	-	5,071,743
Difference between expected and actual experience	1,144,252	-	1,144,252
Contributions - employer	-	1,435,351	(1,435,351)
Contributions - employee	-	777,968	(777,968)
Net investment income	-	(5,739,619)	5,739,619
Benefit payments, including refunds of employee contributions	(3,851,517)	(3,851,517)	-
Administrative expense	-	(49,740)	49,740
Other changes	-	59,354	(59,354)
Net Changes	4,171,956	(7,368,203)	11,540,159
Balance at December 31, 2021	76,158,963	78,743,270	(2,584,307)
Balance at December 31, 2022	\$ 80,330,919	\$ 71,375,067	\$ 8,955,852

CITY OF LAKE JACKSON, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ 19,910,055	\$ 8,955,852	\$ (637)

Pension Plan Fiduciary Net Position

Detailed information about TMRS's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2023, the City recognized pension expense of \$2,751,171.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,055,453	\$ 1,869
Net difference between projected and actual investment earnings	4,918,338	-
Contributions subsequent to the measurement date	1,196,980	-
Total	\$ 7,170,771	\$ 1,869

\$1,196,980 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a decrease to the NPL for the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2024	\$ 820,219
2025	1,622,849
2026	1,317,895
2027	2,210,959
Total	\$ 5,971,922

2. Texas Emergency Services Retirement System

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by TESRS and established and administered by the State to provide pension benefits for emergency services personnel who serve without significant monetary

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

remuneration. At August 31, 2022, there were 289 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.

On August 31, 2022, the TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,991
Terminated members entitled to, but not yet receiving, benefits	1,813
Active participants (vested and nonvested)	3,379

Pension Plan Fiduciary Net Position

Detailed information about the TESRS’s fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and Required Supplementary Information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations that may be of interest are also available at the same link.

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 (the “Board”) 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 percent vested after the tenth year of service, with the vesting percentage increasing ten percent for each of the next five years of service so that a member becomes 100 percent vested with 15 years of service.

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.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, 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 TESRS contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make TESRS “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

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 percentage of the Part One portion (not to exceed 15 percent), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2022, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining TESRS to grant up to 15 years of credit for prior service per member. Prior service purchased must have occurred before the department began participation in TESRS.

A small subset of participating departments has a different contribution arrangement that 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 TESRS. 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 TESRS.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the measurement year ending August 31, 2022, total contributions (dues, prior service, and interest on prior service financing) of \$60,950 were paid by the City. The State appropriated \$98,519 for the measurement year ending August 31, 2022 to the plan as a whole.

Actuarial Assumptions

The TPL in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	August 31, 2022
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial Assumptions:	
Investment Rate of Return*	7.5%, net of pension plan investment expense, including inflation
Projected Salary Increases	N/A
*Includes Inflation At	3.00%
Cost-of-Living Adjustments	None

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019. 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

CITY OF LAKE JACKSON, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023

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 4.61%) and by adding expected inflation (3.00%). In addition, the final 7.50% assumption was selected by rounding down.

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	20%	5.83%
Small/mid cap domestic	10%	5.94%
Developed international	15%	6.17%
Emerging markets	5%	7.36%
Global infrastructure	5%	6.61%
Multi-asset income	5%	3.86%
Real estate	10%	4.48%
Fixed income	30%	1.95%
Total	100%	
Weighted average		4.61%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the 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.

Discount Rate Sensitivity Analysis

The following presents the NPL of the City, calculated using the discount rate of 7.50%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate (7.50%)	1% Increase in Discount Rate
City's proportionate share of the net pension	\$ 595,377	\$ 379,528	\$ 204,737

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Pension Liability, Pension Expense, and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the City reported a liability of \$379,528 for its proportionate share of TESRS NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the collective NPL	\$	379,528
State's proportionate share that is associated with the City*		98,519
Total	\$	<u>478,047</u>

**Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective net pension liability.*

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2022. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) requires the NPL to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward (nor did they provide the necessary information for the participants to roll forward) the NPL to be measured as of a date no earlier than the end of the City's prior fiscal year. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report a NPL measured as of August 31, 2022. The City used the assumption that any differences in the NPL measured as of August 31, 2022 versus September 30, 2022 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to TESRS relative to the contributions of all employers to TESRS for the period September 1, 2021 through August 31, 2022.

At September 30, 2023, the employer's proportion of the collective NPL was 0.925 percent, which was a decrease of 0.092 percent from its proportion measured as of September 30, 2022.

There were no changes of assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the measurement year ended August 31, 2022, the City recognized pension expense of \$80,194.

The City recognized on-behalf revenues of \$3,032 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

At August 31, 2022, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Net difference between projected and actual investment earning \$	139,964	\$ -
Changes in assumptions	-	1,908
Difference between expected and actual experience	14,447	-
Contributions paid to TESRS subsequent to the measurement date	60,951	-
Total	<u>\$ 215,362</u>	<u>\$ 1,908</u>

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The contributions paid to TESRS subsequent to the measurement date of the NPL but before the end of the City’s reporting period will be recognized as a reduction of the NPL in the subsequent fiscal year.

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense Amount
2024	\$ 44,003
2025	27,317
2026	28,522
2027	52,661
Total	\$ 152,503

D. Other Postemployment Benefits

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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 employees’ entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF’s funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Participation in the SDBF as of December 31, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	125
Inactive employees entitled to, but not yet receiving, benefits	46
Active employees	233
Total	404

Total OPEB Liability

The City's total OPEB liability of \$683,158 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%*
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 and 2024 rates as determined in the December 31, 2021 and December 31, 2022 actuarial valuations, respectively.

CITY OF LAKE JACKSON, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2023

Changes in the Total OPEB Liability

		<u>Total OPEB Liability</u>
Changes for the year:		
Service cost	\$	45,381
Interest		18,880
Differences between expected and actual experience		(13,297)
Changes of assumptions		(361,459)
Benefit payments*		(19,449)
	Net Changes	<u>(329,944)</u>
Beginning balance		1,013,102
	Ending Balance	<u>\$ 683,158</u>

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the City's yearly contributions for retirees.

The discount rate increased from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (3.05%)</u>	<u>Discount Rate (4.05%)</u>	<u>1% Increase in Discount Rate (5.05%)</u>
City's Total OPEB Liability	<u>\$ 820,455</u>	<u>\$ 683,158</u>	<u>\$ 576,745</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$21,853. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,689	\$ 19,752
Changes in actuarial assumptions	96,763	283,481
Contributions subsequent to the measurement date	20,342	-
Total	<u>\$ 118,794</u>	<u>\$ 303,233</u>

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

\$20,342 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2024.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	OPEB Expense Amount
2024	\$ (33,119)
2025	(50,356)
2026	(76,010)
2027	(45,296)
Total	\$ (204,781)

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the “Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them 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. The Plan’s trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions.

F. Industrial District Agreement

In 2011, the City, in conjunction with the cities of Clute and Freeport, Texas, entered into a new contract (the “Contract”) with the Dow Chemical Company (Dow), BASF Corporation, and the Brock interests.

In the Contract, the City removed the need to determine what value was in each city’s jurisdiction and instead 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.

The 15-year Contract set floor payments of \$9 million. The floor payment stayed in place for the first two years of the Contract. Since 2013, the payment has been based on the higher percentage growth factor of either the Department of Labor’s consumer price index-unit (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.

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The 2023 payment of \$13,880,180 is split as follows:

<u>City</u>	<u>Amount</u>
Clute	\$ 2,158,368
Freeport	5,398,002
Lake Jackson	6,323,810
	<u>\$ 13,880,180</u>

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

The 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 was not a hindrance.

The Industrial District revenues received during the year ended September 30, 2023 amounted to \$6,323,810. This revenue is not restricted to a specific function or program.

G. Economic Development Agreements

On November 13, 2013, the City entered into an Economic Development Agreement (the "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 15 years. Both the City and Dow have agreed to various covenants, warranties, obligations and duties as a part of the Agreement. As of September 30, 2023, the City has made rebate payments of \$3,634,558 under the Agreement, and \$545,929 was paid during the fiscal year 2023.

On December 9, 2013, the City entered into an Economic Development Agreement (the "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 store and retail center in the City, and the City reimbursed HEB \$3 million 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 \$5 million. Both the City and HEB have agreed to various covenants, warranties, obligations and duties as a part of the Agreement. A \$3,000,000 reimbursement was paid in 2018. As of September 30, 2023, the City paid a total of \$894,378 under the Agreement, and \$178,984 was paid during fiscal year 2023.

On August 3, 2015, the City entered into a hotel occupancy tax (HOT) agreement (the "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,

CITY OF LAKE JACKSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

18 of which will be executive suites. At least 6 of the executive suites should have a minimum of 450 square feet and at least 12 executive suites should have a minimum of 550 square feet. 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 square foot 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 square foot workout room; guest laundry; home theatre area in lobby; business area with computer access; and swimming pool. The hotel formally opened in January 2018. As of September 30, 2023, the City paid a total of \$906,055 under the Agreement, of which \$188,588 was paid during the fiscal year 2023.

On November 16, 2015, the City entered into a hotel occupancy tax (HOT) agreement (the "Agreement") with Vighnershwerll, LLC (Staybridge). The term of the Agreement is 15 years or when the HOT reimbursement reaches \$1,500,000, whichever is first. The first day of the term is May 14, 2018, the day Staybridge received their Certificate of Occupancy. The maximum hotel tax reimbursed for any quarter is 65% of the City HOT collected and remitted to the City by Staybridge. The reimbursement will be for Staybridge's marketing expenses that meet the guidelines established by the Texas Tax Code section 351.101(a)(3), which are advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity. As of September 30, 2023, the City paid a total of \$433,452 under the Agreement, of which \$98,699 was paid in fiscal year 2023.

H. Tax Abatement

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

I. Subsequent Events

In December 2023, the City issued Limited Tax Series 2023 general obligation bonds for \$15,830,000 to be used for street repairs and drainage improvements in various locations throughout the City.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2023

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Taxes:				
Property	\$ 5,700,766	\$ 5,700,766	\$ 5,756,916	\$ 56,150
Sales	8,175,000	8,175,000	7,871,050	(303,950)
Franchise	1,530,645	1,530,645	1,500,507	(30,138)
Other	244,000	244,000	267,148	23,148
Industrial district	5,583,516	5,583,516	6,323,810	740,294
Licenses and permits	339,500	339,500	546,270	206,770
Fines and forfeitures	504,000	504,000	434,449	(69,551)
Charges for services	850,500	860,500	1,080,025	219,525
Intergovernmental	6,500	18,500	857,233	838,733
Investment revenue	13,480	13,480	822,969	809,489
Other revenue	90,000	90,000	429,132	339,132
Total Revenues	<u>23,037,907</u>	<u>23,059,907</u>	<u>25,889,509</u>	<u>2,829,602</u>
Expenditures				
Current:				
General government	5,068,323	6,380,323	5,316,497	1,063,826
Public safety	9,450,102	9,450,102	8,818,140	631,962
Public works	3,570,916	3,570,916	3,180,193	390,723
Culture and recreation	5,219,442	5,219,442	5,216,934	2,508
Capital outlay	2,573,500	2,573,500	1,220,237	1,353,263
Debt service:				
Principal	23,061	23,061	23,061	-
Interest and fiscal agent fees	1,883	1,883	1,883	-
Total Expenditures	<u>25,907,227</u>	<u>27,219,227</u>	<u>23,776,945</u>	<u>3,442,282</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,869,320)</u>	<u>(4,159,320)</u>	<u>2,112,564</u>	<u>6,271,884</u>
Other Financing Sources (Uses)				
Transfers in	1,099,805	1,110,872	1,110,893	21
Total Other Financing Sources	<u>1,099,805</u>	<u>1,110,872</u>	<u>1,110,893</u>	<u>21</u>
Net Change in Fund Balance	<u>\$ (1,769,515)</u>	<u>\$ (3,048,448)</u>	<u>3,223,457</u>	<u>\$ 6,271,905</u>
Beginning fund balance			18,925,127	
Ending Fund Balance			<u>\$ 22,148,584</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
For the Year Ended September 30, 2023

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Taxes:				
Sales	\$ 4,170,000	\$ 4,103,200	\$ 4,048,283	\$ (54,917)
Investment revenue	2,500	2,500	228,996	226,496
Total Revenues	<u>4,172,500</u>	<u>4,105,700</u>	<u>4,277,279</u>	<u>171,579</u>
<u>Expenditures</u>				
Current:				
Culture and recreation	465,295	465,295	464,384	911
Capital outlay	1,127,205	1,507,205	1,251,759	255,446
Total Expenditures	<u>1,592,500</u>	<u>1,972,500</u>	<u>1,716,143</u>	<u>256,357</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,580,000</u>	<u>2,133,200</u>	<u>2,561,136</u>	<u>427,936</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(3,047,560)	(3,047,560)	(2,866,320)	181,240
Total Other Financing (Uses)	<u>(3,047,560)</u>	<u>(3,047,560)</u>	<u>(2,866,320)</u>	<u>181,240</u>
Net Change in Fund Balance	<u>\$ (467,560)</u>	<u>\$ (914,360)</u>	<u>(305,184)</u>	<u>\$ 609,176</u>
Beginning fund balance			4,053,530	
Ending Fund Balance			<u>\$ 3,748,346</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 1,235,156	\$ 1,395,740	\$ 1,470,736	\$ 1,625,159
Interest (on the total pension liability)	3,586,517	3,720,766	3,770,178	3,989,640
Difference between expected and actual experience	(864,997)	(455,995)	458,906	223,108
Change of assumptions	-	268,564	-	-
Benefit payments, including refunds of employee contributions	(2,251,635)	(1,986,637)	(2,545,111)	(2,506,390)
Net Change in Total Pension Liability	<u>1,705,041</u>	<u>2,942,438</u>	<u>3,154,709</u>	<u>3,331,517</u>
Beginning total pension liability	<u>51,744,203</u>	<u>53,449,244</u>	<u>56,391,682</u>	<u>59,546,391</u>
Ending Total Pension Liability	<u>\$ 53,449,244</u>	<u>\$ 56,391,682</u>	<u>\$ 59,546,391</u>	<u>\$ 62,877,908</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,276,545	\$ 1,274,547	\$ 1,213,201	\$ 1,356,015
Contributions - employee	557,850	606,865	620,564	687,171
Net investment income	2,798,520	75,651	3,458,936	7,467,864
Benefit payments, including refunds of employee contributions	(2,251,635)	(1,986,637)	(2,545,111)	(2,506,390)
Administrative expense	(29,219)	(46,082)	(39,074)	(38,715)
Other	(2,402)	(2,275)	(2,105)	(1,962)
Net Change in Plan Fiduciary Net Position	<u>2,349,659</u>	<u>(77,931)</u>	<u>2,706,411</u>	<u>6,963,983</u>
Beginning plan fiduciary net position	<u>48,922,727</u>	<u>51,272,386</u>	<u>51,194,455</u>	<u>53,900,866</u>
Ending Plan Fiduciary Net Position	<u>\$ 51,272,386</u>	<u>\$ 51,194,455</u>	<u>\$ 53,900,866</u>	<u>\$ 60,864,849</u>
Net Pension Liability/(Asset)	<u>\$ 2,176,858</u>	<u>\$ 5,197,227</u>	<u>\$ 5,645,525</u>	<u>\$ 2,013,059</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.93%	90.78%	90.52%	96.80%
Covered Payroll	\$ 9,297,496	\$ 10,099,421	\$ 10,342,727	\$ 11,452,850
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	23.41%	51.46%	54.58%	17.58%

*Only nine years of information is currently available. The City will build this schedule over the next one-year period.

Measurement Year*					
2018	2019	2020	2021	2022	
\$ 1,628,211	\$ 1,709,877	\$ 1,740,285	\$ 1,699,654	\$ 1,807,478	
4,219,875	4,451,456	4,647,878	4,831,496	5,071,744	
28,033	(394,418)	(21,206)	795,863	1,144,252	
-	169,049	-	-	-	
(2,350,684)	(2,621,578)	(3,460,842)	(3,791,894)	(3,851,517)	
<u>3,525,435</u>	<u>3,314,386</u>	<u>2,906,115</u>	<u>3,535,119</u>	<u>4,171,957</u>	
<u>62,877,908</u>	<u>66,403,343</u>	<u>69,717,729</u>	<u>72,623,844</u>	<u>76,158,963</u>	
<u>\$ 66,403,343</u>	<u>\$ 69,717,729</u>	<u>\$ 72,623,844</u>	<u>\$ 76,158,963</u>	<u>\$ 80,330,920</u>	
\$ 1,389,070	\$ 1,454,852	\$ 1,504,167	\$ 1,397,193	\$ 1,435,351	
686,526	728,641	749,584	734,721	777,968	
(1,822,401)	9,073,511	5,104,750	9,269,719	(5,739,619)	
(2,350,684)	(2,621,578)	(3,460,842)	(3,791,894)	(3,851,517)	
(35,236)	(51,304)	(33,061)	(42,933)	(49,740)	
(1,842)	(1,542)	(1,290)	294	59,355	
<u>(2,134,567)</u>	<u>8,582,580</u>	<u>3,863,308</u>	<u>7,567,100</u>	<u>(7,368,202)</u>	
<u>60,864,849</u>	<u>58,730,282</u>	<u>67,312,862</u>	<u>71,176,170</u>	<u>78,743,270</u>	
<u>\$ 58,730,282</u>	<u>\$ 67,312,862</u>	<u>\$ 71,176,170</u>	<u>\$ 78,743,270</u>	<u>\$ 71,375,068</u>	
<u>\$ 7,673,061</u>	<u>\$ 2,404,867</u>	<u>\$ 1,447,674</u>	<u>\$ (2,584,307)</u>	<u>\$ 8,955,852</u>	
88.44%	96.55%	98.01%	103.39%	88.85%	
\$ 11,442,099	\$ 12,144,015	\$ 12,493,072	\$ 12,245,342	\$ 12,966,127	
67.06%	19.80%	11.59%	-21.10%	69.07%	

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Measurement Year*			
	2014	2015	2016	2017
City's proportion of the net pension liability	1.287%	1.491%	1.426%	1.215%
City's proportionate share of the net pension liability	\$ 233,869	\$ 397,986	\$ 415,367	\$ 291,620
State's proportionate share of the net pension liability	N/A**	N/A**	N/A**	N/A**
Total	<u>\$ N/A**</u>	<u>\$ N/A**</u>	<u>\$ N/A**</u>	<u>\$ N/A**</u>
Number of Active Members***	N/A**	N/A**	N/A**	N/A**
City's net pension liability per active member	\$ N/A**	\$ N/A**	\$ N/A**	\$ N/A**
Plan fiduciary net position as a percentage of the total pension liability	83.5%	76.9%	76.3%	81.4%

*Only nine years of information is currently available. The City will build this schedule over the next one-year period.

**Information was not available. Only one year of information is currently available. The City will include this information for this schedule over the future periods.

***There is no compensation for active members. Number of active members is used instead.

Notes to Required Supplementary Information:

1. *Changes in benefit terms*

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

2. *Changes in assumptions*

Changes in assumptions reflect a change in investment rate of return on pension plan investments and discount rate used to measure the TPL from 7.75% to 7.50% based on August 31, 2022 actuarial valuation.

There were no other changes in assumptions or other inputs that affected measurement of the TPL during the measurement period.

Measurement Year*				
2018	2019	2020	2021	2022
1.373%	0.903%	0.958%	1.017%	0.925%
\$ 297,261	\$ 255,960	\$ 241,520	\$ 108,963	\$ 379,528
N/A**	N/A**	N/A**	N/A**	98,519
<u>\$ N/A**</u>	<u>\$ N/A**</u>	<u>\$ N/A**</u>	<u>\$ N/A**</u>	<u>\$ 478,047</u>
N/A**	N/A**	N/A**	N/A**	23
\$ N/A**	\$ N/A**	\$ N/A**	\$ N/A**	\$ 16,501
84.3%	80.2%	83.2%	93.1%	75.2%

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 21,760	\$ 25,173	\$ 24,288	\$ 34,981
Interest (on the total OPEB liability)	21,378	21,767	23,388	21,297
Changes in benefit terms	-	(20,020)	-	-
Differences between expected and actual experience	-	-	(29,761)	(6,304)
Change of assumptions	53,507	(47,208)	126,942	129,066
Benefit payments**	(5,726)	(6,865)	(6,072)	(6,247)
Net Change in Total OPEB Liability	<u>90,919</u>	<u>(27,153)</u>	<u>138,785</u>	<u>172,793</u>
Beginning total OPEB liability	<u>557,533</u>	<u>648,452</u>	<u>621,299</u>	<u>760,084</u>
Ending Total OPEB Liability	<u><u>\$ 648,452</u></u>	<u><u>\$ 621,299</u></u>	<u><u>\$ 760,084</u></u>	<u><u>\$ 932,877</u></u>
Covered-Employee Payroll	<u>\$ 11,452,850</u>	<u>\$ 11,452,850</u>	<u>\$ 12,144,015</u>	<u>\$ 12,493,072</u>
Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.66%	5.42%	6.26%	7.47%

*Only six years of information is currently available. The City will build this schedule over the next four-year period.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

3. Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

There were no benefit changes during the year.

Measurement Year*	
2021	2022
\$ 41,634	\$ 45,381
18,915	18,880
-	-
2,866	(13,297)
32,729	(361,459)
(15,919)	(19,449)
80,225	(329,944)
932,877	1,013,102
\$ 1,013,102	\$ 683,158
\$ 12,245,342	\$ 12,966,127
8.27%	5.27%

CITY OF LAKE JACKSON, TEXAS

SCHEDULE OF CONTRIBUTIONS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2023

	Fiscal Year			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 1,271,157	\$ 1,226,556	\$ 1,224,103	\$ 1,336,648
Contributions in relation to the actuarially determined contribution	1,248,479	1,226,556	1,224,103	1,336,648
Contribution deficiency (excess)*	\$ 22,678	\$ -	\$ -	\$ -
Covered payroll	\$ 9,241,149	\$ 9,526,517	\$ 10,226,026	\$ 11,316,010
Contributions as a percentage of covered payroll	13.51%	12.88%	11.97%	11.81%

*Contribution deficiencies are the result of the City contributing at the TMRS allowed phase-in rate.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period December 31, 2014 - December 31, 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 1,357,569	\$ 1,464,706	\$ 1,466,849	\$ 1,476,363	\$ 1,474,767	\$ 1,552,001
1,357,569	1,464,706	1,466,849	1,476,363	1,474,767	1,552,001
<u>\$ -</u>					
<u>\$ 11,257,155</u>	<u>\$ 11,970,987</u>	<u>\$ 12,199,945</u>	<u>\$ 12,483,756</u>	<u>\$ 13,190,422</u>	<u>\$ 13,913,493</u>
12.06%	12.24%	12.02%	11.83%	11.18%	11.15%

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Fiscal Year			
	2014	2015	2016	2017
Contractually required contribution	\$ 69,499	\$ 78,528	\$ 82,103	\$ 77,681
Contributions in relation to the contractually required contribution	<u>69,499</u>	<u>78,528</u>	<u>82,103</u>	<u>77,681</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Number of active members*	N/A**	N/A**	N/A**	N/A**
Contributions per active member	\$ N/A**	\$ N/A**	\$ N/A**	\$ N/A**

*There is no compensation for active members. Number of active members is used instead.

**Information was not available. Only one year of information is currently available. The City will include this information for this schedule over the future periods.

Fiscal Year

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 96,681	\$ 59,048	\$ 65,774	\$ 45,012	\$ 88,134	\$ 60,950
<u>96,681</u>	<u>59,048</u>	<u>65,774</u>	<u>45,012</u>	<u>88,134</u>	<u>60,950</u>
<u>\$ -</u>					
N/A**	N/A**	N/A**	N/A**	N/A**	29
\$ N/A**	\$ 2,102				

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***COMBINING STATEMENTS
AND SCHEDULES***

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CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL GOVERNMENTAL DEBT SERVICE FUND
For the Year Ended September 30, 2023

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Property taxes	\$ 2,808,131	\$ 2,808,131	\$ 2,769,206	\$ (38,925)
Investment revenue	-	-	81,572	81,572
Total Revenues	<u>2,808,131</u>	<u>2,808,131</u>	<u>2,850,778</u>	<u>42,647</u>
<u>Expenditures</u>				
Debt service:				
Principal	2,056,534	2,056,534	2,056,534	-
Interest and fiscal agent fees	760,098	760,098	754,899	5,199
Total Expenditures	<u>2,816,632</u>	<u>2,816,632</u>	<u>2,811,433</u>	<u>5,199</u>
Net Change in Fund Balance	<u>\$ (8,501)</u>	<u>\$ (8,501)</u>	39,345	<u>\$ 47,846</u>
Beginning fund balance			813,741	
Ending Fund Balance			<u>\$ 853,086</u>	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF LAKE JACKSON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Motel Occupancy Tax Fund

This fund is used to account for resources generated from the local hotel/motel occupancy tax. Expenditures and transfers from this fund are restricted activities and reimbursement for special events paid by the general fund to

Police Seizure Fund

This fund is used to account for the receipt and expenditure of revenues derived from crime seizures that are to be used for law enforcement purposes.

Program Education Fund

This fund is used to account for restricted revenues and expenditures from Public, Educational, and Governmental access (PEG) fees.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for the annual payment requirement for principal and interest on debt.

Economic Development Debt Service Fund

This fund is used to account for the annual payment of the economic development principal and interest on debt issued and to provide a reserve for such payments. The annual payments include principal and interest on all of the certificates of obligation for series 2016 and 2022, all of the general obligation bonds series 2013, and a portion of the general obligation bonds series 2015 and 2021.

Golf Course Facilities Debt Service Fund

This fund is used to account for the annual payment of the golf course principal and interest on debt issued and to provide a reserve for such payments. The annual payments include principal and interest on all of the general obligation

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted or assigned expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

General Construction Fund

This fund is used to account for resources assigned 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.

Grant Projects Fund

This fund is used to account for grant funding that is used for capital projects. These funds are restricted by the grantor.

CITY OF LAKE JACKSON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Brazos Oaks Construction Fund

This fund accounts for the remaining funds from the issuance of prior year bonds for the reconstruction of streets and drainage in the Brazos Oaks subdivision. The remaining funds are restricted for future capital projects within the City.

2013 Infrastructure Fund

This fund accounts for the remaining funds from the issuance of prior year bonds for capital projects related to the replacement of streets and associated water, sewer, and sidewalks. The remaining funds are restricted for future capital projects within the City.

2017 Infrastructure Improvements Fund

This fund accounts for the funds from the issuance of the 2016 Limited Tax Bonds during fiscal year 2017. The fund is used for restricted expenditures associated with ongoing infrastructure improvements.

2010 Drainage Infrastructure Fund

This fund accounts for the expenditures related to drainage projects and arterial street repairs.

2014 Economic Incentive Fund

This fund accounts for the remaining funds from the issuance of prior year bonds for capital projects related the redevelopment of the Oak Woods subdivision and the development of the Dow Texas Innovation Center. The remaining funds are restricted for future capital projects within the City.

2013 Downtown Improvement Fund

This fund accounts for the expenditures related to the completion of the downtown improvement plan.

2018 Downtown Improvement Fund

This fund accounts for the funds from the issuance of the 2018 Limited Tax Bonds during fiscal year 2018. The fund is used for restricted expenditures associated with ongoing public improvements in the downtown area, including street, drainage, parking, and sidewalk improvements.

2022 Parks and Recreation Improvement Fund

This fund accounts for the funds from the 2022 Certificates of Obligation issued during fiscal year 2022. The fund is used for restricted expenditures associated with ongoing replacement and expansion of the City's parks.

CITY OF LAKE JACKSON, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Pages 1 of 2)

September 30, 2023

	Special Revenue Funds			Debt Service
	Motel Occupancy Tax	Police Seizure	Program Education	Economic Development
Assets				
Cash and cash equivalents	\$ 79,085	\$ 97,755	\$ 388,960	\$ 98,146
Receivables, net	-	-	13,566	-
Total Assets	\$ 79,085	\$ 97,755	\$ 402,526	\$ 98,146
Liabilities				
Accounts payable and accrued liabilities	\$ 25,424	\$ -	\$ 49,996	\$ -
Total Liabilities	25,424	-	49,996	-
Fund Balances				
Restricted for:				
Debt service	-	-	-	98,146
Enabling legislation	53,661	97,755	352,530	-
Capital projects	-	-	-	-
Assigned to:				
General construction	-	-	-	-
Total Fund Balances	53,661	97,755	352,530	98,146
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 79,085	\$ 97,755	\$ 402,526	\$ 98,146

<u>Debt Service</u>	<u>Capital Project Funds</u>				
<u>Golf Course Facilities</u>	<u>General Construction</u>	<u>Grant Projects</u>	<u>Brazos Oak Construction</u>	<u>2013 Infrastructure</u>	<u>2017 Infrastructure Improvements</u>
\$ -	\$ 5,380,414	\$ -	\$ 3,685	\$ 997	\$ 1,211,104
-	45,897	-	-	-	-
<u>\$ -</u>	<u>\$ 5,426,311</u>	<u>\$ -</u>	<u>\$ 3,685</u>	<u>\$ 997</u>	<u>\$ 1,211,104</u>
\$ -	\$ 10,363	\$ -	\$ -	\$ -	\$ 2,681
-	10,363	-	-	-	2,681
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,685	997	1,208,423
-	5,415,948	-	-	-	-
<u>-</u>	<u>5,415,948</u>	<u>-</u>	<u>3,685</u>	<u>997</u>	<u>1,208,423</u>
<u>\$ -</u>	<u>\$ 5,426,311</u>	<u>\$ -</u>	<u>\$ 3,685</u>	<u>\$ 997</u>	<u>\$ 1,211,104</u>

CITY OF LAKE JACKSON, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Pages 2 of 2)

September 30, 2023

	Capital Project Funds			
	2010 Drainage Infrastructure	2014 Economic Incentive	2013 Downtown Improvement	2018 Downtown Improvement
Assets				
Cash and cash equivalents	\$ -	\$ 84,060	\$ -	\$ 1,420,337
Receivables, net	-	-	-	-
Total Assets	\$ -	\$ 84,060	\$ -	\$ 1,420,337
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 426,032
Total Liabilities	-	-	-	426,032
Fund Balances				
Restricted for:				
Debt service	-	-	-	-
Enabling legislation	-	-	-	-
Capital projects	-	84,060	-	994,305
Assigned to:				
General construction	-	-	-	-
Total Fund Balances	-	84,060	-	994,305
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ -	\$ 84,060	\$ -	\$ 1,420,337

<u>Capital Project Funds 2022 Parks and Recreation Improvement</u>	<u>Total Nonmajor Governmental</u>
\$ 1,961,017	\$ 10,725,560
-	59,463
\$ 1,961,017	\$ 10,785,023
\$ -	\$ 514,496
-	514,496
-	98,146
-	503,946
1,961,017	4,252,487
-	5,415,948
1,961,017	10,270,527
\$ 1,961,017	\$ 10,785,023

CITY OF LAKE JACKSON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Pages 1 of 2)
For the Year Ended September 30, 2023

	<u>Special Revenue Funds</u>			<u>Debt Service</u>
	<u>Motel Occupancy Tax</u>	<u>Police Seizure</u>	<u>Program Education</u>	<u>Economic Development</u>
<u>Revenues</u>				
Taxes:				
Franchise	\$ -	\$ -	\$ 57,644	\$ -
Occupancy	435,058	-	-	-
Intergovernmental	-	-	-	-
Investment revenue	2,506	73	12,245	-
Other revenue	-	69,248	-	-
Total Revenues	437,564	69,321	69,889	-
<u>Expenditures</u>				
Current:				
General government	-	-	159,952	-
Public safety	-	52,023	-	-
Public works	-	-	-	-
Culture and recreation	407,135	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	1,363,466
Interest and fiscal agent fees	-	-	-	353,708
Total Expenditures	407,135	52,023	159,952	1,717,174
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,429	17,298	(90,063)	(1,717,174)
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	1,815,320
Transfers (out)	(66,067)	-	-	-
Total Other Financing Sources (Uses)	(66,067)	-	-	1,815,320
Net Change in Fund Balances	(35,638)	17,298	(90,063)	98,146
Beginning fund balances	89,299	80,457	442,593	-
Ending Fund Balances	\$ 53,661	\$ 97,755	\$ 352,530	\$ 98,146

Debt Service	Capital Project Funds				
Golf Course Facilities	General Construction	Grant Projects	Brazos Oak Construction	2013 Infrastructure	2017 Infrastructure Improvements
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,527,556	798,884	-	-	-
-	101,320	229,370	-	-	73,547
-	23,789	-	-	-	-
-	1,652,665	1,028,254	-	-	73,547
-	85,303	-	-	-	-
-	28,305	-	-	-	-
-	1,309,198	-	-	-	-
-	-	-	-	-	-
-	101,670	1,059,615	-	-	9,094
375,000	-	-	-	-	-
7,500	-	-	-	-	-
382,500	1,524,476	1,059,615	-	-	9,094
(382,500)	128,189	(31,361)	-	-	64,453
375,000	1,300,000	-	-	-	-
-	-	-	-	-	-
375,000	1,300,000	-	-	-	-
(7,500)	1,428,189	(31,361)	-	-	64,453
7,500	3,987,759	31,361	3,685	997	1,143,970
\$ -	\$ 5,415,948	\$ -	\$ 3,685	\$ 997	\$ 1,208,423

CITY OF LAKE JACKSON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
COMBINING NONMAJOR GOVERNMENTAL FUNDS (Pages 2 of 2)
For the Year Ended September 30, 2023

	Capital Project Funds			
	2010	2014	2013	2018
	Drainage Infrastructure	Economic Incentive	Downtown Improvement	Downtown Improvement
Revenues				
Taxes:				
Franchise	\$ -	\$ -	\$ -	\$ -
Occupancy	-	-	-	-
Intergovernmental	-	-	-	-
Investment revenue	-	923	-	199,735
Other revenue	-	-	-	-
Total Revenues	-	923	-	199,735
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	96	-	38	3,335,907
Debt service:				
Principal	-	-	-	-
Interest and fiscal agent fees	-	-	-	-
Total Expenditures	96	-	38	3,335,907
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96)	923	(38)	(3,136,172)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(96)	923	(38)	(3,136,172)
Beginning fund balances	96	83,137	38	4,130,477
Ending Fund Balances	\$ -	\$ 84,060	\$ -	\$ 994,305

<u>Capital Project Funds 2022 Parks and Recreation Improvement</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ 57,644
-	435,058
-	2,326,440
120,176	739,895
-	93,037
120,176	3,652,074
-	245,255
-	80,328
-	1,309,198
-	407,135
1,213,899	5,720,319
-	1,738,466
-	361,208
1,213,899	9,861,909
(1,093,723)	(6,209,835)
-	3,490,320
-	(66,067)
-	3,424,253
(1,093,723)	(2,785,582)
3,054,740	13,056,109
\$ 1,961,017	\$ 10,270,527

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CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MOTEL OCCUPANCY TAX FUND
For the Year Ended September 30, 2023

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Taxes:				
Occupancy	\$ 476,918	\$ 476,918	\$ 435,058	\$ (41,860)
Investment revenue	50	50	2,506	2,456
Total Revenues	<u>476,968</u>	<u>476,968</u>	<u>437,564</u>	<u>(39,404)</u>
<u>Expenditures</u>				
Current:				
Culture and recreation	409,329	409,329	407,135	2,194
Total Expenditures	<u>409,329</u>	<u>409,329</u>	<u>407,135</u>	<u>2,194</u>
Excess of Revenues Over Expenditures	<u>67,639</u>	<u>67,639</u>	<u>30,429</u>	<u>(37,210)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(55,000)	(66,067)	(66,067)	-
Total Other Financing (Uses)	<u>(55,000)</u>	<u>(66,067)</u>	<u>(66,067)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 12,639</u>	<u>\$ 1,572</u>	<u>(35,638)</u>	<u>\$ (37,210)</u>
Beginning fund balances			89,299	
Ending Fund Balances			<u>\$ 53,661</u>	

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
POLICE SEIZURE FUND
For the Year Ended September 30, 2023

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Investment revenue	\$ -	\$ -	\$ 73	\$ 73
Other revenue	20,000	55,300	69,248	13,948
Total Revenues	20,000	55,300	69,321	14,021
Expenditures				
Current:				
Public safety	20,000	55,300	52,023	3,277
Total Expenditures	20,000	55,300	52,023	3,277
Net Change in Fund Balances	\$ -	\$ -	17,298	\$ 17,298
Beginning fund balances			80,457	
Ending Fund Balances			\$ 97,755	

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PROGRAM EDUCATION FUND
For the Year Ended September 30, 2023

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Taxes:				
Franchise	\$ 65,000	\$ 65,000	\$ 57,644	\$ (7,356)
Investment revenue	250	250	12,245	11,995
	<u>65,250</u>	<u>65,250</u>	<u>69,889</u>	<u>4,639</u>
Total Revenues				
<u>Expenditures</u>				
Current:				
General government	100,000	159,952	159,952	-
	<u>100,000</u>	<u>159,952</u>	<u>159,952</u>	<u>-</u>
Total Expenditures				
Net Change in Fund Balances	<u>\$ (34,750)</u>	<u>\$ (94,702)</u>	<u>(90,063)</u>	<u>\$ 4,639</u>
Beginning fund balances			<u>442,593</u>	
Ending Fund Balances			<u>\$ 352,530</u>	

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT DEBT SERVICE FUND
For the Year Ended September 30, 2023

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Expenditures</u>				
Debt service:				
Principal	\$ 1,363,466	\$ 1,363,466	\$ 1,363,466	\$ -
Interest and fiscal agent fees	311,644	353,708	353,708	-
Total Expenditures	<u>1,675,110</u>	<u>1,717,174</u>	<u>1,717,174</u>	<u>-</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(1,675,110)</u>	<u>(1,717,174)</u>	<u>(1,717,174)</u>	<u>-</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	1,675,110	1,815,320	1,815,320	-
Total Other Financing Sources	<u>1,675,110</u>	<u>1,815,320</u>	<u>1,815,320</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 98,146</u>	<u>98,146</u>	<u>\$ -</u>
Beginning fund balances			<u>-</u>	
Ending Fund Balances			<u>\$ 98,146</u>	

CITY OF LAKE JACKSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GOLF COURSE FACILITIES DEBT SERVICE FUND
For the Year Ended September 30, 2023

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Expenditures</u>				
Debt service:				
Principal	\$ 375,000	\$ 375,000	\$ 375,000	\$ -
Interest and fiscal agent fees	7,500	7,500	7,500	-
Total Expenditures	<u>382,500</u>	<u>382,500</u>	<u>382,500</u>	<u>-</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(382,500)</u>	<u>(382,500)</u>	<u>(382,500)</u>	<u>-</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	382,500	382,500	375,000	(7,500)
Total Other Financing Sources	<u>382,500</u>	<u>382,500</u>	<u>375,000</u>	<u>(7,500)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(7,500)</u>	<u>\$ (7,500)</u>
Beginning fund balances			<u>7,500</u>	
Ending Fund Balances			<u>\$ -</u>	

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***OTHER SUB-FUND
STATEMENTS***

CITY OF LAKE JACKSON, TEXAS

CONSOLIDATED BALANCE SHEET

GENERAL FUND - SUB-FUNDS

September 30, 2023

	General Operations	Clearing	Payroll	General Contingencies
<u>Assets</u>				
Cash and cash equivalents	\$ 6,260	\$ 21,713,820	\$ -	\$ -
Investments	-	100,000	-	-
Receivables, net	2,060,434	-	-	-
Due from other funds	8,017,421	-	175,878	987,908
Inventories	114,796	-	-	-
Prepaid items	-	-	121,616	-
Total Assets	\$ 10,198,911	\$ 21,813,820	\$ 297,494	\$ 987,908
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 547,087	\$ -	\$ 292,494	\$ -
Due to other funds	-	21,813,820	-	-
Customer deposits	353,251	-	-	-
Unearned revenue	103,430	-	-	-
Total Liabilities	1,003,768	21,813,820	292,494	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	67,428	-	-	-
Unavailable revenue - court collections	593,350	-	-	-
Total Deferred Inflows of Resources	660,778	-	-	-
<u>Fund Balances</u>				
Nonspendable:				
Inventories	114,796	-	-	-
Prepaid items	-	-	5,000	-
Committed:				
Contingencies	-	-	-	987,908
Assigned to:				
Unemployment insurance	-	-	-	-
Equipment replacement	-	-	-	-
Special events	-	-	-	-
Park improvement	-	-	-	-
Unassigned	8,419,569	-	-	-
Total Fund Balances	8,534,365	-	5,000	987,908
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,198,911	\$ 21,813,820	\$ 297,494	\$ 987,908

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Parks</u>	<u>Consolidation</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,720,080
-	-	-	-	-	100,000
-	-	-	-	-	2,060,434
12,200,502	21,333	56,914	353,864	(21,813,820)	-
-	-	-	-	-	114,796
-	-	-	-	-	121,616
<u>\$ 12,200,502</u>	<u>\$ 21,333</u>	<u>\$ 56,914</u>	<u>\$ 353,864</u>	<u>\$ (21,813,820)</u>	<u>\$ 24,116,926</u>
\$ 2,662	\$ 7,882	\$ 758	\$ -	\$ -	\$ 850,883
-	-	-	-	(21,813,820)	-
-	-	-	-	-	353,251
-	-	-	-	-	103,430
<u>2,662</u>	<u>7,882</u>	<u>758</u>	<u>-</u>	<u>(21,813,820)</u>	<u>1,307,564</u>
-	-	-	-	-	67,428
-	-	-	-	-	593,350
-	-	-	-	-	660,778
-	-	-	-	-	114,796
-	-	-	-	-	5,000
-	-	-	-	-	987,908
-	13,451	-	-	-	13,451
12,197,840	-	-	-	-	12,197,840
-	-	56,156	-	-	56,156
-	-	-	353,864	-	353,864
-	-	-	-	-	8,419,569
<u>12,197,840</u>	<u>13,451</u>	<u>56,156</u>	<u>353,864</u>	<u>-</u>	<u>22,148,584</u>
<u>\$ 12,200,502</u>	<u>\$ 21,333</u>	<u>\$ 56,914</u>	<u>\$ 353,864</u>	<u>\$ (21,813,820)</u>	<u>\$ 24,116,926</u>

CITY OF LAKE JACKSON, TEXAS
CONSOLIDATED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND - SUB-FUNDS
For the Year Ended September 30, 2023

	<u>General Operations</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Revenues				
Taxes:				
Property	\$ 5,756,916	\$ -	\$ -	\$ -
Sales	7,871,050	-	-	-
Franchise	1,500,507	-	-	-
Other	267,148	-	-	-
Industrial district	6,323,810	-	-	-
Licenses and permits	546,270	-	-	-
Fines and forfeitures	434,449	-	-	-
Charges for services	1,080,025	-	-	-
Intergovernmental	77,864	-	-	-
Investment revenue	357,251	-	-	32,215
Other revenue	143,474	-	-	-
Total Revenues	24,358,764	-	-	32,215
Expenditures				
Current:				
General government	4,787,954	-	-	-
Public safety	8,818,140	-	-	-
Public works	3,180,193	-	-	-
Culture and recreation	5,075,648	-	-	-
Capital outlay	32,526	-	-	-
Debt service:				
Principal	23,061	-	-	-
Interest and fiscal agent fees	1,883	-	-	-
Total Expenditures	21,919,405	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,439,359	-	-	32,215
Other Financing Sources (Uses)				
Transfers in	250,021	-	-	-
Intrafund transfers	(1,527,325)	-	-	-
Total Other Financing Sources (Uses)	(1,277,304)	-	-	-
Net Change in Fund Balances	1,162,055	-	-	32,215
Beginning fund balances	7,372,310	-	5,000	955,693
Ending Fund Balances	\$ 8,534,365	\$ -	\$ 5,000	\$ 987,908

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Parks</u>	<u>Consolidation</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,756,916
-	-	-	-	-	7,871,050
-	-	-	-	-	1,500,507
-	-	-	-	-	267,148
-	-	-	-	-	6,323,810
-	-	-	-	-	546,270
-	-	-	-	-	434,449
-	-	-	-	-	1,080,025
779,369	-	-	-	-	857,233
422,461	1,017	526	9,499	-	822,969
-	-	17,958	267,700	-	429,132
<u>1,201,830</u>	<u>1,017</u>	<u>18,484</u>	<u>277,199</u>	<u>-</u>	<u>25,889,509</u>
478,707	26,223	-	23,613	-	5,316,497
-	-	-	-	-	8,818,140
-	-	-	-	-	3,180,193
-	-	141,286	-	-	5,216,934
1,187,711	-	-	-	-	1,220,237
-	-	-	-	-	23,061
-	-	-	-	-	1,883
<u>1,666,418</u>	<u>26,223</u>	<u>141,286</u>	<u>23,613</u>	<u>-</u>	<u>23,776,945</u>
<u>(464,588)</u>	<u>(25,206)</u>	<u>(122,802)</u>	<u>253,586</u>	<u>-</u>	<u>2,112,564</u>
794,805	-	66,067	-	-	1,110,893
1,487,325	-	40,000	-	-	-
<u>2,282,130</u>	<u>-</u>	<u>106,067</u>	<u>-</u>	<u>-</u>	<u>1,110,893</u>
1,817,542	(25,206)	(16,735)	253,586	-	3,223,457
10,380,298	38,657	72,891	100,278	-	18,925,127
<u>\$ 12,197,840</u>	<u>\$ 13,451</u>	<u>\$ 56,156</u>	<u>\$ 353,864</u>	<u>\$ -</u>	<u>\$ 22,148,584</u>

CITY OF LAKE JACKSON, TEXAS
CONSOLIDATED STATEMENT OF NET POSITION (Page 1 of 2)
UTILITY OPERATIONS FUND - SUB-FUNDS
September 30, 2023

	<u>Utility General Operations</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>	<u>Utility Construction</u>
<u>Assets</u>				
Current Assets				
Cash and cash equivalents	\$ 4,220,335	\$ -	\$ -	\$ 6,641,088
Accounts receivable (net of allowance for uncollectibles)	1,206,029	-	-	-
Lease receivables	2,344,889	-	-	-
Restricted cash and cash equivalents:				
Revenue bond covenant account	-	437,170	3,935,206	-
Customer deposits	870,693	-	-	-
Total Current Assets	<u>8,641,946</u>	<u>437,170</u>	<u>3,935,206</u>	<u>6,641,088</u>
Noncurrent Assets				
Capital assets:				
Construction in progress	-	-	-	-
Buildings	6,205,826	-	-	-
Improvements other than buildings	74,466,755	-	-	-
Machinery and equipment	8,573,109	-	-	-
Less accumulated depreciation and amortization	(56,715,860)	-	-	-
Total Noncurrent Assets	<u>32,529,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>41,171,776</u>	<u>437,170</u>	<u>3,935,206</u>	<u>6,641,088</u>
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pensions	1,501,139	-	-	-
Deferred outflows - OPEB	25,929	-	-	-
Total Deferred Outflows of Resources	<u>1,527,068</u>	<u>-</u>	<u>-</u>	<u>-</u>

2013 Revenue Bond	2019 Revenue Bond	North Sewer Extension	2017 Utility Bond	2022 Utility Bond	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,861,423
-	-	-	-	-	1,206,029
-	-	-	-	-	2,344,889
-	5,278,710	765,102	462,832	6,225,373	17,104,393
-	-	-	-	-	870,693
<u>-</u>	<u>5,278,710</u>	<u>765,102</u>	<u>462,832</u>	<u>6,225,373</u>	<u>32,387,427</u>
-	-	-	216,134	-	216,134
-	-	-	-	-	6,205,826
-	-	-	-	-	74,466,755
-	-	-	-	-	8,573,109
-	-	-	-	-	(56,715,860)
<u>-</u>	<u>-</u>	<u>-</u>	<u>216,134</u>	<u>-</u>	<u>32,745,964</u>
<u>-</u>	<u>5,278,710</u>	<u>765,102</u>	<u>678,966</u>	<u>6,225,373</u>	<u>65,133,391</u>
-	-	-	-	-	1,501,139
-	-	-	-	-	25,929
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,527,068</u>

CITY OF LAKE JACKSON, TEXAS
CONSOLIDATED STATEMENT OF NET POSITION (Page 2 of 2)
UTILITY OPERATIONS FUND - SUB-FUNDS
September 30, 2023

	Utility General Operations	Utility Contingency	Utility Revenue Bond Interest and Sinking	Utility Construction
<u>Liabilities</u>				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 591,082	\$ -	\$ -	\$ 234,370
Accrued interest payable	-	-	293,224	-
Compensated absences - current	105,856	-	-	-
Total OPEB liability - current	3,330	-	-	-
Bonds payable due within one year	1,295,000	-	-	-
Current Liabilities Payable From Restricted Assets				
Customer deposits	870,693	-	-	-
Total Current Liabilities	2,865,961	-	293,224	234,370
Noncurrent Liabilities				
Compensated absences	5,571	-	-	-
Bonds payable	15,225,000	-	2,089,726	-
Net pension liability - TMRS	1,874,831	-	-	-
Total OPEB liability	139,577	-	-	-
Total Noncurrent Liabilities	17,244,979	-	2,089,726	-
Total Liabilities	20,110,940	-	2,382,950	234,370
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	391	-	-	-
Deferred inflows - OPEB	63,660	-	-	-
Deferred inflows - leases	2,209,441	-	-	-
Total Deferred Inflows of Resources	2,273,492	-	-	-
<u>Net Position</u>				
Net investment in capital assets	16,009,830	-	(2,089,726)	-
Restricted for:				
Debt service	-	-	3,641,982	-
Unrestricted net position	4,304,582	437,170	-	6,406,718
Total Net Position	\$ 20,314,412	\$ 437,170	\$ 1,552,256	\$ 6,406,718

2013 Revenue Bond	2019 Revenue Bond	North Sewer Extension	2017 Utility Bond	2022 Utility Bond	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 825,452
-	-	-	-	-	293,224
-	-	-	-	-	105,856
-	-	-	-	-	3,330
-	-	-	-	-	1,295,000
-	-	-	-	-	870,693
-	-	-	-	-	3,393,555
-	-	-	-	-	5,571
-	-	-	-	-	17,314,726
-	-	-	-	-	1,874,831
-	-	-	-	-	139,577
-	-	-	-	-	19,334,705
-	-	-	-	-	22,728,260
-	-	-	-	-	391
-	-	-	-	-	63,660
-	-	-	-	-	2,209,441
-	-	-	-	-	2,273,492
-	5,278,710	765,102	678,966	6,225,373	26,868,255
-	-	-	-	-	3,641,982
-	-	-	-	-	11,148,470
<u>\$ -</u>	<u>\$ 5,278,710</u>	<u>\$ 765,102</u>	<u>\$ 678,966</u>	<u>\$ 6,225,373</u>	<u>\$ 41,658,707</u>

CITY OF LAKE JACKSON, TEXAS
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
UTILITY OPERATIONS FUND - SUB-FUNDS
For the Year Ended September 30, 2023

	<u>Utility General Operations</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>	<u>Utility Construction</u>
<u>Operating Revenues</u>				
Water services	\$ 6,154,867	\$ -	\$ -	\$ -
Sewer services	5,975,128	-	-	-
Garbage services	5,220,025	-	-	-
Tapping and connection fees	364,552	-	-	-
Other revenues	296,151	-	-	-
Total Operating Revenues	18,010,723	-	-	-
<u>Operating Expenses</u>				
Utility administration	773,629	-	-	-
Water and production and treatment	4,978,874	-	-	-
Sewer collection	2,482,055	-	-	-
Sanitation	4,842,671	-	-	-
Depreciation/amortization	3,353,138	-	-	-
Total Operating Expenses	16,430,367	-	-	-
Operating Income	1,580,356	-	-	-
<u>Nonoperating Revenues (Expenses)</u>				
Intergovernmental revenue	-	-	-	1,867,131
Investment revenues	313,655	14,256	76,096	174,936
Interest and fiscal agent fees	-	-	(523,099)	-
Total Nonoperating Revenues (Expenses)	313,655	14,256	(447,003)	2,042,067
Income (Loss) Before Transfers	1,894,011	14,256	(447,003)	2,042,067
<u>Transfers</u>				
Transfers (out)	(1,894,826)	-	-	-
Intrafund transfers	(4,399,667)	-	1,233,537	(1,021,126)
Total Transfers	(6,294,493)	-	1,233,537	(1,021,126)
Change in Net Position	(4,400,482)	14,256	786,534	1,020,941
Beginning net position	24,714,894	422,914	765,722	5,385,777
Ending Net Position	\$ 20,314,412	\$ 437,170	\$ 1,552,256	\$ 6,406,718

2013 Revenue Bond	2019 Revenue Bond	North Sewer Extension	2017 Utility Bond	2022 Utility Bond	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,154,867
-	-	-	-	-	5,975,128
-	-	-	-	-	5,220,025
-	-	-	-	-	364,552
-	-	-	-	-	296,151
-	-	-	-	-	18,010,723
-	-	-	-	-	773,629
-	-	-	-	-	4,978,874
-	-	-	-	-	2,482,055
-	-	-	-	-	4,842,671
-	-	-	-	-	3,353,138
-	-	-	-	-	16,430,367
-	-	-	-	-	1,580,356
-	-	-	-	-	1,867,131
2,366	232,467	39,233	70,474	225,373	1,148,856
-	-	-	-	-	(523,099)
2,366	232,467	39,233	70,474	225,373	2,492,888
2,366	232,467	39,233	70,474	225,373	4,073,244
-	-	-	-	-	(1,894,826)
(168,754)	(36,322)	(211,584)	(1,396,084)	6,000,000	-
(168,754)	(36,322)	(211,584)	(1,396,084)	6,000,000	(1,894,826)
(166,388)	196,145	(172,351)	(1,325,610)	6,225,373	2,178,418
166,388	5,082,565	937,453	2,004,576	-	39,480,289
<u>\$ -</u>	<u>\$ 5,278,710</u>	<u>\$ 765,102</u>	<u>\$ 678,966</u>	<u>\$ 6,225,373</u>	<u>\$ 41,658,707</u>

CITY OF LAKE JACKSON, TEXAS
CONSOLIDATED STATEMENT OF CASH FLOWS (Page 1 of 2)
UTILITY OPERATIONS FUND - SUB-FUNDS
For the Year Ended September 30, 2023

	Utility General Operations	Utility Contingency	Utility Revenue Bond Interest and Sinking	Utility Construction
<u>Cash Flows from Operating Activities</u>				
Receipts from customers and users	\$ 17,618,177	\$ -	\$ -	\$ 1
Payments to suppliers	(12,248,475)	-	-	-
Payments to employees	(831,184)	-	-	-
Net Cash Provided by Operating Activities	4,538,518	-	-	1
<u>Cash Flows from Noncapital Financing Activities</u>				
Intergovernmental revenue	-	-	-	1,867,131
Transfers from other funds	2,198,739	-	3,497,035	-
Transfers to other funds	(5,391,861)	-	-	(890,423)
Net Cash Provided (Used) by Noncapital Financing Activities	(3,193,122)	-	3,497,035	976,708
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition of capital assets	(2,426,250)	-	-	234,370
Proceeds from issuance of debt	-	-	-	-
Principal paid on capital debt	-	-	(1,000,000)	-
Interest and fiscal agent fees paid	-	-	(675,157)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,426,250)	-	(1,675,157)	234,370
<u>Cash Flows from Investing Activities</u>				
Interest on investments	313,655	14,256	76,096	174,936
Net Cash Provided by Investing Activities	313,655	14,256	76,096	174,936
Net Increase (Decrease) in Cash and Cash Equivalents	(767,199)	14,256	1,897,974	1,386,015
Beginning cash and cash equivalents	5,858,227	422,914	2,037,232	5,255,073
Ending Cash and Cash Equivalents	\$ 5,091,028	\$ 437,170	\$ 3,935,206	\$ 6,641,088
Ending Cash and Cash Equivalents:				
Unrestricted cash and cash equivalents	\$ 4,220,335	\$ -	\$ -	\$ 6,641,088
Restricted cash and cash equivalents	870,693	437,170	3,935,206	-
	\$ 5,091,028	\$ 437,170	\$ 3,935,206	\$ 6,641,088

2013 Revenue Bond	2019 Revenue Bond	North Sewer Extension	2017 Utility Bond	2022 Utility Bond	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,618,178
-	-	-	-	-	(12,248,475)
-	-	-	-	-	(831,184)
-	-	-	-	-	4,538,519
-	-	-	-	-	1,867,131
-	-	-	-	-	5,695,774
(95,966)	-	(129,448)	(892,737)	(190,165)	(7,590,600)
(95,966)	-	(129,448)	(892,737)	(190,165)	(27,695)
(30,000)	-	-	-	-	(2,221,880)
-	-	-	-	6,190,165	6,190,165
-	-	-	-	-	(1,000,000)
-	-	-	-	-	(675,157)
(30,000)	-	-	-	6,190,165	2,293,128
2,366	232,467	39,233	70,474	225,373	1,148,856
2,366	232,467	39,233	70,474	225,373	1,148,856
(123,600)	232,467	(90,215)	(822,263)	6,225,373	7,952,808
123,600	5,046,243	855,317	1,285,095	-	20,883,701
<u>\$ -</u>	<u>\$ 5,278,710</u>	<u>\$ 765,102</u>	<u>\$ 462,832</u>	<u>\$ 6,225,373</u>	<u>\$ 28,836,509</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,861,423
-	5,278,710	765,102	462,832	6,225,373	17,975,086
<u>\$ -</u>	<u>\$ 5,278,710</u>	<u>\$ 765,102</u>	<u>\$ 462,832</u>	<u>\$ 6,225,373</u>	<u>\$ 28,836,509</u>

CITY OF LAKE JACKSON, TEXAS
CONSOLIDATED STATEMENT OF CASH FLOWS (Page 2 of 2)
UTILITY OPERATIONS FUND - SUB-FUNDS
For the Year Ended September 30, 2023

	Utility General Operations	Utility Contingency	Utility Revenue Bond Interest and Sinking	Utility Construction
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income	\$ 1,580,356	\$ -	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,353,138	-	-	-
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Assets:				
Accounts receivable	(331,496)	-	-	1
Lease receivables	106,215	-	-	-
Deferred outflows of resources	(1,132,317)	-	-	-
Net pension asset	244,873	-	-	-
Increase (Decrease) in Liabilities:				
Accounts payable and accrued liabilities	55,125	-	-	-
Compensated absences	4,492	-	-	-
Customer deposits	7,486	-	-	-
Deferred inflows of resources	(1,155,114)	-	-	-
Net pension liability	1,874,831	-	-	-
Total OPEB liability	(69,071)	-	-	-
	<u>\$ 4,538,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
Net Cash Provided by Operating Activities	<u>\$ 4,538,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>

2013 Revenue Bond	2019 Revenue Bond	North Sewer Extension	2017 Utility Bond	2022 Utility Bond	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,580,356
-	-	-	-	-	3,353,138
-	-	-	-	-	(331,495)
-	-	-	-	-	106,215
-	-	-	-	-	(1,132,317)
-	-	-	-	-	244,873
-	-	-	-	-	55,125
-	-	-	-	-	4,492
-	-	-	-	-	7,486
-	-	-	-	-	(1,155,114)
-	-	-	-	-	1,874,831
-	-	-	-	-	(69,071)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,538,519</u>

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STATISTICAL SECTION

This part of the City's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the City's overall financial health.

Contents	Page
Financial Trends	142
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	152
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	160
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	171
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	176
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports from the relevant year.

CITY OF LAKE JACKSON, TEXAS

NET POSITION BY COMPONENT

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Governmental Activities				
Net investment in capital assets	\$ 32,216,296	\$ 33,568,778	\$ 36,518,760	\$ 34,776,336
Restricted	3,555,361	3,770,121	3,156,731	3,135,742
Unrestricted	13,914,437	15,824,959	14,662,475	12,962,925
Total Governmental Activities Net Position	\$ 49,686,094	\$ 53,163,858	\$ 54,337,966	\$ 50,875,003
Business-Type Activities				
Net investment in capital assets	\$ 25,271,709	\$ 25,797,977	\$ 30,118,830	\$ 31,654,276
Restricted	5,098,779	4,277,148	2,315,334	4,156,093
Unrestricted	2,667,740	2,789,247	4,122,879	4,558,480
Total Business-Type Activities Net Position	\$ 33,038,228	\$ 32,864,372	\$ 36,557,043	\$ 40,368,849
Primary Government				
Net investment in capital assets	\$ 57,488,005	\$ 59,366,755	\$ 66,637,590	\$ 66,430,612
Restricted	8,654,140	8,047,269	5,472,065	7,291,835
Unrestricted	16,582,177	18,614,206	18,785,354	17,521,405
Total Primary Government Net Position	\$ 82,724,322	\$ 86,028,230	\$ 90,895,009	\$ 91,243,852

Fiscal Year

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 36,842,141	\$ 39,430,164	\$ 39,944,744	\$ 40,206,296	\$ 41,473,527	\$ 46,591,942
3,280,276	2,857,520	3,400,316	4,791,545	7,846,356	5,196,980
14,139,592	14,971,947	16,748,998	19,175,846	19,589,849	25,286,042
<u>\$ 54,262,009</u>	<u>\$ 57,259,631</u>	<u>\$ 60,094,058</u>	<u>\$ 64,173,687</u>	<u>\$ 68,909,732</u>	<u>\$ 77,074,964</u>
\$ 27,429,024	\$ 34,480,019	\$ 34,659,879	\$ 34,047,825	\$ 33,095,598	\$ 31,569,227
8,285,251	1,599,229	1,537,234	1,967,789	1,633,333	3,641,982
6,520,045	7,609,713	8,764,187	8,823,721	9,777,377	11,422,172
<u>\$ 42,234,320</u>	<u>\$ 43,688,961</u>	<u>\$ 44,961,300</u>	<u>\$ 44,839,335</u>	<u>\$ 44,506,308</u>	<u>\$ 46,633,381</u>
\$ 64,271,165	\$ 73,910,183	\$ 74,604,623	\$ 74,254,121	\$ 74,569,125	\$ 78,161,169
11,565,527	4,456,749	4,937,550	6,759,334	9,479,689	8,838,962
20,659,637	22,581,660	25,513,185	27,999,567	29,367,226	36,708,214
<u>\$ 96,496,329</u>	<u>\$ 100,948,592</u>	<u>\$ 105,055,358</u>	<u>\$ 109,013,022</u>	<u>\$ 113,416,040</u>	<u>\$ 123,708,345</u>

CITY OF LAKE JACKSON, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
Governmental Activities				
General government	\$ 3,963,493	\$ 3,976,659	\$ 4,637,221	\$ 5,185,914
Public safety	6,391,647	6,364,951	6,996,740	8,116,735
Public works	4,467,635	4,466,925	4,800,673	5,013,485
Culture and recreation	5,173,328	5,561,349	5,934,908	6,197,113
Interest on long-term debt	985,786	1,071,742	1,177,942	788,505
Total Governmental Activities Expenses	<u>20,981,889</u>	<u>21,441,626</u>	<u>23,547,484</u>	<u>25,301,752</u>
Business-Type Activities				
Water and sewer	7,775,096	8,122,897	8,717,505	9,321,589
Sanitation	2,442,771	2,551,608	2,864,997	3,014,234
Golf course	1,951,623	1,952,353	1,895,258	1,985,245
Total Business-Type Activities Expenses	<u>12,169,490</u>	<u>12,626,858</u>	<u>13,477,760</u>	<u>14,321,068</u>
Total Primary Government Expenses	<u>\$ 33,151,379</u>	<u>\$ 34,068,484</u>	<u>\$ 37,025,244</u>	<u>\$ 39,622,820</u>
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 678,652	\$ 584,423	\$ 444,607	\$ 553,511
Public works	501,138	666,610	496,068	341,122
Culture and recreation	1,135,711	1,186,243	1,263,879	1,236,652
Operating grants and contributions	6,613	111,615	254,433	130,185
Capital grants and contributions	-	-	2,011,011	296,861
Total Governmental Activities				
Program Revenues	<u>2,322,114</u>	<u>2,548,891</u>	<u>4,469,998</u>	<u>2,558,331</u>
Business-Type Activities				
Charges for services				
Water and sewer	7,303,337	8,060,180	8,610,062	9,448,487
Sanitation	3,163,629	3,287,706	3,765,504	3,849,309
Golf course	1,446,320	1,386,531	1,276,932	1,286,124
Capital grants and contributions	133,195	38,897	945,311	209,122
Total Business-Type Activities				
Program Revenues	<u>12,046,481</u>	<u>12,773,314</u>	<u>14,597,809</u>	<u>14,793,042</u>
Total Primary Government Program Revenues	<u>\$ 14,368,595</u>	<u>\$ 15,322,205</u>	<u>\$ 19,067,807</u>	<u>\$ 17,351,373</u>
Net Revenue/(Expense)				
Governmental activities	\$ (18,659,775)	\$ (18,892,735)	\$ (19,077,486)	\$ (22,743,421)
Business-type activities	(123,009)	146,456	1,120,049	471,974
Total Primary Government Net (Expense)	<u>\$ (18,782,784)</u>	<u>\$ (18,746,279)</u>	<u>\$ (17,957,437)</u>	<u>\$ (22,271,447)</u>

Fiscal Year

	2018	2019	2020	2021	2022	2023
\$	4,469,968	\$ 4,864,266	\$ 6,069,375	\$ 5,715,450	\$ 5,490,852	\$ 5,876,608
	8,014,355	9,185,098	8,808,839	8,662,929	8,814,132	10,508,653
	4,815,157	5,470,552	5,032,463	5,041,461	5,486,432	6,171,917
	6,259,805	6,372,810	5,866,037	5,368,704	5,993,872	6,746,331
	962,144	1,228,818	1,009,362	897,694	1,240,078	910,984
	<u>24,521,429</u>	<u>27,121,544</u>	<u>26,786,076</u>	<u>25,686,238</u>	<u>27,025,366</u>	<u>30,214,493</u>
	9,670,841	10,254,413	10,660,368	11,505,879	11,008,302	12,110,795
	3,240,185	3,415,379	3,407,708	3,220,607	3,588,880	4,842,671
	2,038,347	2,179,331	2,304,135	2,528,730	2,729,728	2,735,859
	<u>14,949,373</u>	<u>15,849,123</u>	<u>16,372,211</u>	<u>17,255,216</u>	<u>17,326,910</u>	<u>19,689,325</u>
\$	<u>\$ 39,470,802</u>	<u>\$ 42,970,667</u>	<u>\$ 43,158,287</u>	<u>\$ 42,941,454</u>	<u>\$ 44,352,276</u>	<u>\$ 49,903,818</u>
\$	627,106	\$ 710,294	\$ 542,158	\$ 451,313	\$ 477,216	\$ 401,815
	334,908	556,953	599,601	355,062	409,046	546,270
	1,150,568	1,098,384	503,792	536,008	892,794	1,080,025
	394,666	1,205,727	1,153,321	2,721,273	142,985	77,865
	554,207	1,477,454	247,000	-	-	3,105,808
	<u>3,061,455</u>	<u>5,048,812</u>	<u>3,045,872</u>	<u>4,063,656</u>	<u>1,922,041</u>	<u>5,211,783</u>
	11,048,240	10,459,653	11,226,474	10,373,811	11,526,990	12,790,698
	3,920,214	4,067,481	4,315,988	4,172,609	4,501,891	5,220,025
	1,309,422	1,300,240	1,440,411	1,900,420	2,189,550	2,214,905
	232,540	429,186	1,481,000	-	-	1,867,131
	<u>16,510,416</u>	<u>16,256,560</u>	<u>18,463,873</u>	<u>16,446,840</u>	<u>18,218,431</u>	<u>22,092,759</u>
\$	<u>\$ 19,571,871</u>	<u>\$ 21,305,372</u>	<u>\$ 21,509,745</u>	<u>\$ 20,510,496</u>	<u>\$ 20,140,472</u>	<u>\$ 27,304,542</u>
\$	(21,459,974)	\$ (22,072,732)	\$ (23,740,204)	\$ (21,622,582)	\$ (25,103,325)	\$ (25,002,710)
	1,561,043	407,437	2,091,662	(808,376)	891,521	2,403,434
\$	<u>\$ (19,898,931)</u>	<u>\$ (21,665,295)</u>	<u>\$ (21,648,542)</u>	<u>\$ (22,430,958)</u>	<u>\$ (24,211,804)</u>	<u>\$ (22,599,276)</u>

CITY OF LAKE JACKSON, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes:				
Property	\$ 5,687,918	\$ 5,827,889	\$ 5,879,917	\$ 6,090,100
Sales	7,978,873	9,129,362	9,417,731	9,489,693
Franchise	1,657,659	1,734,149	1,720,294	1,687,768
Occupancy	311,774	498,844	526,662	539,553
Other	164,284	206,901	217,926	222,443
Industrial district	4,186,100	4,249,304	4,317,295	4,394,560
Investment revenue	61,941	57,363	96,689	171,392
Other revenues	171,911	340,635	613,002	475,563
Transfers	(623,332)	326,052	(2,537,922)	(3,360,087)
Total Governmental Activities	<u>19,597,128</u>	<u>22,370,499</u>	<u>20,251,594</u>	<u>19,710,985</u>
Business-Type Activities				
Investment revenues	14,192	15,740	34,700	98,251
Gain on disposition of capital assets	-	-	-	8,500
Transfers	623,332	(326,052)	2,537,922	3,360,087
Total Business-Type Activities	<u>637,524</u>	<u>(310,312)</u>	<u>2,572,622</u>	<u>3,466,838</u>
Total Primary Government	<u>\$ 20,234,652</u>	<u>\$ 22,060,187</u>	<u>\$ 22,824,216</u>	<u>\$ 23,177,823</u>
Change in Net Position				
Governmental activities	\$ 937,353	\$ 3,477,764	\$ 1,174,108	\$ (3,032,436)
Business-type activities	514,515	(173,856)	3,692,671	3,938,812
Adjustments	(1,258,463)	-	-	(557,533)
Total Primary Government	<u>\$ 193,405</u>	<u>\$ 3,303,908</u>	<u>\$ 4,866,779</u>	<u>\$ 348,843</u>

Fiscal Year

2018	2019	2020	2021	2022	2023
\$ 6,619,739	\$ 7,047,330	\$ 7,548,231	\$ 7,585,128	\$ 8,196,599	\$ 8,513,047
10,266,971	10,033,280	10,084,371	11,121,684	11,739,782	11,919,333
1,693,598	1,744,435	1,650,098	1,580,134	1,560,850	1,558,151
590,629	510,517	384,272	421,451	489,704	435,058
254,155	253,500	224,578	251,413	274,089	267,148
4,501,353	5,006,224	5,101,850	5,208,506	5,583,516	6,323,810
387,708	781,232	321,323	18,535	331,298	2,195,058
564,286	359,744	246,911	191,352	296,225	522,169
(31,459)	(655,441)	1,012,997	(675,992)	1,367,307	1,434,168
<u>24,846,980</u>	<u>25,080,821</u>	<u>26,574,631</u>	<u>25,702,211</u>	<u>29,839,370</u>	<u>33,167,942</u>
272,969	391,763	193,674	10,419	142,759	1,157,807
-	-	-	-	-	-
31,459	655,441	(1,012,997)	675,992	(1,367,307)	(1,434,168)
<u>304,428</u>	<u>1,047,204</u>	<u>(819,323)</u>	<u>686,411</u>	<u>(1,224,548)</u>	<u>(276,361)</u>
<u>\$ 25,151,408</u>	<u>\$ 26,128,025</u>	<u>\$ 25,755,308</u>	<u>\$ 26,388,622</u>	<u>\$ 28,614,822</u>	<u>\$ 32,891,581</u>
\$ 3,387,006	\$ 2,997,622	\$ 2,834,427	\$ 4,079,629	\$ 4,736,045	\$ 8,165,232
1,865,471	1,454,641	1,272,339	(121,965)	(333,027)	2,127,073
-	-	-	-	-	-
<u>\$ 5,252,477</u>	<u>\$ 4,452,263</u>	<u>\$ 4,106,766</u>	<u>\$ 3,957,664</u>	<u>\$ 4,403,018</u>	<u>\$ 10,292,305</u>

CITY OF LAKE JACKSON, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(Modified Accrual Basis of Accounting)

		Fiscal Year			
		2014	2015	2016	2017
General Fund					
Nonspendable		\$ 90,320	\$ 100,472	\$ 80,608	\$ 248,341
Committed		801,448	903,264	906,260	910,307
Assigned		6,288,219	6,543,068	6,606,941	6,917,741
Unassigned		6,644,409	7,480,835	6,763,696	4,918,169
	Total General Fund	<u>\$ 13,824,396</u>	<u>\$ 15,027,639</u>	<u>\$ 14,357,505</u>	<u>\$ 12,994,558</u>
All Other Governmental Funds					
Restricted		\$ 8,616,997	\$ 13,146,302	\$ 6,230,357	\$ 8,007,646
Assigned		1,903,546	2,102,001	2,044,549	2,644,777
	Total All Other Governmental Funds	<u>\$ 10,520,543</u>	<u>\$ 15,248,303</u>	<u>\$ 8,274,906</u>	<u>\$ 10,652,423</u>

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 117,040	\$ 97,186	\$ 88,957	\$ 113,141	\$ 236,405	\$ 119,796
921,955	941,824	951,063	951,479	955,693	987,908
7,025,324	7,029,102	8,294,240	8,875,588	10,592,124	12,621,311
6,371,628	6,270,142	7,086,503	7,603,624	7,140,905	8,419,569
<u>\$ 14,435,947</u>	<u>\$ 14,338,254</u>	<u>\$ 16,420,763</u>	<u>\$ 17,543,832</u>	<u>\$ 18,925,127</u>	<u>\$ 22,148,584</u>
\$ 9,599,653	\$ 17,077,326	\$ 15,410,002	\$ 15,245,740	\$ 20,954,651	\$ 16,262,383
2,015,677	3,633,972	3,426,393	3,990,802	3,987,759	5,415,948
<u>\$ 11,615,330</u>	<u>\$ 20,711,298</u>	<u>\$ 18,836,395</u>	<u>\$ 19,236,542</u>	<u>\$ 24,942,410</u>	<u>\$ 21,678,331</u>

CITY OF LAKE JACKSON, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Taxes and industrial district	\$ 19,985,385	\$ 21,636,472	\$ 22,073,188	\$ 22,421,836
Intergovernmental	6,613	111,615	254,433	130,185
Charges for services	1,135,711	1,186,243	1,263,879	1,236,652
Fines and forfeitures	625,201	573,801	472,117	535,164
Licenses and permits	501,138	666,610	496,068	341,122
Investment earnings	61,941	57,363	96,689	171,392
Other revenues	142,508	333,321	613,002	473,897
Total Revenues	<u>22,458,497</u>	<u>24,565,425</u>	<u>25,269,376</u>	<u>25,310,248</u>
Expenditures				
General government	3,762,435	3,787,952	4,039,007	4,645,330
Public safety	5,751,812	5,966,657	6,038,765	7,005,479
Public works	2,697,647	2,578,564	2,837,563	2,795,351
Culture and recreation	4,236,809	4,812,107	5,068,207	5,318,988
Capital outlay	4,111,550	3,166,664	10,051,261	3,820,985
Debt service:				
Principal	2,805,000	3,150,000	3,210,000	3,395,000
Interest and fees	1,115,999	1,163,523	1,000,440	1,128,293
Total Expenditures	<u>24,481,252</u>	<u>24,625,467</u>	<u>32,245,243</u>	<u>28,109,426</u>
Excess (Deficiency) of				
Revenues Over (Under) Expenditures	(2,022,755)	(60,042)	(6,975,867)	(2,799,178)
Other Financing Sources (Uses)				
Proceeds from issuance of debt	1,500,000	5,550,000	-	6,820,000
Issuance of refunding of debt	-	-	7,870,000	-
Premium on debt issued	40,920	83,600	537,550	268,528
Proceeds from sales of capital assets	127,588	81,393	41,105	30,142
Payments to refunding bond escrow agent	-	-	(8,300,732)	-
Transfers in	4,315,121	4,646,206	4,930,442	5,162,794
Transfers out	(4,938,453)	(4,320,154)	(5,829,749)	(8,467,716)
Total Other Financing Sources (Uses)	<u>1,045,176</u>	<u>6,041,045</u>	<u>(751,384)</u>	<u>3,813,748</u>
Net Change in Fund Balances	<u>\$ (977,579)</u>	<u>\$ 5,981,003</u>	<u>\$ (7,727,251)</u>	<u>\$ 1,014,570</u>
Debt service as a percentage of noncapital expenditures	19.25%	20.10%	18.97%	18.62%

Fiscal Year						
2018	2019	2020	2021	2022	2023	
\$ 23,917,953	\$ 24,584,607	\$ 24,977,060	\$ 26,180,230	\$ 27,806,420	\$ 29,029,622	
394,666	1,205,727	1,153,321	2,721,273	142,985	3,183,673	
1,150,568	1,098,384	503,792	536,008	892,794	1,080,025	
553,806	589,588	544,436	496,078	502,429	434,449	
334,908	556,953	599,601	355,062	409,046	546,270	
387,708	781,232	321,323	18,535	331,298	2,195,058	
553,819	349,277	180,814	144,237	222,600	522,169	
<u>27,293,428</u>	<u>29,165,768</u>	<u>28,280,347</u>	<u>30,451,423</u>	<u>30,307,572</u>	<u>36,991,266</u>	
4,078,465	4,201,120	5,555,183	5,502,034	5,427,669	5,561,752	
7,182,671	7,567,176	7,591,717	7,895,300	8,572,172	8,898,468	
2,681,410	2,936,613	2,470,459	2,521,588	2,952,511	4,489,391	
5,406,493	5,258,156	4,865,358	4,780,460	5,490,139	6,088,453	
5,913,695	4,949,028	4,137,186	3,038,412	8,999,252	8,726,599	
3,175,000	3,135,000	3,455,000	3,535,000	3,337,459	3,818,061	
1,095,273	1,364,117	1,154,929	1,039,691	1,468,401	1,117,990	
<u>29,533,007</u>	<u>29,411,210</u>	<u>29,229,832</u>	<u>28,312,485</u>	<u>36,247,603</u>	<u>38,700,714</u>	
(2,239,579)	(245,442)	(949,485)	2,138,938	(5,940,031)	(1,709,448)	
3,935,000	8,800,000	-	-	14,978,685	-	
-	-	-	-	3,175,000	-	
173,307	392,162	-	-	1,337,708	-	
75,328	108,488	117,499	60,270	73,625	-	
-	-	-	-	(7,905,131)	-	
3,955,595	5,432,436	4,557,875	5,591,661	5,220,163	4,601,213	
<u>(3,495,355)</u>	<u>(5,489,369)</u>	<u>(3,518,283)</u>	<u>(6,267,653)</u>	<u>(3,852,856)</u>	<u>(2,932,387)</u>	
<u>4,643,875</u>	<u>9,243,717</u>	<u>1,157,091</u>	<u>(615,722)</u>	<u>13,027,194</u>	<u>1,668,826</u>	
<u>\$ 2,404,296</u>	<u>\$ 8,998,275</u>	<u>\$ 207,606</u>	<u>\$ 1,523,216</u>	<u>\$ 7,087,163</u>	<u>\$ (40,622)</u>	
18.08%	18.39%	18.37%	18.10%	17.64%	17.53%	

CITY OF LAKE JACKSON, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Years

	Fiscal Year			
	2014	2015	2016	2017
Residential Property	\$ 120,394,220	\$ 121,122,020	\$ 126,898,430	\$ 148,736,930
Commercial Property	1,689,132,358	1,762,892,528	1,891,672,481	2,181,716,658
Less: Tax Exempt Property	<u>(360,227,700)</u>	<u>(387,056,318)</u>	<u>(380,347,986)</u>	<u>(431,167,524)</u>
Total Taxable Assessed Value (1)	<u>\$ 1,449,298,878</u>	<u>\$ 1,496,958,230</u>	<u>\$ 1,638,222,925</u>	<u>\$ 1,899,286,064</u>
Taxable Assessed Value as a Percentage of Estimated Actual Value	100.00%	100.00%	100.00%	100.00%
Estimated Actual Taxable Value	\$ 1,449,298,878	\$ 1,496,958,230	\$ 1,638,222,925	\$ 1,899,286,064
Total Direct Tax Rate	\$ 0.39000	\$ 0.38750	\$ 0.36000	\$ 0.33750

Source: Brazoria County Appraisal District and City's budget document.

(1) Property is assessed at actual value, therefore, the assessed values are equal to actual value.
 Tax rates are per \$100 of assessed value.

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 213,594,960	\$ 229,136,090	\$ 235,288,670	\$ 231,623,090	\$ 234,904,410	\$ 234,566,180
2,346,973,604	2,535,273,409	2,811,646,878	2,752,718,877	2,869,254,167	3,205,899,920
<u>(438,685,773)</u>	<u>(445,956,710)</u>	<u>(492,560,669)</u>	<u>(498,096,787)</u>	<u>(526,485,409)</u>	<u>(629,943,299)</u>
<u>\$ 2,121,882,791</u>	<u>\$ 2,317,452,789</u>	<u>\$ 2,554,374,879</u>	<u>\$ 2,486,245,180</u>	<u>\$ 2,577,673,168</u>	<u>\$ 2,810,522,801</u>
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
\$ 2,121,882,791	\$ 2,317,452,789	\$ 2,554,374,879	\$ 2,486,245,180	\$ 2,577,673,168	\$ 2,810,522,801
\$ 0.33750	\$ 0.33520	\$ 0.34820	\$ 0.32900	\$ 0.33900	\$ 0.32312

CITY OF LAKE JACKSON, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Years

	Fiscal Year			
	2014	2015	2016	2017
City By Fund:				
Operating	\$ 0.23760	\$ 0.24080	\$ 0.23230	\$ 0.22510
Debt service	0.15240	0.14670	0.12770	0.11240
Total Direct Rates	<u>0.39000</u>	<u>0.38750</u>	<u>0.36000</u>	<u>0.33750</u>
Brazoria County	0.49200	0.49850	0.51740	0.45740
Brazosport ISD	1.25530	1.25530	1.25530	1.25530
Brazos River Navigation	0.04500	0.04500	0.04010	0.04010
Brazosport College	0.26730	0.28090	0.28500	0.30320
Velasco Drainage	<u>0.10020</u>	<u>0.09800</u>	<u>0.09150</u>	<u>0.08500</u>
Total Direct and Overlapping Rates (1)	<u>\$ 2.54980</u>	<u>\$ 2.56520</u>	<u>\$ 2.54930</u>	<u>\$ 2.47850</u>

Tax rates per \$100 of assessed valuation
 Source: Brazoria County Appraisal District

(1) Overlapping rates are those of local and county governments that apply within the City of Lake Jackson.

Fiscal Year

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 0.22950	\$ 0.22800	\$ 0.23160	\$ 0.21930	\$ 0.23180	\$ 0.22476
0.10800	0.10720	0.11660	0.10970	0.10720	0.09836
<u>0.33750</u>	<u>0.33520</u>	<u>0.34820</u>	<u>0.32900</u>	<u>0.33900</u>	<u>0.32312</u>
0.44020	0.42790	0.39200	0.38650	0.34000	0.31390
1.25530	1.25530	1.18170	1.17870	1.13300	0.95330
0.04010	0.04010	0.04010	0.04000	0.03500	0.01600
0.30320	0.29850	0.29790	0.30930	0.28590	0.26480
<u>0.08500</u>	<u>0.08410</u>	<u>0.08150</u>	<u>0.08360</u>	<u>0.07450</u>	<u>0.06730</u>
<u>\$ 2.46130</u>	<u>\$ 2.44110</u>	<u>\$ 2.34140</u>	<u>\$ 2.32710</u>	<u>\$ 2.20740</u>	<u>\$ 1.93842</u>

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CITY OF LAKE JACKSON, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
BG Woodward	\$ 126,861,140	1	4.51%	\$ -	-	-
Dow Chemical Company	83,518,720	2	2.97%	7,363,540	10	0.51%
Brazos Mall Partners LLC	59,619,590	3	2.12%	-	-	-
Galaxy Properties LLC	37,103,430	4	1.32%	-	-	-
Covey Plantation LP	32,000,000	5	1.14%	-	-	-
514 That Way LLC	31,942,590	6	1.14%	-	-	-
Interurban Wilshire LLC	29,500,000	7	1.05%	-	-	-
James Billups 1996 Trust No. 1	26,412,006	8	0.94%	-	-	-
Canam Lake Jackson LLC	24,600,000	9	0.88%	-	-	-
Partners of Lake Jackson LLC	22,555,329	10	0.80%	7,569,350	9	0.52%
Brazos Mall Owners LLC	-	-	-	20,971,150	1	1.45%
Wal-Mart Stores, Inc	-	-	-	16,725,370	2	1.15%
Redwood Edgewater	-	-	-	13,871,380	3	0.96%
Lowes	-	-	-	10,271,110	4	0.71%
Gulf Coast Kingston Properties	-	-	-	10,082,820	5	0.70%
Centerpoint Energy	-	-	-	9,780,240	6	0.67%
Spyglass - Lake Jackson	-	-	-	8,800,000	7	0.61%
Texas Dow Employees CU	-	-	-	8,710,410	8	0.60%
Subtotal	<u>474,112,805</u>		<u>16.87%</u>	<u>114,145,370</u>		<u>7.88%</u>
Other Taxpayers	<u>2,336,409,996</u>		<u>83.13%</u>	<u>1,335,153,508</u>		<u>92.12%</u>
Total	<u><u>\$ 2,810,522,801</u></u>		<u><u>100.00%</u></u>	<u><u>\$ 1,449,298,878</u></u>		<u><u>100.00%</u></u>

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	Fiscal Year			
	2014	2015	2016	2017
Tax levy*	\$ 5,652,730	\$ 5,800,884	\$ 5,897,602	\$ 6,339,467
Current tax collected	\$ 5,617,595	\$ 5,762,010	\$ 5,852,979	\$ 6,300,623
Percentage of current tax collections	99.38%	99.33%	99.24%	99.39%
Delinquent tax collections	\$ 31,105	\$ 34,701	\$ 34,274	\$ 34,229
Total tax collections	<u>\$ 5,648,700</u>	<u>\$ 5,796,711</u>	<u>\$ 5,887,253</u>	<u>\$ 6,334,852</u>
Total collections as a percentage of current levy	99.93%	99.93%	99.82%	99.93%
Outstanding delinquent taxes	\$ 4,030	\$ 4,173	\$ 10,349	\$ 4,615
Outstanding delinquent taxes as percentage of current levy	0.07%	0.07%	0.18%	0.07%

Source: Brazoria County Tax Office

* Adjusted tax levy

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 7,071,936	\$ 7,699,155	\$ 8,240,262	\$ 8,241,324	\$ 8,740,189	\$ 9,078,033
\$ 7,032,982	\$ 7,657,580	\$ 8,195,520	\$ 8,207,294	\$ 8,702,055	\$ 9,028,121
99.45%	99.46%	99.46%	99.59%	99.56%	99.45%
\$ 33,810	\$ 35,079	\$ 33,938	\$ 24,272	\$ 20,578	\$ -
<u>\$ 7,066,792</u>	<u>\$ 7,692,659</u>	<u>\$ 8,229,458</u>	<u>\$ 8,231,566</u>	<u>\$ 8,722,633</u>	<u>\$ 9,028,121</u>
99.93%	99.92%	99.87%	99.88%	99.80%	99.45%
\$ 5,144	\$ 6,496	\$ 10,804	\$ 9,758	\$ 17,556	\$ 49,912
0.07%	0.08%	0.13%	0.12%	0.20%	0.55%

CITY OF LAKE JACKSON, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Fiscal Year			
	2014	2015	2016	2017
Primary Government				
Governmental Activities:				
General obligation bonds	\$ 21,785,000	\$ 20,311,193	\$ 20,658,003	\$ 21,386,772
Certificates of obligation	7,250,000	11,975,000	8,700,000	11,510,000
Leases payables	-	-	-	-
Subtotal	29,035,000	32,286,193	29,358,003	32,896,772
Business-Type Activities:				
Revenue bonds	10,145,000	9,129,371	7,941,333	9,870,009
Leases payable	-	-	-	-
Subtotal	10,145,000	9,129,371	7,941,333	9,870,009
Total Primary Government	\$ 39,180,000	\$ 41,415,564	\$ 37,299,336	\$ 42,766,781
 Personal Income	 \$ 943,292,661	 \$ 964,840,880	 \$ 1,043,091,952	 \$ 1,099,114,134
Debt as a Percentage of Personal Income	4.15%	4.29%	3.58%	3.89%
Population	27,717	27,770	27,926	27,813
Debt per Capita	\$ 1,414	\$ 1,192	\$ 999	\$ 1,082

Notes:

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

The schedule presents debt net of related premiums, discounts, and adjustments.

Fiscal Year

2018	2019	2020	2021	2022	2023
\$ 23,200,542	\$ 30,027,019	\$ 27,330,714	\$ 24,442,096	\$ 34,177,813	\$ 30,830,942
10,465,000	9,420,000	8,590,011	7,776,135	5,943,153	5,280,244
-	-	-	-	81,226	58,165
33,665,542	39,447,019	35,920,725	32,218,231	40,202,192	36,169,351
13,788,494	12,422,033	16,256,888	14,916,852	13,677,295	18,609,726
-	-	-	-	465,247	756,494
13,788,494	12,422,033	16,256,888	14,916,852	14,142,542	19,366,220
\$ 47,454,036	\$ 51,869,052	\$ 52,177,613	\$ 47,135,083	\$ 54,344,734	\$ 55,535,571
\$ 1,138,591,012	\$ 1,388,443,760	\$ 1,011,946,392	\$ 1,374,802,902	\$ 1,362,537,168	\$ 1,337,160,477
4.17%	3.74%	5.16%	3.43%	3.99%	4.15%
27,473	31,856	29,388	29,943	29,424	27,879
\$ 1,145	\$ 1,190	\$ 1,515	\$ 1,027	\$ 1,100	\$ 1,992

CITY OF LAKE JACKSON, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Years

	Fiscal Year			
	2014	2015	2016	2017
Estimated Actual Taxable Value of Property				
All property	\$ 1,449,298,878	\$ 1,496,958,230	\$ 1,638,222,925	\$ 1,899,286,064
Net Bonded Debt				
General Obligation Bonds*	\$ 21,785,000	\$ 20,311,193	\$ 20,658,003	\$ 21,386,772
Less restricted debt service funds	717,734	714,676	693,467	976,263
Net Bonded Debt	\$ 21,067,266	\$ 19,596,517	\$ 19,964,536	\$ 20,410,509
Net Bonded Debt as a Percentage of Estimated Actual Taxable Value of Property	1.45%	1.31%	1.22%	1.07%
Population	27,717	27,770	27,926	27,813
Net Bonded Debt per Capita	\$ 760	\$ 706	\$ 715	\$ 734

* Includes Series 2013, 2015, and 2021 which a portion or all of the bond series is currently being repaid with sources from the economic development fund from revenues generated from the half-cent optional sales tax.

Notes:

Details regarding the City's outstanding general obligation bonds can be found in the notes to the financial statements.

The schedule presents general obligation bonds net of related premiums, discounts, and adjustments which are subject to legal limits in accordance with State law.

Fiscal Year

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 2,121,882,791	\$ 2,317,452,789	\$ 2,554,374,879	\$ 2,486,245,180	\$ 2,577,673,168	\$ 2,810,522,801
\$ 23,200,542 736,349	\$ 30,027,019 751,790	\$ 27,330,714 745,192	\$ 24,442,096 687,877	\$ 34,177,813 821,241	\$ 30,830,942 951,232
<u>\$ 22,464,193</u>	<u>\$ 29,275,229</u>	<u>\$ 26,585,522</u>	<u>\$ 23,754,219</u>	<u>\$ 33,356,572</u>	<u>\$ 29,879,710</u>
1.06%	1.26%	1.04%	0.96%	1.29%	1.06%
27,473	31,856	29,388	29,943	29,424	27,879
\$ 818	\$ 919	\$ 905	\$ 793	\$ 1,134	\$ 1,072

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CITY OF LAKE JACKSON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2023

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes			
Angleton ISD	\$ 223,230,000	0.00%	\$ -
Brazoria County	207,948,313	4.87%	10,127,083
Brazosport College District	40,710,000	14.38%	5,854,098
Brazosport ISD	342,640,000	14.38%	49,271,632
Columbia-Brazoria ISD	69,030,000	0.99%	683,397
Port Freeport	122,980,000	8.61%	10,588,578
Velasco DD	4,200,000	14.54%	610,680
Subtotal, overlapping debt			<u>77,135,468</u>
City Direct Debt (1)	\$ 36,169,351	100.00%	<u>36,169,351</u>
Total Direct and Overlapping Debt (2)			<u><u>\$ 113,304,819</u></u>

Source: Taxing jurisdictions and the Texas Municipal Advisory Council of Texas

Notes:

Overlapping rates are those of local and county governments that apply within the City of Lake Jackson. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Lake Jackson. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt, of each overlapping government.

- (1) City direct debt is comprised of debt that is supported and/or secured by a pledge of ad valorem taxes
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF LAKE JACKSON, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	Fiscal Year			
	2014	2015	2016	2017
Debt limit (10% of assessed taxable value)	\$ 144,929,888	\$ 149,695,823	\$ 163,822,293	\$ 189,928,606
Net bonded debt applicable to limit	21,067,266	19,596,517	19,964,536	20,410,509
Legal Debt Margin	\$ 123,862,622	\$ 130,099,306	\$ 143,857,757	\$ 169,518,097
Total net debt applicable to the limit as a percentage of debt limit	14.54%	13.09%	12.19%	10.75%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed taxable value	\$ 2,810,522,801
Debt limit (10% of assessed taxable value)	281,052,280
Debt applicable to limit:	
General obligation bonds	30,830,942
Less: amount set aside for repayment of general obligation debt	(951,232)
Total net debt applicable to limit	29,879,710
Legal Debt Margin	\$ 251,172,570

Fiscal Year

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 212,188,279	\$ 231,745,279	\$ 255,437,488	\$ 248,624,518	\$ 257,767,317	\$ 281,052,280
<u>22,464,193</u>	<u>29,275,229</u>	<u>26,585,522</u>	<u>23,754,219</u>	<u>33,356,572</u>	<u>29,879,710</u>
<u>\$ 189,724,086</u>	<u>\$ 202,470,050</u>	<u>\$ 228,851,966</u>	<u>\$ 224,870,299</u>	<u>\$ 224,410,745</u>	<u>\$ 251,172,570</u>
10.59%	12.63%	10.41%	9.55%	12.94%	10.63%

CITY OF LAKE JACKSON, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

	Fiscal Year			
	2014	2015	2016	2017
Gross Revenues (1)	\$ 7,316,364	\$ 7,124,351	\$ 7,642,799	\$ 7,707,395
Operating Expenses (2)	5,341,519	3,515,952	4,758,924	5,496,715
Net Revenues Available for Debt Service	\$ 1,974,845	\$ 3,608,399	\$ 2,883,875	\$ 2,210,680
Average Annual Requirement	\$ 650,551	\$ 601,175	\$ 643,455	\$ 872,517
Average Coverage	3.04	3.99	0.76	3.28
Maximum Annual Requirement	\$ 1,539,275	\$ 1,486,875	\$ 1,526,375	\$ 1,742,975
Maximum Coverage	1.28	1.61	1.59	1.64

Source: Finance Department

(1) Gross revenues include water, sewer, tapping and connection fees, and investment earnings.

(2) Excludes sanitation, interest and fiscal agent fees, and depreciation.

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 8,126,553	\$ 8,791,640	\$ 11,199,041	\$ 12,260,451	\$ 13,436,865	\$ 13,643,403
4,018,228	3,996,306	4,021,047	4,012,455	3,861,494	8,234,558
\$ 4,108,325	\$ 4,795,334	\$ 7,177,994	\$ 8,247,996	\$ 9,575,371	\$ 5,408,845
\$ 836,176	\$ 839,176	\$ 769,059	\$ 1,021,262	\$ 1,352,070	\$ 1,459,149
5.86	4.96	6.34	2.93	3.33	3.71
\$ 1,742,975	\$ 1,742,975	\$ 1,647,190	\$ 1,780,420	\$ 1,918,516	\$ 1,930,320
2.81	2.38	2.96	1.68	2.40	2.80

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CITY OF LAKE JACKSON, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended	Population (1)	Personal Income (1)	Per Capita Personal Income (4)	Median Age (5)	School Enrollment	Labor Force (3)	Unemploy- ment Rate (3)
2014	27,717	\$ 943,292,661	\$ 34,033	0.00	6,172	13,970	5.00%
2015	27,770	\$ 964,840,880	\$ 34,744	0.00	6,150	13,947	4.20%
2016	27,926	\$ 1,043,091,952	\$ 37,352	36.90	6,300	14,080	4.50%
2017	27,813	\$ 1,099,114,134	\$ 39,518	0.00	6,125	15,149	3.20%
2018	27,473	\$ 1,138,591,012	\$ 41,444	38.00	6,053	16,092	4.20%
2019	31,856	\$ 1,388,443,760	\$ 43,585	37.80	6,506	14,095	4.90%
2020	29,388	\$ 1,011,946,392	\$ 34,434	37.00	6,117	14,137	5.20%
2021	29,943	\$ 1,374,802,902	\$ 45,914	37.20	6,117	17,391	7.20%
2022	29,424	\$ 1,362,537,168	\$ 46,307	37.70	6,123	16,617	5.30%
2023	27,879	\$ 1,337,160,477	\$ 47,963	37.80	5,959	15,724	5.20%

Data sources:

- (1) Estimated population, per capita income, and median age provided by U.S. Census and the Economic Development Alliance for Brazoria County.
- (2) School enrollment provided by Brazosport Independent School District.
- (3) Unemployment rate and Labor Force provided by the Texas Employment Commission website.
- (4) Estimated personal income is derived from per capita personal income and estimated population.
- (5) Median age only available in census years, otherwise it is estimated.

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CITY OF LAKE JACKSON, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2023			2014		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
The Dow Chemical Company	3,666	1	2.00%	4,200	1	4.24%
Texas Dept of Criminal Justice	2,334	2	1.30%	2,382	2	2.41%
Brazosport ISD	1,900	3	1.00%	-	-	-
Olin Corp	1,134	4	0.62%	-	-	-
Phillips 66	965	5	0.53%	900	8	0.92%
Marquis Construction Services	950	6	0.52%	-	-	-
BASF Corp	920	7	0.51%	838	9	0.85%
Wood Group	700	8	0.39%	-	-	-
Turner Industries	566	9	0.31%	-	-	-
ICS	450	10	0.25%	-	-	-
Fluor Corporation	-	-	-	1,700	3	1.72%
Miken Specialties	-	-	-	1,569	4	1.59%
The Infinity Group	-	-	-	1,492	5	1.51%
Schlumberger Technology Corp	-	-	-	1,100	6	1.11%
Zachry Construction Company	-	-	-	964	7	0.97%
Texas Dow Employee CU	-	-	-	792	10	0.80%
Total	13,585		7.43%	15,937		16.12%

Source: Economic Development Alliance for Brazoria County

Note: City-wide employer information not readily available.

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CITY OF LAKE JACKSON, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Years

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>General Fund</u>										
General Government and Administration	35	35	35	36	37	34	34	33	38	38
Public Safety:										
Police	60	60	60	62	62	65	68	65	65	65
Fire	1	1	2	2	2	2	2	2	2	2
Humane	3	1	3	3	3	3	3	3	3	3
Culture and recreation	27	27	28	29	29	33	33	33	30	30
Public Works:										
Streets	7	7	7	7	7	7	7	7	7	7
Drainage	15	15	15	15	15	15	15	16	15	15
Building/Code	8	8	8	8	8	8	8	8	8	8
Garage	9	9	9	9	6	9	10	10	9	9
General Fund Total	165	163	167	171	169	176	180	177	177	177
<u>Water and Sewer Fund</u>										
Water and sewer	37	37	37	40	40	41	41	41	40	40
Sanitation	25	25	25	25	25	25	25	25	27	27
Enterprise Fund Total	62	62	62	65	65	66	66	66	67	67
Total City Positions	227	225	229	236	234	242	246	243	244	244

Source: City budget

CITY OF LAKE JACKSON, TEXAS

OPERATING INDICATORS BY FUNCTION

Last Ten Years

	Fiscal Year			
	2014	2015	2016	2017
Function/Program				
Police				
% criminal offenses cleared (1)	45%	30%	49%	75%
Traffic contacts (1)	16,000	14,599	9,204	16,137
Fire				
Fire Calls	688	688	650	517
EMS calls	3,719	3,719	3,904	4,177
Inspections	436	425	450	343
Public works				
Potholes repaired (2)	547	852	660	550
Gutter sweeping (cubic yard/percentage) (3)	1,520	100%	100%	100%
Culture and recreation				
Recreation Center members	4,327	4,900	5,889	8,388
Recreation Center attendance	205,762	197,838	211,676	211,884
Water and sewer				
Sewer leaks repaired (4)	9	3	N/A	N/A
Linear feet of sewer mains cleaned	9,205	4,820	30,565	19,054
Wastewater treated (millions of gallons)	N/A	845	950	915
Sanitation				
Residential garbage collected (cubic yard) (4)	22,000	N/A	N/A	N/A
Commercial garbage collected (cubic yard) (4)	35,500	N/A	N/A	N/A
Garbage collected (compact yard)	N/A	61,000	65,888	65,584
Large trash to landfill (non-compacted yard)	N/A	36,183	60,530	55,515

Source: City departments

(1) Uniform Crime Report (Beginning 2017)

(2) Man Hours (Beginning 2015)

(3) Swept 4 times a year (Beginning 2015)

(4) Operating indicator no longer recorded in this format

Fiscal Year					
2018	2019	2020	2021	2022	2023
58%	57%	57%	75%	58%	77%
16,894	15,121	9,008	13,159	16,894	15,121
578	599	469	710	578	585
4,662	5,099	4,656	4,969	4,662	4,953
322	201	230	456	322	462
269	399	183	508	269	310
100%	100%	100%	83%	100%	100%
7,250	6,727	3,088	7,803	12,114	15,146
212,840	181,358	14,707	94,771	120,562	140,878
9	N/A	N/A	N/A	9	N/A
56,283	2,500	66,435	2,500	56,283	10,100
1,213	1,260	979	1,036	1,213	1,230
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
69,696	75,525	68,906	70,789	68,696	73,493
44,011	47,653	69,285	54,394	44,041	61,438

CITY OF LAKE JACKSON, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

Function/Program	Fiscal Year			
	2014	2015	2016	2017
Public safety				
Police stations	1	1	1	1
Fire stations	2	2	2	2
Culture and recreation				
Tennis courts	8	8	8	8
Swimming pool	2	2	2	2
Community center	2	2	2	2
Recreation center	1	1	1	1
Park acreage (1)	1,306	1,306	1,306	1,643
Parks	23	23	23	23
Baseball/softball fields	23	23	23	23
Soccer fields (3)	24	24	24	24
Water				
Water mains (miles)	130	130	130	134
Fire hydrants	1,000	1,000	1,015	1,015
Sewer (2)				
Maximum daily treatment capacity (thousands of gallons)	5,890	5,890	5,890	5,890

Source: Various City departments

Note: There are no capital asset indicators available for the general government functions.

(1) In 2007 Dow donated 9.86 acres of land.

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

(3) Youth soccer no longer uses/maintains the BISD fields behind Rasco that were counted in the past.

Fiscal Year					
2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
2	2	2	2	2	2
8	8	8	8	8	8
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
1,643	1,643	1,643	1,643	1,643	1,642
23	23	23	23	23	23
23	23	23	23	23	23
24	24	24	10	10	24
140	140	140	142	142	142
1,020	1,020	1,021	1,104	1,104	1,104
5,890	5,890	5,890	5,890	5,890	5,890

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