

CITY OF LAKE JACKSON, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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

PAM EAVES, FINANCE DIRECTOR

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CITY OF LAKE JACKSON

Lake Jackson, Texas

*Comprehensive Annual Financial Report
For the Year Ended September 30, 2010*

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CITY OF LAKE JACKSON

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March 16, 2011

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

We are pleased to submit the Comprehensive Annual Financial Report for the City of Lake Jackson, Texas for the fiscal year ended September 30, 2010. The City's Finance Department prepared this report in conjunction with our auditors, Kennemer, Masters and Lunsford, LLC. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

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

PROFILE OF THE CITY

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

In addition, the City provides water, sewer and sanitation services, including curbside recycling for persons residing within its city limits. The City has an agreement with the Brazosport Water Authority (BWA) to obtain 2,000,000 gallons of surface water per day on a take or pay basis. The surface water is supplemented by the City's eleven water wells. The water wells have a peak production capacity of 7.6 million gallons per day.

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

Sewer treatment is provided for the City by one water reclamation facility. This facility has a permitted capacity of 5.89 million gallons per day. Wastewater generated throughout the city flows through a series of lift stations prior to reaching the treatment plant. There are currently three “master” lift stations that pump directly to the treatment plant, and 39 lift stations that serve various subdivisions and convey wastewater to a “master” lift station.

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

HISTORY AND BACKGROUND

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

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

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

AREA ECONOMY

The Dow Chemical Company, the world’s leading producer of chemicals and plastics, continues to be the major contributor to the area economy. Dow employs over 50,000 people globally. Texas Operations in Freeport, TX is Dow’s largest integrated site. The three major complexes – Plant A, Plant B, and Oyster Creek – operate as an integrated unit serving all eight of Dow’s Global Business Groups. The site contains more than 3,200 acres of waterways and pipeline corridors and houses more than 1,900 buildings

across the site. The products manufactured on site are transported by rail, truck, marine vessels and pipeline to customers around the world. Texas Operations manufactures more than 44 percent of Dow's products sold in the United States and more than 21 percent of Dow's products sold globally. Dow has approximately 4,200 employees and 3,000 contract laborers at the Freeport site.

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

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

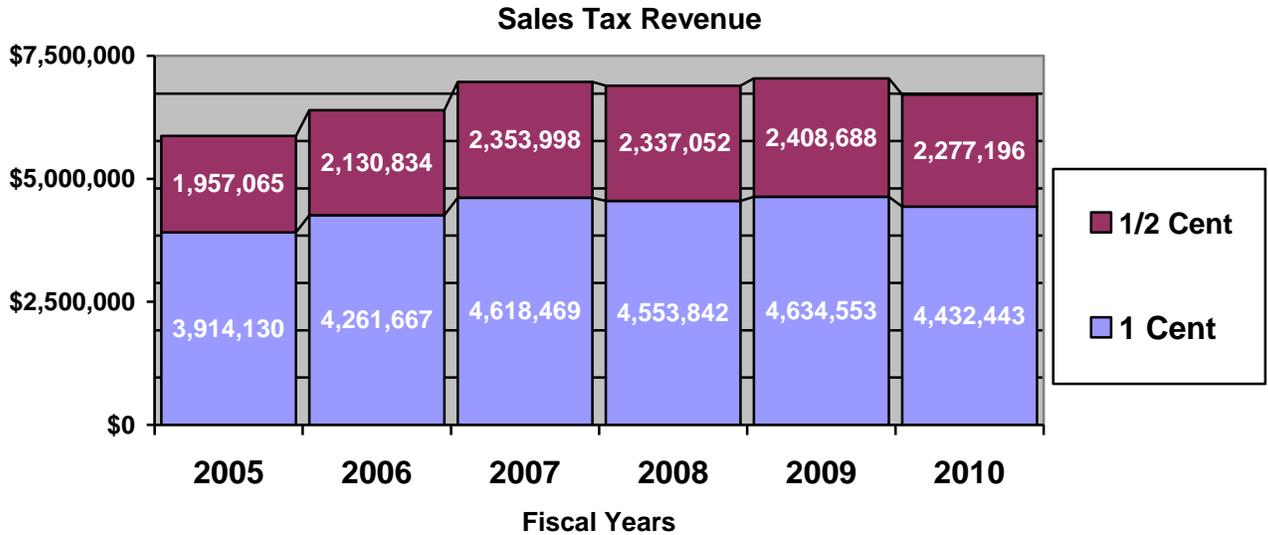
In an effort to increase commerce from the high seas, Port Freeport began construction of the Velasco Terminal. The initial phase of this project is approximately \$45 million, and includes an 800 foot-long dock. Upon full build-out, the \$300 million terminal will encompass 2,400 feet of new berthing, more than 90 acres of developed backland, and have the capability to handle an annual throughput of more than 700,000 twenty-foot-equivalent container units (TEU's). To date, construction of the 800 foot-long dock is complete, and dredging of the berthing area is nearing completion. The berth is expected to be in operation by the end of the third quarter of 2011. The first 20 acres of backland are complete.

Even more, Port Freeport officials are nearing the end of phase two of the three phase deepening and widening project of the Freeport Harbor Channel. Currently, the Freeport Harbor Channel, on which the Velasco Terminal is being developed, has a depth of 45 feet. This project would increase the depth of the channel from 45 feet to 55 feet. Port Freeport is projecting to have the corps report and recommendation to move into phase three by June or July of 2011. Once that is received, phase three can start, and that would begin the engineering and construction of the new deeper channel. Depending on contract terms and available federal / matching funds, Port Freeport is projecting an 8-10 year construction period for completion.

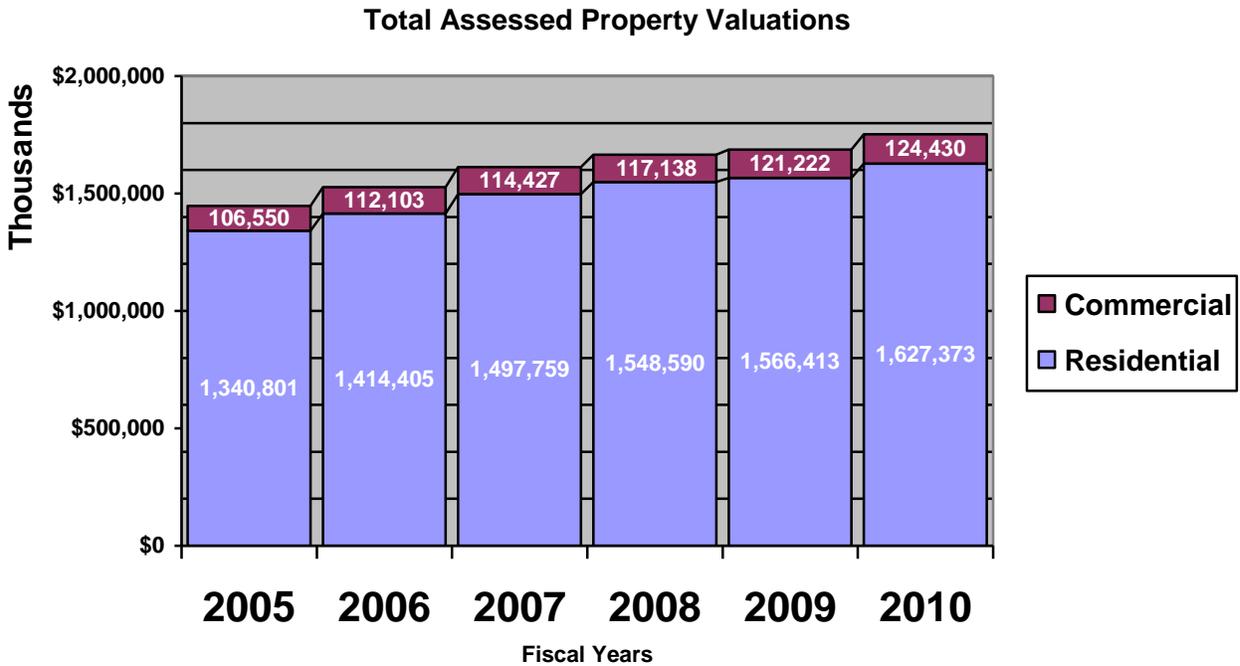
Freeport LNG received approval from the Federal Energy Regulatory Commission (FERC) to expand the liquefied natural gas (LNG) terminal capacity from 1.5 billion cubic feet of gas per day to 4 billion cubic feet of gas per day. The expansion of the plant will include an additional LNG vessel berth, LNG tank storage and vaporization capacity. The additional berth would allow two ships to offload at the terminal at one time. The permitting process takes about 12 – 18 months; with construction to begin thereafter. The expansion cost is estimated at \$ 1 billion.

CITY ECONOMY

The City's portion of the 8.25% sales tax rate is 1.5% -- of which 1% is allocated to the General Fund, and ½ % is allocated to the Economic Development Fund. In fiscal 2010, sales tax collections totaled \$ 6,709,639, a 4.74% decrease from the previous year. Of the total sales tax revenue, approximately \$ 4.4 million was allocated to the General Fund, and approximately \$ 2.3 million to the Economic Development Fund.



The growth in assessed value remains steady. Total assessed values for all residential and commercial property in the City exceeded \$ 1.6 billion in fiscal 2010. Total taxable value for all residential and commercial property was approximately \$ 1.45 billion for fiscal year 2010; a 3.24% increase from the taxable value assessed at end of the previous fiscal year.



MAJOR ISSUES AND INITIATIVES

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

Transit System. The Southern Brazoria County Transit, a partnership between the Cities of Angleton, Clute, Freeport and Lake Jackson, began operating on June 1, 2010. The system is operated by Connect Transit, and funding is primarily coming from the Federal Transit Administration, grants from Federal Stimulus Money (ARRA) and contributions from the partner cities.

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

Looking ahead.

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

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

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

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

DEBT ADMINISTRATION

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

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial Reporting to the City of Lake Jackson for its comprehensive annual financial report for the fiscal year ended September 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



William P. Yenne
City Manager



Pamela K. Eaves, CPFIM, CPA
Finance Director

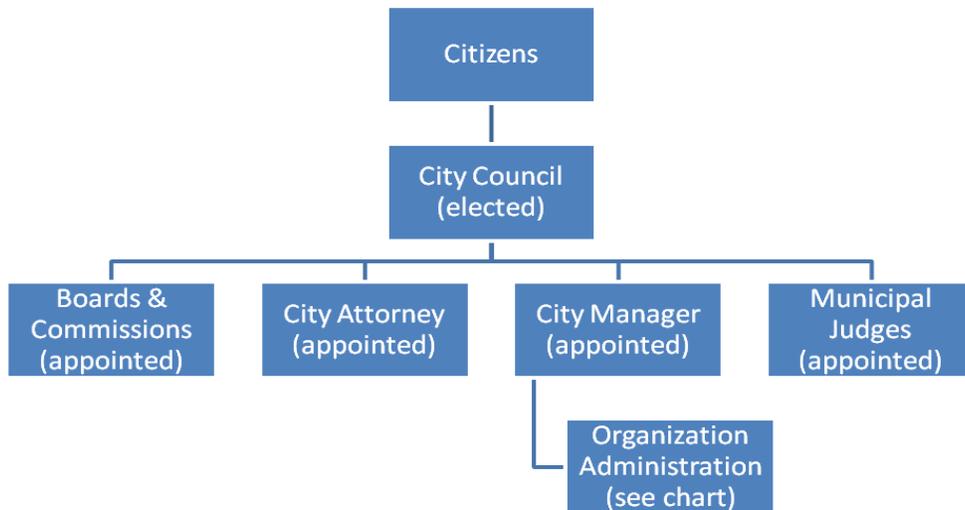


Junru Roland, CPFIM, CGFM, CGFO, CPA
Assistant Finance Director

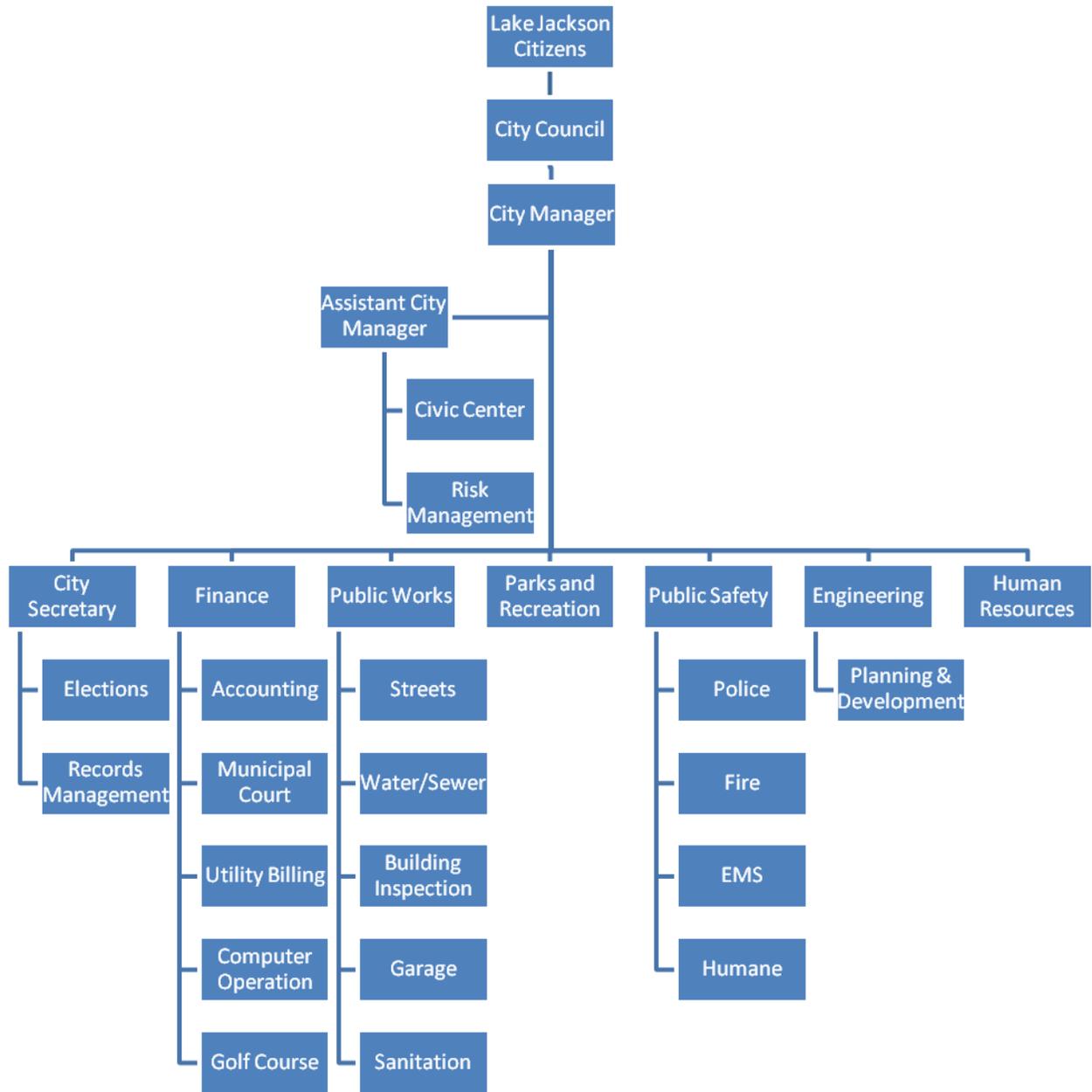
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City of Lake Jackson

Council-Manager Government



Organization Administration Chart



Elected Officials

Official	Title	Years of Service	Term Expires	Occupation
* Bob Sipple	Mayor	5	2012	VP of Sales
** Charlie Golden	Councilmember	2	2011	Retired
Bob Geter	Councilmember	5	2012	Retired
Gerald Roznovsky	Councilmember	6	2011	Manager
Scott Schwertner	Councilmember	1	2012	Tax Consultant
Vinay Singhania	Councilmember	5	2011	Purchasing Manager

* Served 1 year as Councilmember prior to Mayor.

** Served as Councilmember 1980-1996, 2000-2006

City Officials

Name	Title	Length of Service
* <i>William P. Yenne</i>	<i>City Manager</i>	<i>31 years</i>
<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>16 years</i>
<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>21 years</i>
<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>32 years</i>
<i>Sherri Russell</i>	<i>City Attorney</i>	<i>4 years</i>
<i>First Southwest Company</i>	<i>Financial Advisors</i>	<i>6 years</i>

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lake Jackson
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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



President

Executive Director

FINANCIAL SECTION

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KENNEMER, MASTERS & LUNSFORD

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Independent Auditor's Report

March 16, 2011

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund, and budgetary comparison information of the City of Lake Jackson (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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To The Honorable Mayor and
Members of Council
City of Lake Jackson
March 16, 2011
Page 2

Required Supplementary Information

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

Combining and Individual Fund Statements and Schedules and Other Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund statements and schedules and other schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Introductory, Statistical and Continuing Financial Disclosure Sections

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

Kerremers, Masters & Hunzford, LLC

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

As management of the City of Lake Jackson, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii - xiii of this report.

Financial Highlights

- The assets of the City of Lake Jackson exceeded its liabilities at the close of the most recent fiscal year by \$ 78,000,191 (net assets). Of this amount, \$ 17,099,618 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors within the City's fund designation.
- As of the close of the current fiscal year, the City of Lake Jackson's governmental funds reported combined ending fund balances of \$ 24,875,694. 58.04% of this total amount, \$ 14,436,648 (unreserved fund balance) is available for use within the City's fund designation. Of this amount, \$ 8,864,758 has been designated for specific uses.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 10,273,711 or 68.55% of the total general fund expenditures. Of this amount, \$ 4,701,821 has been designated for specific use.

Overview of the Financial Statements

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

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

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

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

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

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

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

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

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

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

The City maintains fourteen (14) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Economic Development, General Debt Service, and Court/Emergency Operation Center/Brazos Oaks Construction; all of which are considered to be major funds. Data from the other nine (9) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental funds financial statements can be found on pages 20-26 of this report.

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

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-70 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 74-122 of this report.

Other schedules can be found on pages 124-146 of this report following the combining statements. The statistical section can be found on pages 148-171 of this report following the other schedules. The federal awards section can be found on pages 175-183 of this report following the statistical section. The continuing financial disclosures can be found on pages 187-204 of this report following the federal awards section.

Government-wide Financial Analysis

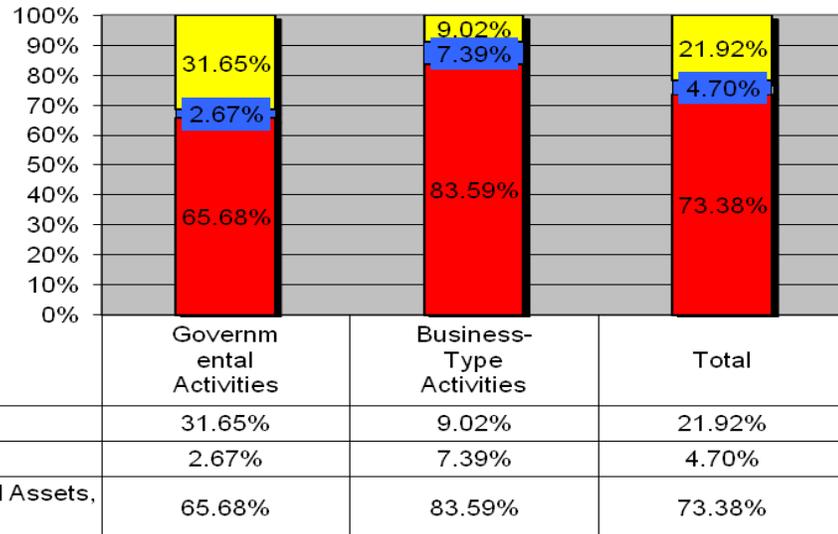
As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Lake Jackson, assets exceeded liabilities by \$ 78,000,191 as of September 30, 2010.

CITY OF LAKE JACKSON'S NET ASSETS

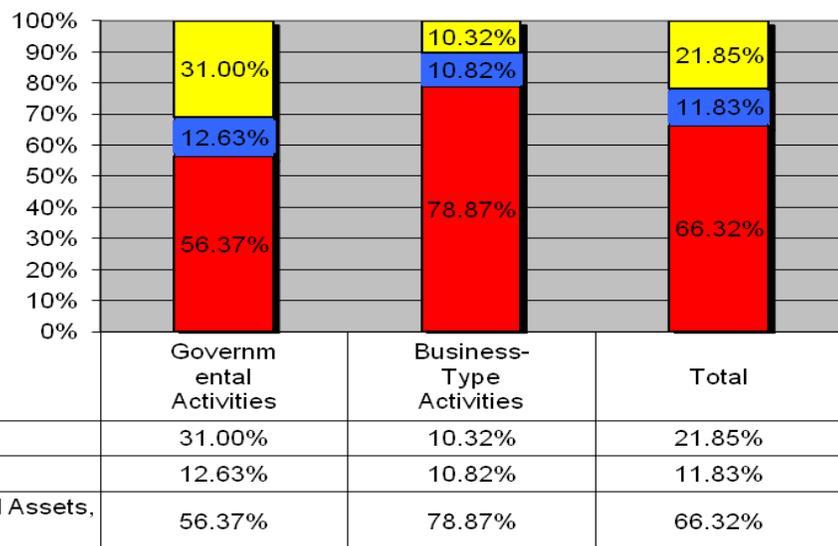
	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 27,289,440	\$ 22,212,013	\$ 8,925,824	\$ 9,312,159	\$ 36,215,264	\$ 31,524,172
Capital assets	53,009,857	51,982,648	39,628,616	40,025,291	92,638,473	92,007,939
Total assets	<u>80,299,297</u>	<u>74,194,661</u>	<u>48,554,440</u>	<u>49,337,450</u>	<u>128,853,737</u>	<u>123,532,111</u>
Long-term liabilities	34,291,575	28,445,316	13,111,983	13,314,718	47,403,558	41,760,034
Other liabilities	1,543,885	2,082,620	1,906,103	1,296,297	3,449,988	3,378,917
Total liabilities	<u>35,835,460</u>	<u>30,527,936</u>	<u>15,018,086</u>	<u>14,611,015</u>	<u>50,853,546</u>	<u>45,138,951</u>
Net Assets:						
Invest in capital assets, net of related debt	29,204,153	24,720,024	28,033,629	27,423,694	57,237,782	52,143,718
Restricted	1,185,058	5,539,740	2,477,733	3,762,045	3,662,791	9,301,785
Unrestricted	<u>14,074,626</u>	<u>13,406,961</u>	<u>3,024,992</u>	<u>3,540,696</u>	<u>17,099,618</u>	<u>16,947,657</u>
Total net assets	<u>\$ 44,463,837</u>	<u>\$ 43,666,725</u>	<u>\$ 33,536,354</u>	<u>\$ 34,726,435</u>	<u>\$ 78,000,191</u>	<u>\$ 78,393,160</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

2010 Percentage of Net Assets By Type



2009 Percentage of Net Assets By Type



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

The largest portion of the City's net assets (73.38%) reflects its investments in capital assets (e.g., land, buildings, improvements, equipment, machinery, construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets of \$ 3,662,791 (4.70%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$ 17,099,618 (21.92%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories- governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a decrease of \$ 5,638,994 in restricted net assets and an increase of \$ 5,094,064 invested in capital assets, net of related debt. The decrease in restricted net assets; and the increase in invested in capital assets, net of related debt resulted from the use of bond funds and increase of current year capital transactions

Analysis of the City's Operations

Governmental Activities: Governmental activities increased the City of Lake Jackson's net assets by \$ 797,112. Part of the increase represents the degree to which increases in ongoing revenues have exceeded similar increases in ongoing expenses. The remainder of the increase in net assets reflects the increase in transfers in.

Total revenues for governmental activities decreased from the previous year by \$ 1,057,851 (4.72%).

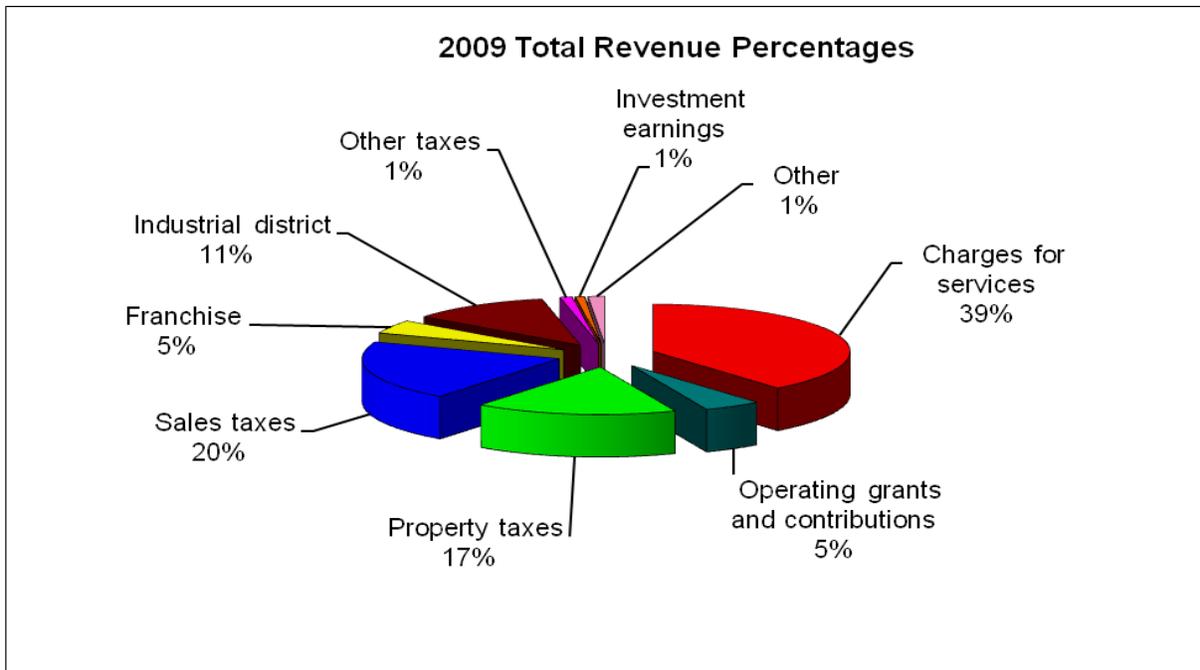
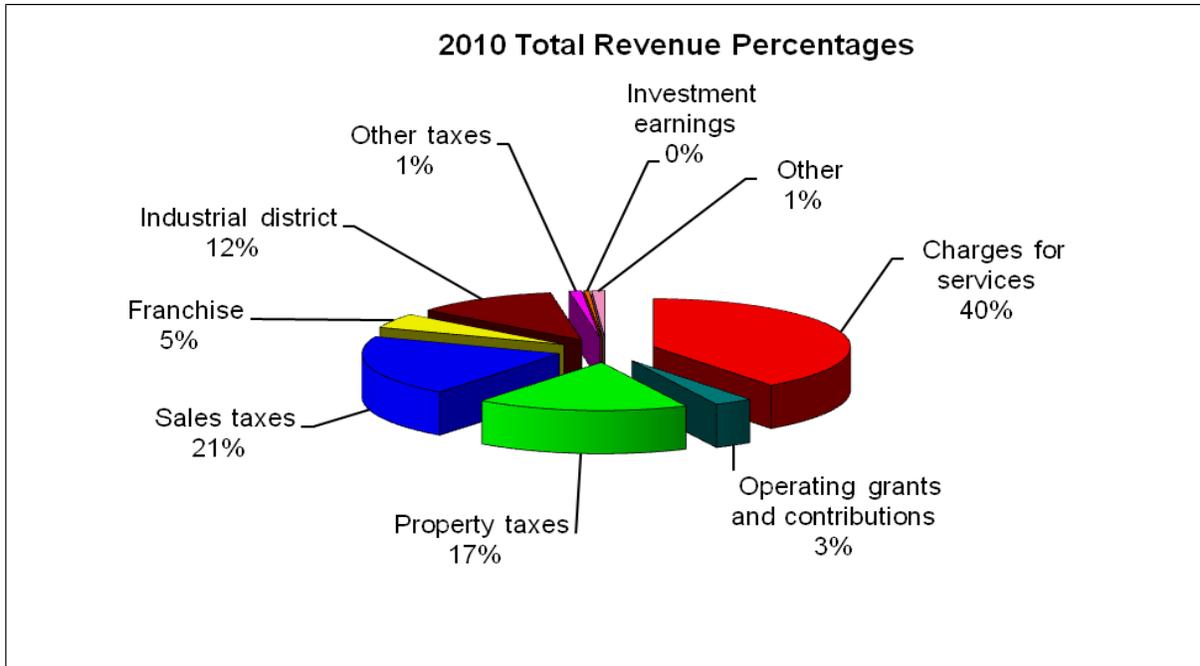
Program revenues decreased from last year by \$ 421,882. This is a result of a decrease in operating and capital grants.

General revenues decreased from last year by \$ 635,969. Key elements of this decrease are as follow:

- Sale tax decreased by \$ 333,602 (4.74%)
- Industrial District revenue decreased by \$ 118,830 (3.00%)
- Net of gain on disposition of capital assets and miscellaneous revenue decreased by \$ 109,667.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

Business-type Activities: Business activities decreased the City's net assets by \$ 1,190,081 (3.43%). Total revenues decreased and total expenses increased from the prior year by \$ 627,098 and \$ 157,296 respectively. Total revenues decreased from the prior year, due to a decrease in water/sewer consumption. Also, rounds at the golf course decreased, resulting in a 17.06% (\$ 319,026) decrease in golf course revenue. Total expenses increased at a normal rate of about 1.33%. The major increases in 2010 expenses were maintenance and repairs, utilities, and Golf Course Pro Shop cost.



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

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

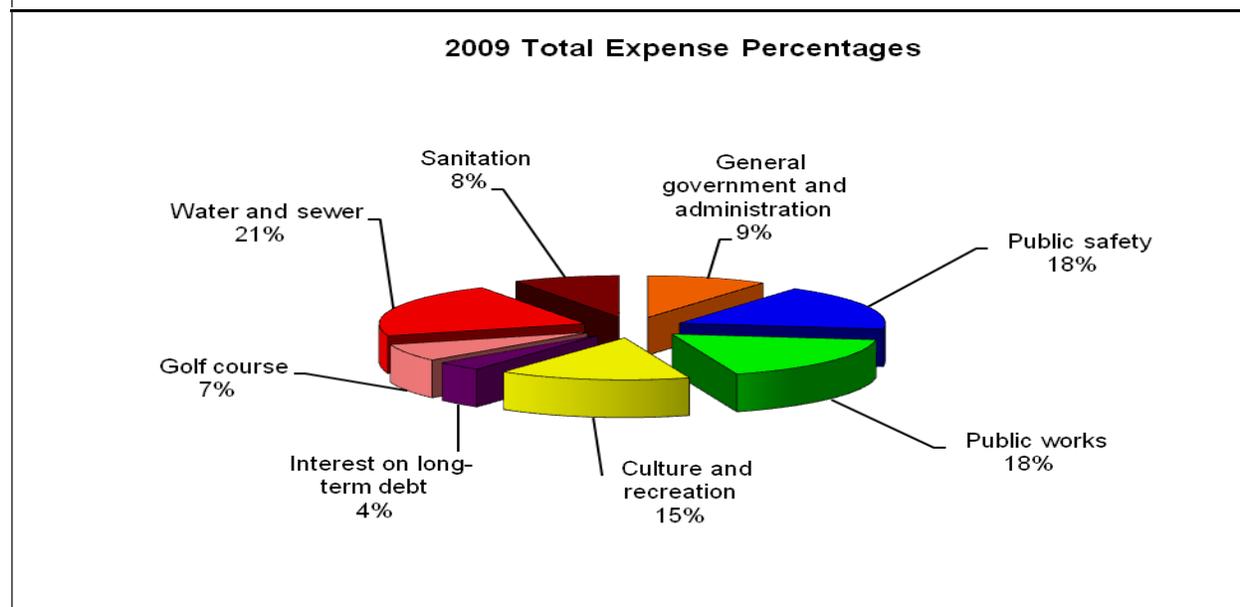
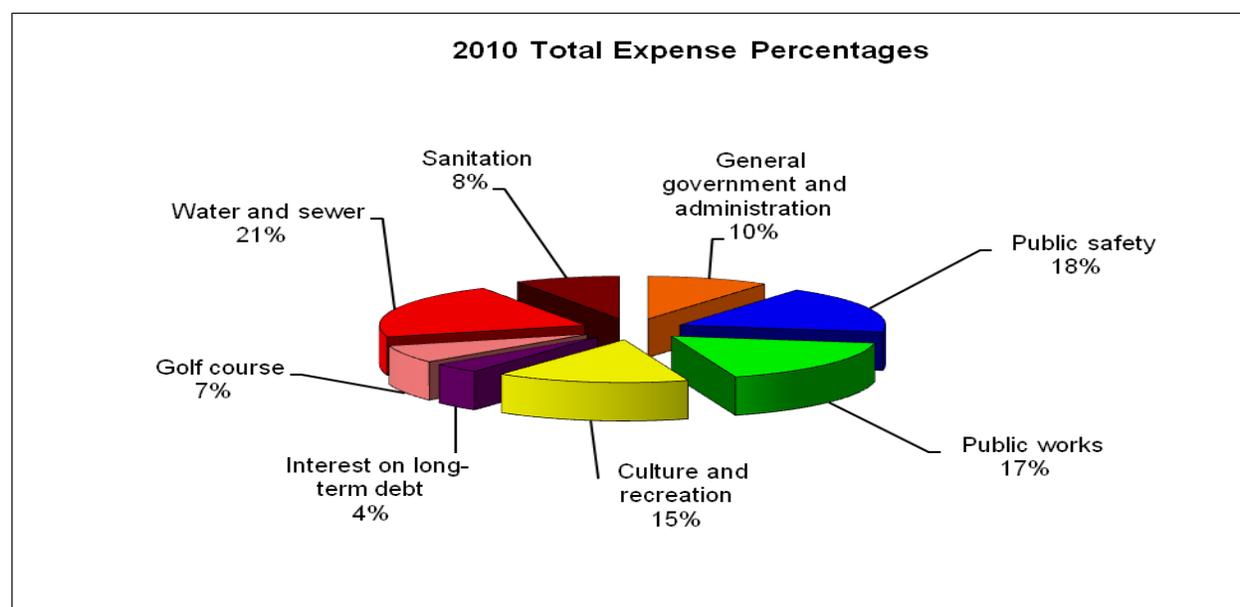
CITY OF LAKE JACKSON'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 1,683,549	\$ 1,564,606	\$ 11,374,110	\$ 11,912,249	\$ 13,057,659	\$ 13,476,855
Operating grants and contributions	1,025,417	1,566,242		53,182	1,025,417	1,619,424
Capital grants and contributions					-0-	-0-
General Revenues:						
Property taxes	5,690,679	5,685,508			5,690,679	5,685,508
Sales taxes	6,709,639	7,043,241			6,709,639	7,043,241
Franchise	1,610,075	1,586,698			1,610,075	1,586,698
Industrial district	3,843,335	3,962,165			3,843,335	3,962,165
Alcoholic beverages taxes	44,905	50,694			44,905	50,694
Criminal justice taxes	19,226	18,363			19,226	18,363
Apartment taxes	68,177	60,847			68,177	60,847
Occupancy taxes	206,933	218,277			206,933	218,277
Investment earnings	99,729	193,207	38,844	74,621	138,573	267,828
Miscellaneous	284,867	139,279			284,867	139,279
Gain on disposition of capital assets	<u>70,055</u>	<u>325,310</u>			<u>70,055</u>	<u>325,310</u>
Total revenues	<u>21,356,586</u>	<u>22,414,437</u>	<u>11,412,954</u>	<u>12,040,052</u>	<u>32,769,540</u>	<u>34,454,489</u>
Expenses:						
General government and administration	3,222,710	3,075,201			3,222,710	3,075,201
Public safety	6,046,380	5,739,091			6,046,380	5,739,091
Public works	5,764,410	5,758,443			5,764,410	5,758,443
Culture and recreation	5,037,305	4,885,568			5,037,305	4,885,568
Interest on long-term debt	1,233,922	1,180,102			1,233,922	1,180,102
Golf course			2,197,021	2,167,996	2,197,021	2,167,996
Water and sewer			7,013,299	6,913,963	7,013,299	6,913,963
Sanitation			<u>2,747,149</u>	<u>2,718,214</u>	<u>2,747,149</u>	<u>2,718,214</u>
Total expenses	<u>21,304,727</u>	<u>20,638,405</u>	<u>11,957,469</u>	<u>11,800,173</u>	<u>33,262,196</u>	<u>32,438,578</u>
Increase (decrease) in net assets before transfers	51,859	1,776,032	(544,515)	239,879	(492,656)	2,015,911
Transfers and contributions	<u>745,253</u>	<u>513,355</u>	<u>(645,566)</u>	<u>(513,355)</u>	<u>99,687</u>	<u>-0-</u>

(continued)

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Increase (decrease) in net assets	\$ 797,112	\$ 2,289,387	\$(1,190,081)	\$(273,476)	\$(392,969)	\$ 2,015,911
Net assets, October 1 (restated)	43,666,725	41,560,277	34,726,435	35,046,080	78,393,160	76,606,357
Prior year adjustment		(182,939)		(46,169)		(229,108)
Net assets, September 30	<u>\$ 44,463,837</u>	<u>\$ 43,666,725</u>	<u>\$ 33,536,354</u>	<u>\$ 34,726,435</u>	<u>\$ 78,000,191</u>	<u>\$ 78,393,160</u>



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City of Lake Jackson's governmental funds reported combined ending fund balances of \$ 24,875,694. 58.04% of this total amount (\$ 14,436,648) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for the expenditure of inventories (\$ 110,001), 2) for encumbrances (\$ 152,500), 3) to pay for debt service (\$ 705,816), and 4) for capital projects (\$ 9,470,729).

In the General Fund, the City budgeted for a fund balance increase of \$ 338,453. Due to actual expenditures being less than budgeted, the actual fund balance change was an increase for fiscal year 2010 of \$ 914,543. This better than budget performance is due to the City's continued emphasis on expenditure control.

The Economic Development fund is used to account for revenue from the half-cent sales tax. In 2010, the half-cent sales tax revenue, investment income, and transfer out in the Economic Development fund were less than the budget but more than capital outlay and transfers. As a result, the Economic Development fund balance increased by \$ 269,179.

The Debt Service fund balance decreased by \$ 13,821, due to property tax revenue falling slightly short (0.6%) of the budget. The Court/Emergency Operation Center/Brazos Oaks fund balance decreased by \$ 2,599,287 due to capital outlay expenditures. The Downtown Revitalization fund balance increased by \$ 4,915,619 due to the issuance of bonds.

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

Unrestricted net assets at September 30, 2010 amounted to \$ 3,024,992. Total net assets decreased \$ 1,190,081. In 2010, the reduction in net assets for proprietary funds was \$ 630,905 in the Enterprise Fund and a \$ 559,176 in the Golf Course Fund. Other factors concerning these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights. Revenue producing facility revenues exceeded budget by \$144,950 due to increased utilization of the Recreation Center. Also, miscellaneous revenue exceeded budget primarily a result of receipt of funds (\$102,422) in lieu of a billing settlement. In addition, total expenditures were less than budget.

It is the City's policy to transfer budget savings in the operating funds to the Capital Project Fund and/or the Park Fund. In fiscal year 2010, the City transferred fiscal 2009 budget savings of \$900,000 to the Capital Projects Fund.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

Capital Assets

The City of Lake Jackson's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$ 92,638,473 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$ 630,534. (\$ 1,027,209 increase for governmental activities and \$ 396,675 decrease in business-type activities).

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

- Street and sidewalk improvements totaling \$ 709,838.
- \$ 104,804 for the Downtown Revitalization Project; and
- \$ 2,965,111 for the construction of the Court/Emergency Operation Center

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

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,359,934	\$ 2,359,934	\$ 3,821,585	\$ 3,821,585	\$ 6,181,519	\$ 6,181,519
Buildings	16,700,880	17,244,843	2,445,888	2,640,080	19,146,768	19,884,923
Improvements other than buildings	4,899,480	4,885,564	14,992,583	14,272,518	19,892,063	19,158,082
Furniture, equipment and vehicles	3,626,187	4,048,073	2,697,768	2,920,928	6,323,955	6,969,001
Infrastructure	20,046,941	17,620,678	14,829,914	15,444,397	34,876,855	33,065,075
Construction in progress	<u>5,376,435</u>	<u>5,823,556</u>	<u>840,878</u>	<u>925,783</u>	<u>6,217,313</u>	<u>6,749,339</u>
Total	\$ <u>53,009,857</u>	\$ <u>51,982,648</u>	\$ <u>39,628,616</u>	\$ <u>40,025,291</u>	\$ <u>92,638,473</u>	\$ <u>92,007,939</u>

Additional information on the City of Lake Jackson's capital assets can be found in note 5 on pages 49-52 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Lake Jackson had a total bonded debt and notes payable of \$ 46,065,000. Of this amount, \$ 33,040,000 compromises bonded debt backed by the full faith and credit of the City. These bonds will be retired with revenues from property and sales taxes. The remaining \$ 13,025,000 represents bonds secured by water and sewer revenues.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2010

Outstanding Long-Term Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 1,980,000	\$ 2,160,000	\$	\$	\$ 1,980,000	\$ 2,160,000
Certificates of obligations	6,260,000	1,600,000			6,260,000	1,600,000
Limited tax bonds	24,800,000	23,810,000			24,800,000	23,810,000
Revenue bonds			13,025,000	12,390,000	13,025,000	12,390,000
Total	<u>\$ 33,040,000</u>	<u>\$ 27,570,000</u>	<u>\$ 13,025,000</u>	<u>\$ 12,390,000</u>	<u>\$ 46,065,000</u>	<u>\$ 39,960,000</u>

During the fiscal year, the City's total bonded debt increased \$ 6,105,000 or 15.28% due to current issuances including a refunding and current debt payments. All of the outstanding Bonds of the City, payable from its limited taxes, are insured and are, therefore, rated "Aaa" by Moody's Investors Service Inc ("Moody's"), and "AAA" by Standard & Poor's ("S&P"). The underlying rating on all of such Bonds and other obligations payable from such source are "AA+" on the General Obligations and "AA" on the Revenue Bonds by S&P.

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

Economic Factors and Next Year's Budgets and Rates

In the 2010-11 Budget, General fund revenues and transfers-in are budgeted to increase by approximately \$15,000 (.09%) from 2009-10 budget year, with sales taxes making up 27.2% of General Fund budgeted revenues.

Certified assessed taxable valuations increased by 2.04%.

As of December, 2010 the unemployment rate for the City of Lake Jackson increased from 7.1% in 2009 to 8.4% in 2010.

The Utility Fund 2010-11 budget is 1.07% less than the proceeding year's budget; with no budgeted increases in water and sewer rates.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET ASSETS

September 30, 2010

	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 24,250,915	\$ 3,114,752	\$ 27,365,667
Taxes receivable (net)	1,392,107		1,392,107
Due from other governments	215,484		215,484
Accounts receivable (net)	387,827	589,960	977,787
Investments	399,000		399,000
Inventories	110,001	101,493	211,494
Internal balances	4,030	(4,030)	-0-
Deferred expenses	2,426		2,426
Bond issuance costs (net)	527,650	246,698	774,348
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		4,871,633	4,871,633
Due from other governments		5,318	5,318
Capital Assets (Net of Accumulated Depreciation):			
Land	2,359,934	3,821,585	6,181,519
Buildings	16,700,880	2,445,888	19,146,768
Improvements other than buildings	4,899,480	14,992,583	19,892,063
Furniture, equipment, and vehicles	3,626,187	2,697,768	6,323,955
Infrastructure	20,046,941	14,829,914	34,876,855
Construction in progress	5,376,435	840,878	6,217,313
Total assets	<u>80,299,297</u>	<u>48,554,440</u>	<u>128,853,737</u>
Liabilities:			
Accounts payable	862,872	370,615	1,233,487
Cash bonds and taxes	197,806		197,806
Accrued wages	245,212	102,074	347,286
Other liabilities	1,502		1,502
Unearned revenue	236,493	127,151	363,644
Liabilities payable from restricted assets		1,306,263	1,306,263
Noncurrent liabilities:			
Due within one year	3,207,222	968,833	4,176,055
Due in more than one year	31,084,353	12,143,150	43,227,503
Total liabilities	<u>35,835,460</u>	<u>15,018,086</u>	<u>50,853,546</u>
Net Assets:			
Invested in capital assets, net of related debt	29,204,153	28,033,629	57,237,782
Restricted For:			
Debt service	679,125	2,034,052	2,713,177
Capital projects	505,933	443,681	949,614
Unrestricted	14,074,626	3,024,992	17,099,618
Total net assets	<u>\$ 44,463,837</u>	<u>\$ 33,536,354</u>	<u>\$ 78,000,191</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 3,222,710	\$ 410,235	\$	\$
Public safety	6,046,380		24,714	
Public works	5,764,410	237,964	1,000,703	
Culture and recreation	5,037,305	1,035,350		
Interest on long-term debt	<u>1,233,922</u>			
Total governmental activities	<u>21,304,727</u>	<u>1,683,549</u>	<u>1,025,417</u>	<u>-0-</u>
Business-type Activities:				
Water and sewer	7,013,299	6,807,782		
Sanitation	2,747,149	3,015,623		
Golf course	<u>2,197,021</u>	<u>1,550,705</u>		
Total business-type activities	<u>11,957,469</u>	<u>11,374,100</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 33,262,196</u>	<u>\$ 13,057,659</u>	<u>\$ 1,025,417</u>	<u>\$ -0-</u>

General Revenue:

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

Change in net assets

Net assets – beginning (restated)

Net assets – ending

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business- Type Activities	Total
\$(2,812,475)	\$	\$(2,812,475)
(6,021,666)		(6,021,666)
(4,525,743)		(4,525,743)
(4,001,955)		(4,001,955)
<u>(1,233,922)</u>		<u>(1,233,922)</u>
<u>(18,595,761)</u>	<u>-0-</u>	<u>(18,595,761)</u>
	(205,517)	(205,517)
	268,474	268,474
	<u>(646,316)</u>	<u>(646,316)</u>
<u>-0-</u>	<u>(583,359)</u>	<u>(583,359)</u>
<u>(18,595,716)</u>	<u>(583,359)</u>	<u>(19,179,120)</u>
5,690,679		5,690,679
6,709,639		6,709,639
3,843,335		3,843,335
1,610,075		1,610,075
206,933		206,933
134,657		134,657
99,729	38,844	138,573
70,055		70,055
282,518		282,518
	99,687	99,687
<u>745,253</u>	<u>(745,253)</u>	<u>-0-</u>
<u>19,392,873</u>	<u>(606,722)</u>	<u>18,786,151</u>
797,112	(1,190,081)	(392,969)
<u>43,666,725</u>	<u>34,726,435</u>	<u>78,393,160</u>
<u>\$ 44,463,837</u>	<u>\$ 33,536,354</u>	<u>\$ 78,000,191</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2010

	<u>General Fund</u>	<u>Economic Development</u>	<u>General Debt Service</u>	<u>Court/ Emergency Operations Center/ Brazos Oaks Construction</u>	<u>Downtown Revitalization</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
<u>Assets</u>							
Cash and temporary investments	\$10,022,233	\$ 2,029,115	\$ 707,263	\$ 317,757	\$ 4,953,700	\$ 6,220,847	\$24,250,915
Receivables (Net of Allowance for Uncollectibles):							
Taxes	988,746	375,010	28,351				1,392,107
Accounts	79,824					33,286	113,110
Grants	215,484						215,484
Due from other funds	4,030					4,030	8,060
Investments	399,000						399,000
Inventories	110,001						110,001
Prepaid expenditures	<u>2,426</u>						<u>2,426</u>
Total assets	<u>\$11,821,744</u>	<u>\$ 2,404,125</u>	<u>\$ 735,614</u>	<u>\$ 317,757</u>	<u>\$ 4,953,700</u>	<u>\$ 6,258,163</u>	<u>\$26,491,103</u>
<u>Liabilities and Fund Balances</u>							
<u>Liabilities:</u>							
Accounts payable	\$ 566,823	\$	\$	\$ 172,571	\$ 38,081	\$ 85,397	\$ 862,872
Cash bonds and taxes	197,806						197,806
Accrued wages	245,212						245,212
Accrued interest			1,502				1,502
Deferred revenue	275,691		28,296				303,987
Due to other funds						4,030	4,030
Total liabilities	<u>1,285,532</u>	<u>-0-</u>	<u>29,798</u>	<u>172,571</u>	<u>38,081</u>	<u>89,427</u>	<u>1,615,409</u>
<u>Fund Balance:</u>							
<u>Reserved For:</u>							
Inventory	110,001						110,001
Encumbrances	152,500						152,500
Debt service			705,816				705,816
Capital projects				145,186	4,915,619	4,409,924	9,470,729
<u>Unreserved:</u>							
<u>Designated For:</u>							
General fund	4,701,821						4,701,821
Special revenue funds		2,404,125				380,812	2,784,937
Capital projects fund						1,378,000	1,378,000
Undesignated	<u>5,571,890</u>						<u>5,571,890</u>
Total fund balances	<u>10,536,212</u>	<u>2,404,125</u>	<u>705,816</u>	<u>145,186</u>	<u>4,915,619</u>	<u>6,168,736</u>	<u>24,875,694</u>
Total liabilities and fund balances	<u>\$11,821,744</u>	<u>\$ 2,404,125</u>	<u>\$ 735,614</u>	<u>\$ 317,757</u>	<u>\$ 4,953,700</u>	<u>\$ 6,258,163</u>	<u>\$26,491,103</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2010

Total fund balances – governmental funds balance sheet	\$ 24,875,694
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 132,092,707 in assets less \$ 79,082,850 in accumulated depreciation.	53,009,857
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 39,198 and \$ 28,296, respectively.	67,494
Judicial accounts receivables net of related allowance for uncollectible are unavailable to pay for current period expenditures and availability of funds are uncertain as to availability are not recorded in the funds. Judicial receivables of \$ 735,251 net of allowance for uncollectible accounts of \$ 460,534 of the general fund amounted to \$ 274,717.	274,717
Debt issuance costs on the issuance of bonds is an expenditure in the governmental funds, but the costs increase long-term assets in the statement of net assets. This amount is amortized over the life of the bond. Net bond issuance costs were \$ 527,650 (issuance costs of \$ 745,429 less amortization of \$ 217,779).	527,650
Discount on the issuance of bonds uses current financial resources in the governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net discount on the issuance of bonds were \$ 6,867 (discount on sale of bonds of \$ 11,477 less amortization of \$ 4,610).	6,867
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 265,017 (premium on the sale of bonds of \$ 305,581 less amortization of \$ 40,564).	(265,017)
Payables for bond principal and other long-term debt are not reported in the funds.	(33,040,000)
Payables for bond interest are not reported in the funds.	(54,987)
Net pension obligation is not reported in the funds.	(432,674)
Payables for long-term compensated absences.	(505,764)
Net assets of governmental activities – statement of net assets.	<u>\$ 44,463,837</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2010

	General Fund	Economic Development	General Debt Service	Court/ Emergency Operations Center/ Brazos Oaks Construction	Downtown Revitalization	Other Govern- mental Funds	Total Govern- mental Funds
Revenues							
Taxes:							
Property	\$ 3,411,203		\$ 2,273,574				\$ 5,684,777
Sales	4,432,443	2,277,196					6,709,639
Franchise	1,610,075						1,610,075
Occupancy						206,933	206,933
Other	132,308						132,308
Industrial district	3,843,335						3,843,335
Intergovernmental	89,215			62,930	6,401	866,871	1,025,417
Revenue producing facilities	1,035,350						1,035,350
Fines and fees	383,023						383,023
Licenses and permits	237,964						237,964
Special assessments						2,349	2,349
Investment income	58,416	11,664	7,551	2,894	7,380	11,824	99,729
Miscellaneous	281,433					1,085	282,518
Total revenues	15,514,765	2,288,860	2,281,125	65,824	13,781	1,089,062	21,253,417
Expenditures:							
Current:							
General government and administration	2,984,712						2,984,712
Public safety	5,410,431						5,410,431
Public works	2,355,271					1,282,166	3,637,437
Culture and recreation	3,971,984					227,327	4,199,311
Capital outlay	264,102	142,633		2,965,111	104,804	1,139,239	4,615,889
Debt Service:							
Principal retirement			1,606,733			923,267	2,530,000
Interest and fiscal charges			811,085			507,811	1,318,896
Total expenditures	14,986,500	142,633	2,417,818	2,965,111	104,804	4,079,810	24,696,676
Excess of revenues over (under) expenditures	<u>528,265</u>	<u>2,146,227</u>	<u>(136,693)</u>	<u>(2,899,287)</u>	<u>(91,023)</u>	<u>(2,990,748)</u>	<u>(3,443,259)</u>
Other Financing Sources (Uses):							
Issuance of bonds			122,872		4,931,642	2,945,486	8,000,000
Bond premium					75,000	58,249	133,249
Proceeds from sale of capital assets	70,055						70,055
Transfers in	1,541,539			300,000		2,331,078	4,172,617
Transfers out	(1,225,316)	(1,877,048)				(325,000)	(3,427,364)
Total other financing sources (uses)	386,278	(1,877,048)	122,872	300,000	5,006,642	5,009,813	8,948,557
Net change in fund balances	914,543	269,179	(13,821)	(2,599,287)	4,915,619	2,019,065	5,505,298
Fund balances - beginning	9,621,669	2,134,946	719,637	2,744,473	-0-	4,149,671	19,370,396
Fund balances - ending	<u>\$10,536,212</u>	<u>\$ 2,404,125</u>	<u>\$ 705,816</u>	<u>\$ 145,186</u>	<u>\$ 4,915,619</u>	<u>\$ 6,168,736</u>	<u>\$24,875,694</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010

Net change in fund balances – total governmental funds	\$ 5,505,298
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay of \$ 4,615,889 exceeded depreciation of \$ 3,588,680 in the current period.	1,027,209
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund and the debt service fund increased by \$ 3,493 and \$ 2,409, respectively.	5,902
Judicial revenues (resulting from accounts receivables net of related allowance for uncollectible) in the governmental activities statements of activities do not provide current available resources and are not reported as revenues in the funds. The change in these net receivables resulted in a decrease in revenues reported in the governmental activities statement of activities.	27,212
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for general obligation bonded debt \$ 2,530,000.	2,530,000
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net assets. Long-term proceeds in the the governmental fund were \$ 8,000,000.	(8,000,000)
Debt issuance costs on the issuance of bonds is an expenditure in the governmental funds, but the costs increase long-term assets in the statement of net assets. This amount is amortized over the life of the bond. Increase in issuance costs of \$ 122,872 less current amortization of \$ 45,122.	77,750
Discount on the issuance of bonds uses current financial resources in the governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds.	(574)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Current proceeds of \$ 133,249 less amortization of \$ 18,197.	(115,052)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.	(10,399)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in compensated absences.	(499)
Some expenses reported in the governmental activities statement of activities do not require the use of Current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in net pension obligation.	(<u>249,735</u>)
Change in net assets of governmental activities	\$ <u><u>797,112</u></u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,417,451	\$ 3,417,451
Sales	4,600,000	4,600,000
Franchise	1,630,000	1,630,000
Other	137,000	137,000
Industrial district	3,822,450	3,822,450
Intergovernmental		
Revenue producing facilities	890,400	890,400
Fines and fees	385,900	385,900
Licenses and permits	154,600	154,600
Investment income	86,407	86,407
Miscellaneous	130,800	130,800
Total revenues	<u>15,255,008</u>	<u>15,255,008</u>
Expenditures:		
Current:		
General government and administration	3,618,071	3,618,071
Public safety	6,020,820	6,020,820
Public works	3,026,383	3,026,383
Culture and recreation	3,946,123	3,946,123
Capital outlay	359,680	359,680
Total expenditures	<u>16,971,077</u>	<u>16,971,077</u>
Excess of revenues over (under) expenditures	(1,716,069)	(1,716,069)
Other Financing Sources (Uses):		
Proceeds from sale of capital assets		
Transfers in	1,541,539	1,541,539
Transfers out	(303,086)	(1,203,086)
Total other financing sources (uses)	<u>1,238,453</u>	<u>338,453</u>
Net change in fund balance	(477,616)	(1,377,616)
Fund balances - balances	<u>9,621,669</u>	<u>9,621,669</u>
Fund balance - ending	<u>\$ 9,144,053</u>	<u>\$ 8,244,053</u>

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

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 3,411,203	\$	\$ 3,411,203	\$ (6,248)
4,432,443		4,432,443	(167,557)
1,610,075		1,610,075	(19,925)
132,308		132,308	(4,692)
3,843,335		3,843,335	20,885
89,215		89,215	89,215
1,035,350		1,035,350	144,950
383,023		383,023	(2,877)
237,964		237,964	83,364
58,416		58,416	(27,991)
<u>281,433</u>		<u>281,433</u>	<u>150,633</u>
<u>15,514,765</u>	<u>-0-</u>	<u>15,514,765</u>	<u>259,757</u>
2,984,712	9,401	2,994,113	623,958
5,410,431	20,812	5,431,243	589,577
2,355,271	1,688	2,356,959	669,424
3,971,984	139	3,972,123	(26,000)
<u>264,102</u>	<u>(80,586)</u>	<u>183,516</u>	<u>176,164</u>
<u>14,986,500</u>	<u>(48,546)</u>	<u>14,937,954</u>	<u>2,033,123</u>
<u>528,265</u>	<u>48,546</u>	<u>576,811</u>	<u>2,292,880</u>
70,055		70,055	70,055
1,541,539		1,541,539	
<u>(1,225,316)</u>		<u>(1,225,316)</u>	<u>(22,230)</u>
<u>386,278</u>	<u>-0-</u>	<u>386,278</u>	<u>47,825</u>
914,543	48,546	963,089	2,340,705
<u>9,621,669</u>		<u>9,621,669</u>	<u>-0-</u>
<u>\$ 10,536,212</u>	<u>\$ 48,546</u>	<u>\$ 10,584,758</u>	<u>\$ 2,340,705</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND**

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,413,223	\$ 2,413,223	\$ 2,277,196	\$ (136,027)
Investment income	23,598	23,598	11,664	(11,934)
Total revenues	<u>2,436,821</u>	<u>2,436,821</u>	<u>2,288,860</u>	<u>(147,961)</u>
Expenditures:				
Capital outlay	30,000	30,000	142,633	(112,633)
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>142,633</u>	<u>(112,633)</u>
Excess of revenues over (under) expenditures	<u>2,406,821</u>	<u>2,406,821</u>	<u>2,146,227</u>	<u>(260,594)</u>
Other Financing Sources (Uses):				
Transfers out	(1,977,396)	(1,977,396)	(1,877,048)	100,348
Total other financing sources (uses)	<u>(1,977,396)</u>	<u>(1,977,396)</u>	<u>(1,877,048)</u>	<u>100,348</u>
Net change in fund balance	429,425	429,425	269,179	(160,246)
Fund balances - beginning	<u>2,134,946</u>	<u>2,134,946</u>	<u>2,134,946</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 2,564,371</u>	<u>\$ 2,564,371</u>	<u>\$ 2,404,125</u>	<u>\$ (160,246)</u>

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2010

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Assets</u>			
Current Assets:			
Cash and temporary investments	\$ 3,071,647	\$ 43,105	\$ 3,114,752
Receivables (Net of Allowance for Uncollectibles):			
Accounts	568,194	21,766	589,960
Inventory	<u> </u>	<u>101,493</u>	<u>101,493</u>
	<u>3,639,841</u>	<u>166,364</u>	<u>3,806,205</u>
Current Restricted Assets:			
Restricted Assets:			
Cash and temporary investments	3,236,872	62,800	3,299,672
Due from other governments	<u>5,318</u>	<u> </u>	<u>5,318</u>
Total current restricted assets	<u>3,242,190</u>	<u>62,800</u>	<u>3,304,990</u>
Total current assets	<u>6,882,031</u>	<u>229,164</u>	<u>7,111,195</u>
Noncurrent Assets:			
Restricted cash and temporary investments			
Revenue bond covenant accounts	<u>1,571,961</u>	<u> </u>	<u>1,571,961</u>
Total noncurrent restricted assets	<u>1,571,961</u>	<u> </u>	<u>1,571,961</u>
Deferred charges	<u>246,698</u>	<u> </u>	<u>246,698</u>
Capital Assets:			
Property, plant and equipment	58,366,136	9,258,101	67,624,237
Construction in progress	840,878		840,878
Less accumulated depreciation	<u>(26,873,207)</u>	<u>(1,963,292)</u>	<u>(28,836,499)</u>
Total capital assets (net of accumulated depreciation)	<u>32,333,807</u>	<u>7,294,809</u>	<u>39,628,616</u>
Total noncurrent assets	<u>34,152,466</u>	<u>7,294,809</u>	<u>41,447,275</u>
Total assets	<u>41,034,497</u>	<u>7,523,973</u>	<u>48,558,470</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - Continued

September 30, 2010

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 329,550	\$ 41,065	\$ 370,615
Accrued wages	64,312	37,762	102,074
Accrued compensated absences	126,593		126,593
Deferred revenue		127,151	127,151
Revenue bonds payable	735,000		735,000
Capital leases payable – current		140,965	140,965
Due to other funds		4,030	4,030
	<u>1,255,455</u>	<u>350,973</u>	<u>1,606,428</u>
Current Liabilities Payable from Restricted Assets:			
Accounts payable	19,647		19,647
Accrued interest	171,256		171,256
Customer deposits	590,360		590,360
Revenue bonds payable	525,000		525,000
	<u>1,306,263</u>	<u>-0-</u>	<u>1,306,263</u>
Total current liabilities payable from restricted assets			
Total current liabilities	<u>2,561,718</u>	<u>350,973</u>	<u>2,912,691</u>
Noncurrent Liabilities:			
Revenue bonds payable	11,765,000		11,765,000
Net pension obligation	113,550		113,550
Capital leases payable		230,875	230,875
	<u>11,878,550</u>	<u>230,875</u>	<u>12,109,425</u>
Total noncurrent liabilities			
Total liabilities	<u>14,440,268</u>	<u>581,848</u>	<u>15,022,116</u>
Net Assets:			
Invested in capital assets, net of related debt	21,110,660	6,922,969	28,033,629
Restricted For:			
Revenue bond retirement	2,034,052		2,034,052
Construction	443,681		443,681
Unrestricted	3,005,836	19,156	3,024,992
	<u>3,005,836</u>	<u>19,156</u>	<u>3,024,992</u>
Total net assets	<u>\$ 26,594,229</u>	<u>\$ 6,942,125</u>	<u>\$ 33,536,354</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 3,257,266	\$	\$ 3,257,266
Sewer service	3,220,292		3,220,292
Garbage fees	3,015,623		3,015,623
Tapping and connection fees	210,686		210,686
Golf course fees and charges		1,545,419	1,545,419
Other	<u>119,538</u>	<u>5,286</u>	<u>124,824</u>
Total operating revenues	<u>9,823,405</u>	<u>1,550,705</u>	<u>11,374,110</u>
Operating Expenses:			
Utility administration	384,896		384,896
Water production and treatment	2,573,539		2,573,539
Sewer collection	2,081,002		2,081,002
Sanitation	2,299,300		2,299,300
Golf course		1,802,204	1,802,204
Depreciation	<u>1,871,108</u>	<u>394,817</u>	<u>2,265,925</u>
Total operating expenses	<u>9,209,845</u>	<u>2,197,021</u>	<u>11,406,866</u>
Operating income (loss)	<u>613,560</u>	<u>(646,316)</u>	<u>(32,756)</u>
Non-Operating Revenues (Expenses):			
Interest revenue	35,804	3,040	38,844
Interest expense and fiscal charges	<u>(538,733)</u>	<u>(11,870)</u>	<u>(550,603)</u>
Total non-operating revenues (expenses)	<u>(502,929)</u>	<u>(8,830)</u>	<u>(511,759)</u>
Income (loss) before contributions and transfers	110,631	(655,146)	(544,515)
Capital contributions	99,687		99,687
Transfers in	325,316	100,000	425,316
Transfers out	<u>(1,166,539)</u>	<u>(4,030)</u>	<u>(1,170,569)</u>
Change in net assets	<u>(630,905)</u>	<u>(559,176)</u>	<u>(1,190,081)</u>
Net assets at beginning of year (restated)	<u>27,225,134</u>	<u>7,501,301</u>	<u>34,726,435</u>
Net assets at end of year	<u>\$ 26,594,229</u>	<u>\$ 6,942,125</u>	<u>\$ 33,536,354</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2010

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 9,960,743	\$ 1,562,875	\$ 11,523,618
Receipts from other funds		93,425	93,425
Payments to suppliers	(4,505,687)	(943,618)	(5,449,305)
Payments to employees	(2,886,129)	(840,220)	(3,726,349)
Net cash provided (used) by operating activities	<u>2,568,927</u>	<u>(127,538)</u>	<u>2,441,389</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	325,316	100,000	425,316
Transfers out	(1,166,539)	(4,030)	(1,170,569)
Net cash provided (used) by non-capital financing activities	<u>(841,223)</u>	<u>95,970</u>	<u>(745,253)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(1,769,562)		(1,769,562)
Proceeds from sale of bonds	11,325,000		11,325,000
Principal paid on capital debt	(10,690,000)	(143,808)	(10,833,808)
Interest and fiscal charges paid on capital debt	(550,949)	(11,870)	(562,819)
Net cash provided (used) by capital and related financing activities	<u>(1,685,511)</u>	<u>(155,678)</u>	<u>(1,841,189)</u>
Cash Flows from Investing Activities:			
Interest received	<u>35,804</u>	<u>3,040</u>	<u>38,844</u>
Net cash provided (used) by investing activities	<u>35,804</u>	<u>3,040</u>	<u>38,844</u>
Net increase (decrease) in cash and cash equivalents	77,997	(184,206)	(106,209)
Cash and cash equivalents at the beginning of year	<u>7,802,483</u>	<u>290,111</u>	<u>8,092,594</u>
Cash and cash equivalents at the end of year	<u>\$ 7,880,480</u>	<u>\$ 105,905</u>	<u>\$ 7,986,385</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS - Continued

For the Year Ended September 30, 2010

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 613,560	\$(646,316)	\$(32,756)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,871,108	394,817	2,265,925
(Increase) decrease in accounts receivable	104,084	9,200	113,284
(Increase) decrease in accounts receivable		100,000	100,000
(Increase) decrease in inventory		13,563	13,563
(Increase) decrease in prepaid expenses		2,501	2,501
Increase (decrease) in accounts payable	(114,548)	1,363	(113,185)
Increase (decrease) in accrued wages payable	(10,429)	938	(9,491)
Increase (decrease) I net pension obligation	67,381		67,381
Increase (decrease) in accrued compensated absences	4,517		4,517
Increase (decrease) in deferred revenue		2,971	2,971
Increase (decrease) in customer deposits	33,254		33,254
Increase (decrease) in due to other funds		(6,575)	(6,575)
	1,955,367	518,778	2,474,145
Total adjustments			
Net cash provided (used) by operating activities	\$ 2,568,927	\$(127,538)	\$ 2,441,389
Non-cash Investing, Capital, and Financing Activities:			
Contribution of capital assets from other governments	\$ 99,687	\$	\$ 99,687
Net effect of non-cash transactions	\$ 99,687	\$ -0-	\$ 99,687

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

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

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

Financial Reporting Entity

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - Continued

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

The City has presented the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

New Pronouncements

GASB No. 51, "Accounting and Financial Reporting for Intangible Assets", was issued June 2007. This statement provides guidance for financial reporting of intangible assets for all state and local governments. This statement is effective for periods beginning after June 15, 2009. The statement was implemented and did not have an impact on the City's financial statements.

GASB No. 52, "Land and Other Real Estate Held as Investments by Endowments", was issued November 2007. This statement does not apply to the City as it holds no endowment funds. This statement is effective for periods beginning after June 15, 2008. The statement was implemented and did not have an impact on the City's financial statements.

GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", was issued June 2008. This statement provides guidance for financial reporting of derivative instruments for all state and local governments. This statement is effective for periods beginning after June 15, 2009. The statement was implemented and did not have an impact on the City's financial statements.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", was issued April 2009. This statement provides guidance on classification of fund equity. The management of the City does not believe that the implementation of this statement will affect the financial statements of the City. This statement is effective for periods beginning after June 15, 2010.

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

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

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

GASB No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies", was issued December 2009. This statement is effective for periods beginning after June 15, 2009. The statement was implemented and did not have an impact on the City's financial statements.

GASB No. 59, "Financial Instrument Omnibus", was issued December 2009. The management of the City does not believe that the implementation of this statement will affect the financial statements of the City. This statement is effective for periods beginning after June 15, 2010.

Budgetary Data

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - Continued

Governmental Fund Types:

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

Proprietary Fund Type:

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

The following reconciles the differences between the legally enacted budget basis and the GAAP basis of accounting for the year ended September 30, 2010:

Governmental Fund Types:

	<u>General Fund</u>
Excess of revenues over (under) expenditures - GAAP basis	\$ 528,265
Adjustments of accrued wages	(32,040)
Adjustments of encumbrances	<u>80,586</u>
Excess of revenues over (under) expenditures - on budget basis	<u>\$ 576,811</u>

Proprietary Fund Types:

	<u>Enterprise Fund</u>
Change in net assets - GAAP basis	\$(630,905)
Provisions for Current Adjustments To:	
Accrued absences and accrued wages	(5,912)
Depreciation	1,871,108
Amortization of bond issuance costs	<u>27,123</u>
Change in net assets - budgetary basis	<u>\$ 1,261,414</u>
	<u>Golf Course Operating Fund</u>
Change in net assets - GAAP basis	\$(559,176)
Provisions for Current Adjustments To:	
Accrued wages	938
Depreciation	<u>394,817</u>
Change in net assets - budgetary basis	<u>\$(163,421)</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. At September 30, 2010, the General Fund reported \$ 152,500 in encumbrances.

Cash and Cash Equivalents

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

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Receivables, Payables and Transfers

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. No interest was capitalized during the year ended September 30, 2010.

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

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

Property Taxes

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - Continued

The assessed value of the property tax roll on August 1, 2009, upon which the levy for the 2009-10 fiscal year was based, was \$ 1,456,655,358. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2010, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.2340 and \$ 0.1560 per \$ 100 valuation, respectively, for a total of \$ 0.3900 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2010 were 99.62% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2010, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 39,143 and \$ 28,351 for the general and debt service funds, respectively.

Compensated Absences

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

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

The estimated liabilities include required salary related payments. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable. As of September 30, 2010, there is no maturing compensated absences payable in the General Fund. Accrued compensated absences reported in the Enterprise Fund at September 30, 2010 totaled \$ 126,593.

Pension Plans

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories

The City employs the consumption method of accounting for inventory. Inventories are valued at cost using the first-in first-out method. Purchases are recorded at cost as inventory when purchased, and then charged out as expenditures when used. The reserve for inventory has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Inventory at September 30, 2010 consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 59,510	\$
Supplies held for resale	<u>50,491</u>	<u>101,493</u>
	<u>\$ 110,001</u>	<u>\$ 101,493</u>

Long-Term Obligations

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

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

Fund Equity

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

Net Assets

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased it has maturity of three months or less. Cash and temporary investments, and investments, as reported on the government-wide Statement of Net Assets at September 30, 2010, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 9,600	\$	\$ 9,600
Financial Institution Deposits:			
Demand deposits	7,029,272	1,251,788	8,281,060
Local Government Investment Pools:			
Texpool	8,053,305	1,434,152	9,487,457
Lone Star Investment Pool	2,409,272	429,049	2,838,321
TexSTAR	<u>9,864,218</u>	<u>1,756,644</u>	<u>11,620,862</u>
	<u>\$ 27,365,667</u>	<u>\$ 4,871,633</u>	<u>\$ 32,237,300</u>
Investments:			
Financial Institution Deposits:			
Certificates of deposit	\$ <u>399,000</u>	\$ _____	\$ <u>399,000</u>
	<u>\$ 399,000</u>	<u>\$ -0-</u>	<u>\$ 399,000</u>

Deposits

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

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

At September 30, 2010, in addition to petty cash of \$ 9,600, the carrying amount of the City's cash, savings, and time deposits was \$ 8,680,060. The financial institutions balances were \$ 8,997,946 at September 30, 2010. Bank balances of \$ 667,367 were covered by federal depository insurance, \$ 500,000 was covered by SIPC coverage, \$ 5,548,531 was covered by collateral pledged in the City's name, and \$ 2,282,048 was covered by commercial insurance. The pledged collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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

The City invests in TexPool, Lone Star Investment Pool, and TexSTAR to provide its liquidity needs. TexPool, Lone Star Investment Pool, and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Lone Star Investment Pool, and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool, Lone Star Investment Pool, and TexSTAR are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2010 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 34 days, 52 days, and 49 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 34 days, 52 days, and 49 days, respectively, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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

The following table includes the portfolio balances of all investment types of the City at September 30, 2010.

	<u>Maturity Date</u>	<u>Rate %</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Investments:				
Local Government Investment Pools:				
Texpool	N/A	Varies daily	1.00	\$ 9,487,457
Lone Star Investment Pool	N/A	Varies daily	1.00	2,838,321
TexSTAR	N/A	Varies daily	<u>1.00</u>	<u>11,620,862</u>
Total local government investment pools			<u>0.98</u>	<u>23,946,640</u>
Certificate of deposit	05-28-11	0.85%	240.00	100,000
Certificate of deposit	05-13-11	0.59%	225.00	99,000
Certificate of deposit	08-04-11	1.77%	308.00	100,000
Certificate of deposit	06-21-11	1.29%	<u>264.00</u>	<u>100,000</u>
Total certificates of deposit			<u>259.33</u>	<u>399,000</u>
Total investments			<u>5.23</u>	<u>\$ 24,345,640</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

Credit Risk - As of September 30, 2010, the LGIP's (which represent approximately 98.36% of the portfolio are rated AAAM by Standard and Poor's, while the certificates of deposits (1.64% of the portfolio) are fully insured.

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

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The City made no direct investments in derivatives during the year ended September 30, 2010, and holds no direct investments in derivatives at September 30, 2010.

NOTE 3 - DEFERRED REVENUE

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

As of September 30, 2010, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 39,198	\$
Delinquent property taxes receivable (debt service fund)	28,296	
Recreation memberships and deposits		89,209
Criminal Justice Division (grant)	<u> </u>	<u>147,284</u>
Total deferred/unearned revenue from governmental funds	<u>\$ 67,494</u>	<u>\$ 236,493</u>

As of September 30, 2010, the components of unearned revenue reported in the proprietary funds were as follows:

	<u>Unearned</u>
Service deposits	<u>\$ 127,151</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at September 30, 2010 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Golf Course Debt Service Fund	\$ <u>4,030</u>	\$ _____
Golf Course Debt Service:		
General Fund		4,030
Golf Course	<u>4,030</u>	<u> </u>
Total Golf Course Debt Service	<u>4,030</u>	<u>4,030</u>
Proprietary Funds:		
Golf Course:		
Golf Course Debt Service	<u> </u>	<u>4,030</u>
Total	<u>\$ 8,060</u>	<u>\$ 8,060</u>

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

Interfund Transfers

Interfund transfers for the year ended September 30, 2010 consisted of the following individual fund transfers in and transfers out:

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Total</u>
	<u>Governmental Funds</u>		<u>Non-major</u>	<u>Proprietary Funds</u>		
	General Fund	Court/ Emergency Operations Center/ Brazos Oaks Construction	Governmental Funds	Enterprise Fund	Golf Course Fund	
Governmental Funds:						
General Fund	\$	\$	\$ 900,000	\$ 325,316	\$	\$ 1,225,316
Economic development	350,000		1,427,048		100,000	1,877,048
Non-major governmental	25,000	300,000				325,000
Proprietary Funds:						
Enterprise	1,166,539					1,166,539
Golf Course			<u>4,030</u>			<u>4,030</u>
	<u>\$ 1,541,539</u>	<u>\$ 300,000</u>	<u>\$ 2,331,078</u>	<u>\$ 325,316</u>	<u>\$ 100,000</u>	<u>\$ 4,597,933</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Interfund Transfers - Continued

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

	<u>Balance</u> <u>10/01/09</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/10</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,359,934	\$	\$	\$ 2,359,934
Construction in progress	<u>5,823,556</u>	<u>4,451,475</u>	<u>4,898,596</u>	<u>5,376,435</u>
Total capital assets, not being depreciated	<u>8,183,490</u>	<u>4,451,475</u>	<u>4,898,596</u>	<u>7,736,369</u>
Capital Assets, Being Depreciated:				
Buildings	26,202,247			26,202,247
Improvements	11,284,826	502,761		11,787,587
Equipment	10,678,062	224,069	40,304	10,861,827
Infrastructure	<u>71,168,497</u>	<u>4,336,180</u>		<u>75,504,677</u>
Total capital assets, being depreciated	<u>119,333,632</u>	<u>5,063,010</u>	<u>40,304</u>	<u>124,356,338</u>
Less Accumulated Depreciation For:				
Buildings	8,957,404	543,963		9,501,367
Improvements	6,399,262	488,845		6,888,107
Equipment	6,629,989	645,955	40,304	7,235,640
Infrastructure	<u>53,547,819</u>	<u>1,909,917</u>		<u>55,457,736</u>
Total accumulated depreciation	<u>75,534,474</u>	<u>3,588,680</u>	<u>40,304</u>	<u>79,082,850</u>
Total capital assets, being depreciated, net	<u>43,799,158</u>	<u>1,474,330</u>	<u>-0-</u>	<u>45,273,488</u>
Governmental activities capital assets, net	<u>\$ 51,982,648</u>	<u>\$ 5,925,805</u>	<u>\$ 4,898,596</u>	<u>\$ 53,009,857</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/09</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/10</u>
Business-type Activities (Utility Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>925,783</u>	\$ <u>1,480,101</u>	\$ <u>1,565,006</u>	\$ <u>840,878</u>
Total capital assets, not being depreciated	<u>925,783</u>	<u>1,480,101</u>	<u>1,565,006</u>	<u>840,878</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	26,339,579	1,565,007		27,904,586
Equipment	5,643,135	374,938	29,360	5,988,713
Infrastructure	<u>19,058,680</u>	<u>14,210</u>		<u>19,072,890</u>
Total capital assets, being depreciated	<u>56,441,341</u>	<u>1,954,155</u>	<u>29,360</u>	<u>58,366,136</u>
Less Accumulated Depreciation:				
Buildings	3,643,288	132,533		3,775,821
Improvements other than buildings	14,281,495	692,556		14,974,051
Equipment	3,492,393	417,326	29,360	3,880,539
Infrastructure	<u>3,614,283</u>	<u>628,693</u>		<u>4,242,976</u>
Total accumulated depreciation	<u>25,031,459</u>	<u>1,871,108</u>	<u>29,360</u>	<u>26,873,207</u>
Total capital assets, being depreciated, net	<u>31,409,882</u>	<u>83,047</u>	<u>-0-</u>	<u>31,492,929</u>
Business-type activities capital assets, net	\$ <u>32,335,665</u>	\$ <u>1,563,148</u>	\$ <u>1,565,006</u>	\$ <u>32,333,807</u>
	<u>Balance</u> <u>10/01/09</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/10</u>
Business-type Activities (Golf Course Fund):				
Capital Assets, Not Being Depreciated:				
Land	\$ <u>3,821,585</u>	\$ _____	\$ _____	\$ <u>3,821,585</u>
Total capital assets, not being depreciated	<u>3,821,585</u>	<u>-0-</u>	<u>-0-</u>	<u>3,821,585</u>
Capital Assets, Being Depreciated:				
Buildings	1,222,546			1,222,546
Improvements other than buildings	3,038,410			3,038,410
Equipment	<u>1,175,560</u>			<u>1,175,560</u>
Total capital assets, being depreciated	<u>5,436,516</u>	<u>-0-</u>	<u>-0-</u>	<u>5,436,516</u>

(continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/09</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/10</u>
Less Accumulated Depreciation:				
Buildings	\$ 339,125	\$ 61,659	\$	\$ 400,784
Improvements other than buildings	823,976	152,386		976,362
Equipment	<u>405,374</u>	<u>180,772</u>		<u>586,146</u>
Total accumulated depreciation	<u>1,568,475</u>	<u>394,817</u>	<u>-0-</u>	<u>1,963,292</u>
Total capital assets, being depreciated, net	<u>3,868,041</u>	<u>(394,817)</u>	<u>-0-</u>	<u>3,473,224</u>
Business-type activities capital assets, net	<u>\$ 7,689,626</u>	<u>\$ (394,817)</u>	<u>\$ -0-</u>	<u>\$ 7,294,809</u>
	<u>Balance</u> <u>10/01/09</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/10</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$	\$	\$ 3,821,585
Construction in progress	<u>925,783</u>	<u>1,480,101</u>	<u>1,565,006</u>	<u>840,878</u>
Total capital assets, not being depreciated	<u>4,747,368</u>	<u>1,480,101</u>	<u>1,565,006</u>	<u>4,662,463</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	29,377,989	1,565,007		30,942,996
Equipment	6,818,695	374,938	29,360	7,164,273
Infrastructure	<u>19,058,680</u>	<u>14,210</u>		<u>19,072,890</u>
Total capital assets, being depreciated	<u>61,877,857</u>	<u>1,954,155</u>	<u>29,360</u>	<u>63,802,652</u>
Less Accumulated Depreciation:				
Buildings	3,982,413	194,192		4,176,605
Improvements other than buildings	15,105,471	844,942		15,950,413
Equipment	3,897,767	598,098	29,360	4,466,505
Infrastructure	<u>3,614,283</u>	<u>628,693</u>		<u>4,242,976</u>
Total accumulated depreciation	<u>26,599,934</u>	<u>2,265,925</u>	<u>29,360</u>	<u>28,836,499</u>
Total capital assets, being depreciated, net	<u>35,277,923</u>	<u>(311,770)</u>	<u>-0-</u>	<u>34,996,153</u>
Business-type activities capital assets, net	<u>\$ 40,025,291</u>	<u>\$ 1,168,331</u>	<u>\$ 1,565,006</u>	<u>\$ 39,628,616</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 5 - CAPITAL ASSETS - Continued

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

Governmental Activities:

General government	\$ 174,082
Public safety	521,100
Public works, including depreciation of infrastructure	2,088,932
Culture and recreation	<u>804,566</u>

Total depreciation expense-governmental activities \$ 3,588,680

Business-type Activities:

Water and sewer	\$ 1,550,292
Sanitation	320,816
Golf course	<u>394,817</u>

Total depreciation expense-business-type activities \$ 2,265,925

Governmental Fund Construction Commitments

The City has entered into contracts for construction as of September 30, 2010, as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Court and EOC	\$ 2,949,935	\$ 2,775,954	\$ 173,981
Brazos Oaks Phase 2	1,458,691	1,200,356	258,335
Downtown Masterplan	<u>600,200</u>	<u>600,200</u>	<u> </u>
Total	\$ <u>5,008,826</u>	\$ <u>4,576,510</u>	\$ <u>432,316</u>

Proprietary Fund Construction Commitments

The City has entered into contracts for construction as of September 30, 2010, as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Utility Relocate	\$ 910,492	\$ 732,729	\$ 177,763
Master Lift Station Upgrades	1,807,587	154,106	1,653,481
Utility Relocate Along FM 2004	<u>706,115</u>	<u>433,821</u>	<u>272,294</u>
Total	\$ <u>3,424,194</u>	\$ <u>1,320,656</u>	\$ <u>2,103,538</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 6 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Taxes

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

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

Customer Receivables

The allowance for uncollectible receivables related to City services is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2010 was \$ 69,798.

Special Assessments

The special assessments against property owners for capital improvements were financed with currently available resources of the capital projects funds. As only special assessments received are considered both measurable and available, the balance of the special assessment is recorded as deferred revenue. The allowance for uncollectible special assessment receivables related to special assessments against property owners for capital improvements in prior years is determined based on historical experience and evaluation of collectability in relation to aging of the special assessments. The City has recorded an allowance of \$ 98,701 for the year ended September 30, 2010.

Judicial Receivables

Municipal Court Receivables - Municipal court receivables are reported in the governmental activities statements of net assets. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2010 was \$ 460,534.

NOTE 7 - LONG-TERM DEBT

General Obligation Bonds\Certificates of Obligation

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

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

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

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

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

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

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

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2010, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/10
		Issued	Maturity	Callable	
General Obligation	4.10 -				
Bond - Series 2001	6.00	2001	2021	2011	\$ 1,980,000
Limited Tax	4.00 -				
Bond - Series 2002	5.00	2002	2023	2013	4,460,000
Limited Tax	2.75 -				
Bond - Series 2002A	4.50	2002	2022	2013	2,160,000
Certificates of Obligation	2.50 -				
Series 2003	3.50	2003	2013	N/A	480,000
Certificates of Obligation	2.50 -				
Series 2003	4.55	2003	2023	2012	780,000
Limited Tax Bond	3.30 -				
Series 2004	4.20	2004	2024	2013	2,520,000
Limited Tax Bond	3.875 -				
Series 2007	4.00	2007	2027	2017	4,505,000
Limited Tax Bond	3.75 -				
Series 2009	5.25	2009	2029	2018	2,280,000
Limited Tax Refunding	3.875 -				
Series 2009	4.00	2009	2019	N/A	5,875,000
Certificates of Obligation	3.50 -				
Series 2010	5.00	2010	2030	2019	5,000,000
Limited Tax	3.50 -				
Series 2010	5.00	2010	2030	2020	<u>3,000,000</u>
Total					<u>\$ 33,040,000</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

General obligation bond transactions for the year ended September 30, 2010 were as follows:

Bonds outstanding, October 1	\$ 27,570,000
Issued	8,000,000
Maturities	<u>(2,530,000)</u>
Bonds outstanding, September 30	<u>\$ 33,040,000</u>

The bond ordinances require that a tax be levied sufficient to pay current interest and create a sinking fund of not less than two percent of the principal of the then outstanding bonds or the amount to pay current principal, whichever is greater. For the year ended September 30, 2010, the amount of ad valorem taxes collected for interest and sinking was \$ 2,273,574. The debt service requirements for principal and interest was \$ 3,726,024. In addition, \$ 1,431,078 was transferred to the debt service funds. The bond resolutions provide no express remedies in the event of default and make no provision for acceleration of maturity of the bonds.

The following is a summary of general obligation bond requirements for governmental activities by year as of September 30, 2010:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2011	\$ 2,715,000	\$ 1,268,943	\$ 3,983,943
2012	2,810,000	1,149,705	3,959,705
2013	2,750,000	1,049,790	3,799,790
2014	2,365,000	956,895	3,321,895
2015	2,370,000	869,281	3,239,281
2016-2020	10,365,000	3,048,878	13,413,878
2021-2025	6,655,000	1,208,095	7,863,095
2026-2030	<u>3,010,000</u>	<u>271,480</u>	<u>3,281,480</u>
Total	<u>\$ 33,040,000</u>	<u>\$ 9,823,067</u>	<u>\$ 42,863,067</u>

Revenue Bonds Payable

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

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

Revenue bonds payable for business-type activities at September 30, 2010, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/10
		Issued	Maturity	Callable	
Revenue Bonds	4.00 -				
Series 2007	5.00	2007	2027	2017	\$ 1,700,000
Revenue Bonds -	3.50 -				
Series 2009	4.50	2009	2030	2018	1,690,000
Revenue Bonds Refunding -	2.00 -				
Series 2009	3.00	2009	2016	N/A	860,000
Revenue Bonds Refunding -	2.00 -				
Series 2010	4.00	2010	2021	N/A	<u>8,775,000</u>
Total					<u>\$ 13,025,000</u>

Revenue bond transactions for the year ended September 30, 2010 were as follows:

Bonds outstanding, October 1	\$ 12,390,000
Issued	11,325,000
Refunded	(9,620,000)
Maturities	<u>(1,070,000)</u>
Bonds outstanding, September 30	<u>\$ 13,025,000</u>

The bond ordinances require that amounts sufficient to pay the next scheduled principal and interest payment be paid into a sinking account in equal monthly installments. At September 30, 2010, the required balance in the sinking fund was \$ 681,214. Additionally, bond ordinances require a Reserve Fund in an amount equal to the succeeding fiscal year's interest and principal payment be accumulated and maintained. This fund is to be accumulated within sixty-one months from the date additional bonds are issued. At September 30, 2010, the required balance in the reserve fund was \$ 1,571,961. At September 30, 2010, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 786,502; and the designated amount for the reserve totaled \$ 1,571,961. The total account balance of \$ 2,358,463 is sufficient to cover the combined reserve and sinking requirement of \$ 2,253,175.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

The following is a summary of revenue bond requirements for business-type activities by year as of September 30, 2010:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 1,260,000	\$ 396,581	\$ 1,656,581
2012	1,215,000	388,350	1,603,350
2013	1,205,000	359,350	1,564,350
2014	1,100,000	331,050	1,431,050
2015	1,085,000	301,025	1,386,025
2016-2020	4,865,000	1,018,750	5,883,750
2021-2025	1,680,000	276,062	1,946,062
2026-2030	<u>615,000</u>	<u>67,138</u>	<u>682,138</u>
Total	<u>\$ 13,025,000</u>	<u>\$ 3,138,306</u>	<u>\$ 16,163,306</u>

Capital Leases

During the year ended September 30, 2007, the City purchased golf course machinery and equipment under capital leases, with effective interest rates of 5.35% to 7.21%. During the fiscal year ended September 30, 2008, the City purchased golf course machinery and equipment under capital lease, with an effective interest rate of 2.972%. Current requirements for principal and interest expenditures accounted for in the Golf Course Operating Fund were \$ 143,808 and \$ 11,871, respectively.

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

The assets acquired through capital leases are as follows:

Asset:

Machinery and equipment	\$ 1,058,064
Less accumulated depreciation	<u>497,020</u>
Total	<u>\$ 561,044</u>

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of September 30, 2010:

<u>Year Ended September 30,</u>	<u>Amount</u>
2011	\$ 150,581
2012	229,016
2013	<u>7,905</u>
	387,502
Less amount representing interest	<u>15,662</u>
Net present value of minimum lease payments	<u>\$ 371,840</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 7 - LONG-TERM DEBT - Continued

Changes in Outstanding Debt

Transactions for the year ended September 30, 2010 are summarized as follows:

	<u>Balance</u> <u>10-01-09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09-30-10</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
General obligation bonds	\$ 2,160,000	\$	\$ 180,000	\$ 1,980,000	\$ 180,000
Certificates of obligation bonds	1,600,000	5,000,000	340,000	6,260,000	475,000
Limited tax bonds	23,810,000	3,000,000	2,010,000	24,800,000	2,060,000
Components of Bonded Debt:					
Premiums on bonds	149,965	133,249	18,197	265,017	20,937
Discounts on bonds	(7,441)	574		(6,867)	(266)
Accrued interest payable	44,588	54,987	44,588	54,987	54,987
Net pension obligation	182,939	249,735		432,674	
Compensated absences	<u>505,265</u>	<u>392,845</u>	<u>392,346</u>	<u>505,764</u>	<u>416,564</u>
Total governmental activities	<u>28,445,316</u>	<u>8,831,390</u>	<u>2,985,131</u>	<u>34,291,575</u>	<u>3,207,222</u>
Business-Type Activities:					
Revenue bonds	12,390,000	11,325,000	10,690,000	13,025,000	1,260,000
Capital leases	515,648		143,808	371,840	140,965
Components of Bonded Debt:					
Accrued interest payable	240,825	171,256	240,825	171,256	171,256
Net pension obligation	46,169	67,381		113,550	
Compensated absences	<u>122,076</u>	<u>99,938</u>	<u>95,421</u>	<u>126,593</u>	<u>92,868</u>
Total business-type activities	13,314,718	11,663,575	11,170,054	13,808,239	1,665,089
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	445,833	79,167		525,000	525,000
Accrued interest payable	<u>240,825</u>	<u>171,256</u>	<u>240,825</u>	<u>171,256</u>	<u>171,256</u>
Net business-type activities	<u>12,628,060</u>	<u>11,413,152</u>	<u>10,929,229</u>	<u>13,111,983</u>	<u>968,833</u>
Total government (net)	<u>\$ 41,073,376</u>	<u>\$ 20,244,542</u>	<u>\$ 13,914,360</u>	<u>\$ 47,403,558</u>	<u>\$ 4,176,055</u>

Compensated Absences

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

NOTE 8 - LEASING OPERATIONS

The City is involved in various operating leases as lessor. These leases are for such as building, office facilities, and other equipment. These rental facilities are leased through 2014. The City has not determined the cost of these facilities as of September 30, 2010. Minimum future rentals to be received on noncancelable leases, as of September 30, 2010, for each of the next five years and in the aggregate are as follows:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 8 - LEASING OPERATIONS - Continued

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2011	\$ 107,168
2012	102,372
2013	96,572
2014	95,162
2015	<u>97,390</u>
	<u>\$ 498,664</u>

NOTE 9 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN

Pension Trust

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

At retirement, death, disability, the benefit is calculated by converting the sum of the employee's personal account balance and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed the TMRS Act. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution (PLSD). As an employer, the City's annual pension costs and contributions to the Pension Trust for the years ended September 30, 2010, 2009 and 2008 were \$ 1,066,728, \$ 1,097,851, and \$ 979,229, respectively, which equaled 77.12% for 2010, 77% for 2009, and 100% of the required contributions for 2008.

Funding Policy - Under the state law governing TMRS, the actuary annually determines the City's contribution rate on a calendar-year basis. The City discloses the annual pension costs based on the calculated rates for the City's fiscal year. The required rate for calendar year 2009 and 2010 was 15.26% and 15.34%, respectively. In response to the increase in the required contribution rate, the City has elected the 8-year-phase-in period to increase contributions to the required rate. The (elected) phase-in rate for calendar year 2009 and 2010 was 11.75% and 11.83% respectively. This rate consists of the normal cost contribution rate and the prior service contribution rate. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability. Both the employees and the City make

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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

Pension Trust - Continued

contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as basis for the rate and the calendar year when the rate goes into effect – for example, the January 1, 2011 contribution rate is based on the December 31, 2009 valuation results. If a change in plan provisions is elected by the City, this rate can change.

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 976,229	100.00%	\$ -0-
2009 (phase-in)	1,326,959	77.00%	229,108
2010 (phase-in)	1,383,844	77.12%	546,224

1. Annual required contributions (ARC)	\$ 1,383,844
2. Interest in net pension obligation (NPO)	-0-
3. Adjustment to ARC	-0-
4. Annual pension cost	1,383,844
5. Contributions made (at phase-in rate)	(1,066,728)
6. Increase (decrease) in NPO	317,116
7. NPO (asset), beginning of year	229,108
8. NPO (asset), end of year	546,224

Plan Provisions -	<u>2007</u>	<u>2008</u>	<u>2009</u>
1) Total number of participating entities	827	823	837
City Specific:			
2) Employee deposit rate	6.0%	6.0%	6.0%
3) Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
4) Years required for vesting	5	5	5
5) Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
6) Updated service credit annually repeating (Y/N)	100% Y	100% Y	100% Y
7) Annuity increase to retirees annually repeating (Y/N)	70% Y	70% Y	70% Y
8) Supplemental death benefit: For active employees (Y/N)	Y	Y	Y
For retirees (Y/N)	Y	Y	Y

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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

Pension Trust - Continued

Funding Information -

Actuarial Valuation Date	Actuarial Value of Assets** (a)	Actuarial Accrued Liability* (AAL)- (b)	Unfunded AAL (UAAL) (b-a)	Percentage Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2007	\$ 20,970,892	\$ 27,954,309	\$ 6,983,417	75.00%	\$ 7,910,024	88.30%
2008	21,733,735	30,154,100	8,420,365	72.10%	9,780,969	86.10%
2009	22,856,959	31,454,105	8,597,146	72.70%	9,570,019	94.50%

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

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

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

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

In response to the increase in the required contribution rate, the City has elected the 8-year phase-in period to increase contributions to the full (required) rate. The City's full contribution rate for calendar year 2011 is 16.14%, and the (elected) phase-in rate for calendar year 2011 is 13.21%.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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

OPEB-Supplemental Death Benefits Fund

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. Such rates were 0.20% and 0.25% in 2010 and 2009, respectively, as a percentage of covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers. As an employer, the City contributions to the SDBF for the years ended September 30, 2010, 2009, and 2008 were \$ 19,363, \$ 22,788, and \$ 24,074, respectively, which equaled 100% of the required contributions each year.

Plan Provisions -	<u>2007</u>	<u>2008</u>	<u>2009</u>
1) Total number of participating entities offering Supplemental death to retirees	714	712	720
City Specific:			
2) Supplemental death benefit:			
For active employees (Y/N)	Y	Y	Y
For retirees (Y/N)	Y	Y	Y
Actuarial Information -	<u>2007</u>	<u>2008</u>	<u>2009</u>
1) Valuation date	12-31-07	12-31-08	12-31-09
2) Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
3) Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
4) Amortization period	25 years open period	25 years open period	25 years open period
5) Asset valuation method	Fund Value	Fund value	Fund value
6) Assumptions:			
Investment return	4.25%	4.25%	4.25%
Projected salary increases	None	None	None
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	None	None	None

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 10 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND

Plan Description

The Fire Fighters' Pension Commissioner is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2010, there were 198 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

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

Retirees and beneficiaries currently receiving benefits	2,152
Terminated participants entitled to benefits but not yet receiving them	2,105
Current active participants (vested and nonvested)	4,359

The above membership count does not include retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) fund before merging into S.B.411. Of the 4,359 current members, 6 were covered by Lake Jackson Emergency Services Department (ESD) and 36 were covered by the Lake Jackson Voluntary Fire Department (VFD).

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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

Funding Policy

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

Annual Required Contributions

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

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

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ¹ - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered (b-a)/(c)
8/31/06	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
8/31/08 ²	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/10 ³	64,113,803	79,953,215	15,839,413	80.2%	8,708	1,819

Notes:

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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

Required Supplementary Information - Schedule of Funding Progress - Continued

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

¹ Based on the August 31, 2006 actuarial valuation.

² Based on the August 31, 2008 actuarial valuation.

³ Includes a State contribution of \$ 8,800,000.

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

NOTE 11 - DEFERRED COMPENSATION PLAN

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

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

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

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

NOTE 12 - CONTINGENT LIABILITIES

The City is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the City at September 30, 2010.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 13 - RISK POOL PARTICIPATION

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

NOTE 14 - INDUSTRIAL DISTRICT CONTRACT

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

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

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

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

During the fiscal year 2001, a new industrial district contract was negotiated. The term of this contract is for ten (10) years from April 1, 2001 through March 31, 2011. Contract payments are payable in semi-annual installments each June 30 and December 31. The amount of the payments are to be calculated each year based upon the industrial district's taxable value times contracted rate (ranging from 0.325 in 2001 to 0.500 in 2010) times the value weighted tax rate. Total industrial district revenues received during the year ended September 30, 2010 amounted to \$ 3,843,335.

The current contract has been extended through September 30, 2011, and negotiations continue between industry and the cities on a new contract.

NOTE 15 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2010, the City applied for and received federal and state grants related to various activities. The operations of these grants are reported in the General Fund and Capital Projects. These grants are reimbursement type grants; therefore, revenues equal expenditures. Grant revenues are classified as intergovernmental revenues.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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

	<u>General Fund</u>	<u>Court Emergency Operations Center Brazos Oaks Construction</u>	<u>Downtown Revitalization</u>	<u>Non-major Government Fund</u>	<u>Total</u>
Federal:					
U.S. Department of Agriculture: Emergency Watershed Protection EWP program	\$	\$	\$	\$ 753,646	\$ 753,646
U.S. Department of Housing and Urban Development: Community Development Block Grant (Drainage Project)			6,401	58,546	64,947
U.S. Department of Justice: Bulletproof Vest Partnership Program	4,704				4,704
Passed Through Brazoria County: Edward Byrne Memorial Justice Assistance Grant (JAG) program (Recovery Act)	20,010				20,010
U.S. Department of Homeland Security: FY 2009 Assistance to firefighters Grant				54,679	54,679
Total Federal	<u>24,714</u>	<u>-0-</u>	<u>6,401</u>	<u>866,871</u>	<u>897,986</u>
State:					
911 State Program	64,501				64,501
Solid Waste Implementation Program		62,930			62,930
Total State	<u>64,501</u>	<u>62,930</u>	<u>-0-</u>	<u>-0-</u>	<u>127,431</u>
Total	<u>\$ 89,215</u>	<u>\$ 62,930</u>	<u>\$ 6,401</u>	<u>\$ 866,871</u>	<u>\$ 1,025,417</u>

As of September 30, 2010, all cash and in-kind matching requirements had been met for those grants requiring local matching.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 16 - INTERLOCAL AGREEMENT

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

The Shelter hired the SPCA to provide all administrative services necessary to administer the programs on behalf of the Cities and the SPCA. Each of the three Cities and the SPCA agreed to appropriate to the Shelter for the first year of the term of the agreement, in addition to their capital contribution, a stated amount for use in carrying out the programs developed by the Shelter and for its administrative operating services. For the year ending September 30, 2010, the City paid the Shelter \$ 91,100 under this agreement.

NOTE 17 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2010, expenditures exceeded appropriations in the funds as follows:

Economic Development Special Revenue Fund	\$	112,633
Golf Course Operating Fund	\$	122,790

The budget was not amended; however, the City Council approved these expenditures as required by City budget procedures. The difference in the Economic Development Special Revenue Fund was the result of additional capital outlay expenditure. The difference in the Gold Course Operating Fund resulted mainly from year end inventory adjustment made by management.

NOTE 18 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 16, 2011, the date which the financial statements were available to be issued.

NOTE 19 - RESTATEMENT OF NET ASSETS

During the year ended September 30, 2010, the City personnel determined that net pension obligation incurred during the year ended September 30, 2009, but was not correctly reported. These obligations were due to the City not paying 100% of the annual required contribution on pension plan for the year ended September 30, 2009, see Note 9. This error had no affect on the governmental fund balances as of September 30, 2009.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

NOTE 19 - RESTATEMENT OF NET ASSETS - Continued

The following is a summary of prior period adjustments, restated to September 30, 2009 net assets, for governmental activities and business type activities:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Net Assets - September 30, 2009 (Previously Reported)	\$ 43,849,664	\$ 34,772,604	\$ 78,622,268
Prior Period Adjustment: Understatement Of: Net Pension Obligation	(<u>182,939</u>)	(<u>46,169</u>)	(<u>229,108</u>)
Net Assets - September 30, 2009 (Restated)	\$ <u><u>43,666,725</u></u>	\$ <u><u>34,726,435</u></u>	\$ <u><u>78,393,160</u></u>

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

COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Debt Service Funds

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

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

Capital Projects Funds

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

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

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds - Continued

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2010

	Special Revenue Funds			Debt
	Park	Motel Occupancy Tax	Memorial Garden	Economic Development
Assets:				
Cash and temporary investments	\$ 276,583	\$ 100,241	\$ 3,988	\$
Receivables (Net of Allowance for Uncollectibles):				
Accounts				
Due from other funds				
 Total assets	\$ 276,583	\$ 100,241	\$ 3,988	\$ -0-
 Liabilities:				
Accounts payable	\$	\$	\$	\$
Due to other funds				
 Total liabilities	-0-	-0-	-0-	-0-
 Fund Balances:				
Reserved:				
Capital projects				
Unreserved, Designated For:				
Special revenue funds	276,583	100,241	3,988	
Capital projects fund				
 Total fund balances	276,583	100,241	3,988	-0-
 Total liabilities and fund balances	\$ 276,583	\$ 100,241	\$ 3,988	\$ -0-

Service	Capital Projects				Total Nonmajor Governmental Funds
Golf Course	General Construction	2004 Infrastructure	2009 Construction	2010 Drainage & Infrastructure	
\$	\$ 1,397,708	\$ 377,497	\$ 1,071,728	\$ 2,993,102	\$ 6,220,847
	33,286				33,286
<u>4,030</u>					<u>4,030</u>
<u>\$ 4,030</u>	<u>\$ 1,430,994</u>	<u>\$ 377,497</u>	<u>\$ 1,071,728</u>	<u>\$ 2,993,102</u>	<u>\$ 6,258,163</u>
\$	\$ 52,993	\$ 16,750	\$ 15,654	\$	\$ 85,397
<u>4,030</u>					<u>4,030</u>
<u>4,030</u>	<u>52,993</u>	<u>16,750</u>	<u>15,654</u>	<u>-0-</u>	<u>89,427</u>
		360,747	1,056,074	2,993,102	4,409,923
	1,378,001				380,812
					<u>1,378,001</u>
<u>-0-</u>	<u>1,378,001</u>	<u>360,747</u>	<u>1,056,074</u>	<u>2,993,102</u>	<u>6,168,736</u>
<u>\$ 4,030</u>	<u>\$ 1,430,994</u>	<u>\$ 377,497</u>	<u>\$ 1,071,728</u>	<u>\$ 2,993,102</u>	<u>\$ 6,258,163</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010

	Special Revenue Funds			Debt
	Park	Motel Occupancy Tax	Memorial Garden	Economic Development
Revenues:				
Motel occupancy tax	\$	\$ 206,933	\$	\$
Special assessments				
Intergovernmental				
Interest	1,514	504	20	
Other			1,085	
Total revenues	1,514	207,437	1,105	-0-
Expenditures:				
Current:				
Cultural and Recreation:				
Contribution to Fine Arts Council		28,371		
Contribution to Museum of Natural Science		42,556		
Contribution to Chamber of Commerce		85,720		
Contribution to Historical Museum		42,556		
Other	10,705	17,419		
Capital outlay	20,073			
Debt Service:				
Principal				618,267
Interest and fiscal charges				259,556
Total expenditures	30,778	216,622	-0-	877,823
Excess (deficiency) of revenues over (under) expenditures	(29,264)	(9,185)	1,105	(877,823)
Other Financing Sources (Uses):				
Issuance of bonds				
Premium on bond issuance				
Transfers in				877,823
Transfers out		(25,000)		
Total other financing sources (uses)	-0-	(25,000)	-0-	877,823
Net changes in fund balances	(29,264)	(34,185)	1,105	-0-
Fund balance – beginning	305,847	134,426	2,883	
Fund balance – ending	\$ 276,583	\$ 100,241	\$ 3,988	\$ -0-

<u>Service</u>	<u>Capital Projects</u>				<u>Total Nonmajor Governmental Funds</u>
<u>Golf Course</u>	<u>General Construction</u>	<u>2004 Infrastructure</u>	<u>2009 Construction</u>	<u>2010 Drainage & Infrastructure</u>	
\$	\$	\$	\$	\$	\$
	2,349				206,933
	866,871				2,349
	4,955	796	2,763	1,272	866,871
					11,824
					1,085
<u>-0-</u>	<u>874,175</u>	<u>796</u>	<u>2,763</u>	<u>1,272</u>	<u>1,089,062</u>
					28,371
					42,556
					85,720
					42,556
	1,282,166				1,310,290
	426,192	99,688	581,381	11,905	1,139,239
305,000					923,267
<u>248,255</u>					<u>507,811</u>
<u>553,255</u>	<u>1,708,358</u>	<u>99,688</u>	<u>581,381</u>	<u>11,905</u>	<u>4,079,810</u>
<u>(553,255)</u>	<u>(834,183)</u>	<u>(98,892)</u>	<u>(578,618)</u>	<u>(10,633)</u>	<u>(2,990,748)</u>
				2,945,486	2,945,486
				58,249	58,249
553,255	900,000				2,331,078
	<u>(300,000)</u>				<u>(325,000)</u>
<u>553,255</u>	<u>600,000</u>	<u>-0-</u>	<u>-0-</u>	<u>3,003,735</u>	<u>5,009,813</u>
-0-	(234,183)	(98,892)	(578,618)	2,993,102	2,019,065
	<u>1,612,184</u>	<u>459,639</u>	<u>1,634,692</u>		<u>4,149,671</u>
<u>\$ -0-</u>	<u>\$ 1,378,001</u>	<u>\$ 360,747</u>	<u>\$ 1,056,074</u>	<u>\$ 2,993,102</u>	<u>\$ 6,168,736</u>

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

Special Revenue and Debt Service Funds

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Park Fund

For the Year Ended September 30, 2010
With Comparative Actual Total for 2009

	2010			Variance with Final Budget- Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$ 3,000	\$ 3,000	\$ 1,514	\$(1,486)	\$ 3,309
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>1,514</u>	<u>(1,486)</u>	<u>3,309</u>
Expenditures:					
Current:					
Other	35,927	35,927	10,705	25,221	4,500
Capital outlay	<u>20,073</u>	<u>20,073</u>	<u>20,073</u>		<u>43,592</u>
Total expenditures	<u>56,000</u>	<u>56,000</u>	<u>30,778</u>	<u>25,221</u>	<u>48,092</u>
Excess of revenues over (under) expenditures	<u>(53,000)</u>	<u>(53,000)</u>	<u>(29,264)</u>	<u>23,735</u>	<u>(44,783)</u>
Other Financing Sources (Uses):					
Sale of capital assets					<u>33,317</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>33,317</u>
Net changes in fund balance	<u>(53,000)</u>	<u>(53,000)</u>	<u>(29,264)</u>	<u>23,735</u>	<u>(11,466)</u>
Fund balance – beginning	<u>305,847</u>	<u>305,847</u>	<u>305,847</u>	<u>-0-</u>	<u>317,313</u>
Fund balance – ending	<u>\$ 252,847</u>	<u>\$ 252,847</u>	<u>\$ 276,583</u>	<u>\$ 23,735</u>	<u>\$ 305,847</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010
With Comparative Actual Totals for 2009

	2010			Variance with Final Budget- Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Occupancy tax	\$ 300,000	\$ 300,000	\$ 206,933	\$ (93,067)	\$ 218,277
Investment income	<u>1,000</u>	<u>1,000</u>	<u>504</u>	<u>(496)</u>	<u>1,338</u>
Total revenues	<u>301,000</u>	<u>301,000</u>	<u>207,437</u>	<u>(93,563)</u>	<u>219,615</u>
Expenditures:					
Current:					
Culture and recreation	<u>281,150</u>	<u>281,150</u>	<u>216,622</u>	<u>64,528</u>	<u>201,786</u>
Total expenditures	<u>281,150</u>	<u>281,150</u>	<u>216,622</u>	<u>64,528</u>	<u>201,786</u>
Excess of revenues over (under) expenditures	<u>19,850</u>	<u>19,850</u>	<u>(9,185)</u>	<u>(29,035)</u>	<u>17,829</u>
Other Financing Sources (Uses):					
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-0-</u>	<u>(26,550)</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-0-</u>	<u>(26,550)</u>
Net changes in fund balance	<u>(5,150)</u>	<u>(5,150)</u>	<u>(34,185)</u>	<u>(29,035)</u>	<u>(8,721)</u>
Fund balance – beginning	<u>134,426</u>	<u>134,426</u>	<u>134,426</u>	<u>-0-</u>	<u>143,147</u>
Fund balance – ending	<u>\$ 129,276</u>	<u>\$ 129,276</u>	<u>\$ 100,241</u>	<u>\$ (29,035)</u>	<u>\$ 134,426</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010
With Comparative Actual Totals for 2009

	2010			Variance with Final Budget- Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$	\$	\$ 20	\$ 20	\$ 14
Miscellaneous			1,085	1,085	1,683
Total revenues	-0-	-0-	1,105	1,105	1,697
Expenditures:					
Current:					
Culture and recreation				-0-	-0-
Total expenditures				-0-	-0-
Excess of revenues over (under) expenditures	-0-	-0-	1,105	1,105	1,697
Other financing sources (uses)				-0-	
Net changes in fund balance	-0-	-0-	1,105	1,105	1,697
Fund balance – beginning	2,883	2,883	2,883	-0-	1,186
Fund balance – ending	<u>\$ 2,883</u>	<u>\$ 2,883</u>	<u>\$ 3,988</u>	<u>\$ 1,105</u>	<u>\$ 2,883</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010
With Comparative Actual Total for 2009

	2010			Variance with Final Budget- Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$	\$	\$	\$ -0-	\$
Expenditures:					
Debt Service:					
Principal	618,267	618,267	618,267		590,000
Interest and fiscal charges	359,129	359,129	259,556	99,573	214,605
Total expenditures	977,396	977,396	877,823	99,573	804,605
Excess (deficiency) of revenues over (under) expenditures	(977,396)	(977,396)	(877,823)	99,573	(804,605)
Other Financing Sources (Uses):					
Bond issuance				-0-	3,832,935
Bond premium				-0-	50,056
Transfers in	977,396	977,396	877,823	(99,573)	784,174
Payment to bond escrow agent				-0-	(3,862,560)
Total other financing sources (uses)	977,396	977,396	877,823	(99,573)	804,605
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning				-0-	
Fund balance – ending	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Golf Course Debt Service Fund

For the Year Ended September 30, 2010

With Comparative Actual Totals for 2009

	2010			Variance with Final Budget- Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	305,000	305,000	305,000		300,000
Interest and fiscal charges	<u>249,030</u>	<u>249,030</u>	<u>248,255</u>	<u>775</u>	<u>259,830</u>
Total expenditures	<u>554,030</u>	<u>554,030</u>	<u>553,255</u>	<u>775</u>	<u>559,830</u>
Excess of revenues over (under) expenditures	<u>(554,030)</u>	<u>(554,030)</u>	<u>(553,255)</u>	<u>775</u>	<u>(559,830)</u>
Other Financing Sources (Uses):					
Transfers in	<u>554,030</u>	<u>554,030</u>	<u>553,255</u>	<u>(775)</u>	<u>559,830</u>
Total other financing sources (uses)	<u>554,030</u>	<u>554,030</u>	<u>553,255</u>	<u>(775)</u>	<u>559,830</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning	_____	_____	_____	-0-	_____
Fund balance – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

General Fund

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE BALANCE SHEETS - General Fund

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and temporary investments	\$ 10,022,233	\$ 9,179,580
Receivable (Net of Allowance for Uncollectibles):		
Taxes	988,746	974,013
Accounts	79,824	56,974
Grants	215,484	443,258
Due from other funds	4,030	10,605
Investments	399,000	399,000
Inventories	110,001	98,348
Prepaid expenditures	<u>2,426</u>	
 Total assets	 <u>\$ 11,821,744</u>	 <u>\$ 11,161,778</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 566,823	\$ 878,118
Cash bonds and taxes	197,806	289,968
Accrued wages	245,212	277,252
Deferred revenue	<u>275,691</u>	<u>94,771</u>
 Total liabilities	 <u>1,285,532</u>	 <u>1,540,109</u>
Fund Balance:		
Reserved For:		
Inventory	110,001	98,348
Encumbrances	152,500	233,086
Unreserved:		
Undesignated	<u>10,273,711</u>	<u>9,290,235</u>
 Total fund balance	 <u>10,536,212</u>	 <u>9,621,669</u>
 Total liabilities and fund balance	 <u>\$ 11,821,744</u>	 <u>\$ 11,161,778</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

General Fund

For the Year Ended September 30, 2010

With Comparative Actual Totals for 2009

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,417,451	\$ 3,417,451
Sales	4,600,000	4,600,000
Franchise	1,630,000	1,630,000
Other	137,000	137,000
Industrial district	3,822,450	3,822,450
Intergovernmental		
Revenue producing facilities	890,400	890,400
Fines and fees	385,900	385,900
Licenses and permits	154,600	154,600
Investment income	86,407	86,407
Miscellaneous	130,800	130,800
Total revenues	<u>15,255,008</u>	<u>15,255,008</u>
Expenditures:		
Current:		
General government and administration	3,618,071	3,618,071
Public safety	6,020,820	6,020,820
Public works	3,026,383	3,026,383
Culture and recreation	3,946,123	3,946,123
Capital outlay	359,680	359,680
Total expenditures	<u>16,971,077</u>	<u>16,971,077</u>
Excess of revenues over (under) expenditures	<u>(1,716,069)</u>	<u>(1,716,069)</u>
Other Financing Sources (Uses):		
Transfers in	1,541,539	1,541,539
Transfers out	(303,086)	(1,203,086)
Sale of capital assets		
Total other financing sources (uses)	<u>1,238,453</u>	<u>338,453</u>
Net change in fund balance	<u>(477,616)</u>	<u>(1,377,616)</u>
Fund balance - beginning	<u>9,621,669</u>	<u>9,621,669</u>
Fund balance - ending	<u>\$ 9,144,053</u>	<u>\$ 8,244,053</u>

2010		2009		
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,411,203	\$	\$ 3,411,203	\$ (6,248)	\$ 3,393,969
4,432,443		4,432,443	(167,557)	4,634,553
1,610,075		1,610,075	(19,925)	1,586,698
132,308		132,308	(4,692)	129,904
3,843,335		3,843,335	20,885	3,962,165
89,215		89,215	89,215	1,198,886
1,035,350		1,035,350	144,950	931,477
383,023		383,023	(2,877)	425,746
237,964		237,964	83,364	186,017
58,416		58,416	(27,991)	84,471
<u>281,433</u>		<u>281,433</u>	<u>150,633</u>	<u>114,019</u>
<u>15,514,765</u>	<u>-0-</u>	<u>15,514,765</u>	<u>259,757</u>	<u>16,647,905</u>
2,984,712	9,401	2,994,113	623,958	2,786,275
5,410,431	20,812	5,431,243	589,577	5,189,374
2,355,271	1,688	2,356,959	669,424	3,599,549
3,971,984	139	3,972,123	(26,000)	3,972,387
<u>264,102</u>	<u>(80,586)</u>	<u>183,516</u>	<u>176,164</u>	<u>1,272,072</u>
<u>14,986,500</u>	<u>(48,546)</u>	<u>14,937,954</u>	<u>2,033,123</u>	<u>16,819,657</u>
<u>528,265</u>	<u>48,546</u>	<u>576,811</u>	<u>2,292,880</u>	<u>(171,752)</u>
1,541,539		1,541,539		1,531,876
(1,225,316)		(1,225,316)	(22,230)	(449,521)
<u>70,055</u>		<u>70,055</u>	<u>70,055</u>	<u>353,541</u>
<u>386,278</u>	<u>-0-</u>	<u>386,278</u>	<u>47,825</u>	<u>1,435,896</u>
914,543	48,546	963,089	2,340,705	1,264,144
<u>9,621,669</u>	<u>-0-</u>	<u>9,621,669</u>	<u>-0-</u>	<u>8,357,525</u>
<u>\$ 10,536,212</u>	<u>\$ 48,546</u>	<u>\$ 10,584,758</u>	<u>\$ 2,340,705</u>	<u>\$ 9,621,669</u>

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**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Economic Development Fund

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE BALANCE SHEETS-
Economic Development Fund

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and temporary investments	\$ 2,029,115	\$ 1,991,201
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>375,010</u>	<u>371,659</u>
Total assets	<u>\$ 2,404,125</u>	<u>\$ 2,362,860</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$	\$ 127,914
Due to other funds		<u>100,000</u>
Total liabilities	<u>-0-</u>	<u>227,914</u>
Fund Balance:		
Unreserved:		
Undesignated	<u>2,404,125</u>	<u>2,134,946</u>
Total fund balance	<u>2,404,125</u>	<u>2,134,946</u>
Total liabilities and fund balance	<u>\$ 2,404,125</u>	<u>\$ 2,362,860</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010
With Comparative Actual Totals for 2009

	2010			Variance with Final Budget- Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 2,413,223	\$ 2,413,223	\$ 2,277,196	\$(136,027)	\$ 2,408,688
Investment income	<u>23,598</u>	<u>23,598</u>	<u>11,664</u>	<u>(11,934)</u>	<u>20,500</u>
Total revenues	<u>2,436,821</u>	<u>2,436,821</u>	<u>2,288,860</u>	<u>(147,961)</u>	<u>2,429,188</u>
Expenditures:					
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>142,633</u>	<u>(112,633)</u>	<u>482,031</u>
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>142,633</u>	<u>(112,633)</u>	<u>482,031</u>
Excess of revenues over (under) expenditures	<u>2,406,821</u>	<u>2,406,821</u>	<u>2,146,227</u>	<u>(260,594)</u>	<u>1,947,157</u>
Other Financing Sources (Uses):					
Transfers out	<u>(1,977,396)</u>	<u>(1,977,396)</u>	<u>(1,877,048)</u>	<u>100,348</u>	<u>(1,783,399)</u>
Total other financing sources (uses)	<u>(1,977,396)</u>	<u>(1,977,396)</u>	<u>(1,877,048)</u>	<u>100,348</u>	<u>(1,783,399)</u>
Net changes in fund balance	429,425	429,425	269,179	(160,246)	163,758
Fund balances – beginning	<u>2,134,946</u>	<u>2,134,946</u>	<u>2,134,946</u>	<u>-0-</u>	<u>1,971,188</u>
Fund balances – ending	<u>\$ 2,564,371</u>	<u>\$ 2,564,371</u>	<u>\$ 2,404,125</u>	<u>\$(160,246)</u>	<u>\$ 2,134,946</u>

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

General Debt Service Fund

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

**COMPARATIVE BALANCE SHEETS-
General Debt Service Fund**

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and temporary investments	\$ 707,263	\$ 719,582
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>28,351</u>	<u>25,942</u>
Total assets	<u>\$ 735,614</u>	<u>\$ 745,524</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accrued interest	\$ 1,502	\$
Deferred revenue	<u>28,296</u>	<u>25,887</u>
Total liabilities	<u>29,798</u>	<u>25,887</u>
Fund Balance:		
Reserved For:		
Debt service	<u>705,816</u>	<u>719,637</u>
Total fund balance	<u>705,816</u>	<u>719,637</u>
Total liabilities and fund balance	<u>\$ 735,614</u>	<u>\$ 745,524</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010
With Comparative Actual Totals for 2009

	2010			Variance with Final Budget- Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Taxes	\$ 2,286,225	\$ 2,286,225	\$ 2,273,574	\$(12,651)	\$ 2,278,184
Investment income	<u>12,000</u>	<u>12,000</u>	<u>7,551</u>	<u>(4,449)</u>	<u>15,978</u>
Total revenues	<u>2,298,225</u>	<u>2,298,225</u>	<u>2,281,125</u>	<u>(17,100)</u>	<u>2,294,162</u>
Expenditures:					
Debt Service:					
Principal	1,606,733	1,606,733	1,606,733	-0-	1,370,000
Interest and fiscal charges	<u>691,492</u>	<u>691,492</u>	<u>811,085</u>	<u>(119,593)</u>	<u>751,203</u>
Total expenditures	<u>2,298,255</u>	<u>2,298,225</u>	<u>2,417,818</u>	<u>(119,593)</u>	<u>2,121,203</u>
Excess of revenues over (under) expenditures	<u>-0-</u>	<u>-0-</u>	<u>(136,693)</u>	<u>(136,693)</u>	<u>172,959</u>
Other Financing Sources (Uses):					
Proceeds from bond sales			122,872	122,872	3,012,065
Bond issuance premium					39,297
Payment to bond refunding escrow agent					<u>(3,032,292)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>122,872</u>	<u>122,872</u>	<u>19,070</u>
Net changes in fund balance	-0-	-0-	(13,821)	(13,821)	192,029
Fund balance – beginning	<u>719,637</u>	<u>719,637</u>	<u>719,637</u>	<u>-0-</u>	<u>527,608</u>
Fund balance – ending	<u>\$ 719,637</u>	<u>\$ 719,637</u>	<u>\$ 705,816</u>	<u>\$(13,821)</u>	<u>\$ 719,637</u>

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**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Proprietary Funds

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Enterprise Fund

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 3,071,647	\$ 3,227,322
Receivables (Net of Allowance for Uncollectibles):		
Accounts	<u>568,194</u>	<u>672,278</u>
	<u>3,639,841</u>	<u>3,899,600</u>
Restricted Assets:		
Cash and temporary investments	3,236,872	3,091,241
Due from other governments	<u>5,318</u>	<u>5,318</u>
Total restricted assets	<u>3,242,190</u>	<u>3,096,559</u>
Total current assets	<u>6,882,031</u>	<u>6,996,159</u>
Noncurrent Assets:		
Restricted Cash and Temporary Investments:		
Revenue bond covenant accounts	<u>1,571,961</u>	<u>1,483,920</u>
Total noncurrent restricted assets	<u>1,571,961</u>	<u>1,483,920</u>
Deferred charges	<u>246,698</u>	<u>304,051</u>
Capital Assets:		
Property, plant and equipment	58,366,136	56,441,341
Construction in process	840,878	925,783
Less accumulated depreciation	<u>(26,873,207)</u>	<u>(25,031,459)</u>
Total capital assets (net of accumulated depreciation)	<u>32,333,807</u>	<u>32,335,665</u>
Total noncurrent assets	<u>34,152,466</u>	<u>34,123,636</u>
Total assets	<u>41,034,497</u>	<u>41,119,795</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Enterprise Fund - Continued

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 329,550	\$ 443,241
Accrued wages	64,312	74,741
Accrued compensated absences	126,593	122,076
Revenue bonds payable	<u>735,000</u>	<u>624,167</u>
	<u>1,255,455</u>	<u>1,264,225</u>
Current Liabilities Payable from Restricted Assets:		
Accounts payable	19,647	20,503
Accrued interest	171,256	240,825
Customer deposits	590,360	557,106
Revenue bonds payable	<u>525,000</u>	<u>445,833</u>
Total current liabilities payable from restricted assets	<u>1,306,263</u>	<u>1,264,267</u>
Total current liabilities	2,561,718	2,528,492
Noncurrent Liabilities:		
Revenue bonds payable	11,765,000	11,320,000
Net pension obligation	<u>113,550</u>	<u>46,169</u>
Total noncurrent liabilities	11,878,550	11,366,169
Total liabilities	<u>14,440,268</u>	<u>13,894,661</u>
Net Assets:		
Invested in capital assets, net of related debt	21,110,660	20,249,716
Restricted For:		
Revenue bond retirement	2,034,052	1,906,875
Construction	443,681	1,855,070
Unrestricted	<u>3,005,836</u>	<u>3,213,373</u>
Total net assets	<u>\$ 26,594,229</u>	<u>\$ 27,225,134</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Water service	\$ 3,257,266	\$ 3,306,523
Sewer service	3,220,292	3,405,033
Garbage fees	3,015,623	3,038,754
Tapping and connection fees	210,686	213,410
Operating grant revenue		53,182
Other	<u>119,538</u>	<u>78,798</u>
Total operating revenues	<u>9,823,405</u>	<u>10,095,700</u>
Operating Expenses:		
Utility administration	384,896	371,551
Water production, treatment and distribution	2,573,539	2,318,046
Sewer collection and treatment	2,081,002	2,002,435
Sanitation	2,299,300	2,347,918
Depreciation	<u>1,871,108</u>	<u>1,964,021</u>
Total operating expenses	<u>9,209,845</u>	<u>9,003,971</u>
Operating income	<u>613,560</u>	<u>1,091,729</u>
Non-Operating Revenues (Expenses):		
Interest revenue	35,804	74,621
Gain (loss) on sale of capital assets		(34,045)
Interest expense and fiscal charges	<u>(538,733)</u>	<u>(579,560)</u>
Total non-operating revenues (expenses)	<u>(502,929)</u>	<u>(538,984)</u>
Income (loss) before contributions and transfers	110,631	552,745
Capital contributions	99,687	41,851
Transfers in	325,316	256,823
Transfers out	<u>(1,166,539)</u>	<u>(1,155,326)</u>
Change in net assets	<u>(630,905)</u>	<u>(303,907)</u>
Net assets at beginning of year	27,225,134	27,575,210
Prior year adjustment		<u>(46,169)</u>
Net assets at end of year	<u>\$ 26,594,229</u>	<u>\$ 27,225,134</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 9,960,743	\$ 10,459,805
Payments to suppliers	(4,505,687)	(4,093,736)
Payments to employees	(2,886,129)	(2,841,561)
Net cash provided by operating activities	<u>2,568,927</u>	<u>3,524,508</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	325,316	256,823
Transfers out	(1,166,539)	(1,155,326)
Net cash provided (used) by non-capital financing activities	<u>(841,223)</u>	<u>(898,503)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(1,769,562)	(1,158,259)
Proceeds from the issuance of revenue bonds	11,325,000	
Principal paid on capital debt	(10,690,000)	(1,070,000)
Interest and fiscal charges paid on capital debt	(550,949)	(845,340)
Net cash provided (used) by capital and related financing activities	<u>(1,685,511)</u>	<u>(3,073,599)</u>
Cash Flows from Investing Activities:		
Interest received	<u>35,804</u>	<u>74,621</u>
Net cash provided (used) by investing activities	<u>35,804</u>	<u>74,621</u>
Net (decrease) in cash and cash equivalents	77,997	(372,973)
Cash and cash equivalents at the beginning of year	<u>7,802,483</u>	<u>8,175,456</u>
Cash and cash equivalents at the end of year	<u>\$ 7,880,480</u>	<u>\$ 7,802,483</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ <u>613,560</u>	\$ <u>1,091,729</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	1,871,108	1,964,021
(Increase) decrease in accounts receivable	104,084	66,956
Increase (decrease) in accounts payable	(114,548)	66,939
Increase (decrease) in accrued wages payable	(10,429)	32,961
Increase (decrease) in net pension obligation	67,381	
Increase (decrease) in accrued compensated absences	4,517	4,753
Increase (decrease) in customer deposits	<u>33,254</u>	<u>297,149</u>
Total adjustments	<u>1,955,367</u>	<u>2,432,779</u>
Net cash provided by operating activities	\$ <u><u>2,568,927</u></u>	\$ <u><u>3,524,508</u></u>
Non-cash Investing, Capital, and Financing Activities:		
Contributions of capital assets from government	\$ <u>99,687</u>	\$ <u>41,851</u>
Net effect of non-cash transactions	\$ <u><u>99,687</u></u>	\$ <u><u>41,851</u></u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010
With Comparative Actual Totals for 2009

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 3,642,206	\$ 3,642,206
Sewer service	3,441,483	3,441,483
Garbage fees	2,901,432	2,901,432
Tapping and connection fees	213,733	213,733
Operating grant revenue		
Other	72,625	72,625
Total revenues	10,271,479	10,271,479
Operating Expenses:		
Utility administration	414,845	414,845
Water production, treatment and distribution	2,507,968	2,507,968
Sewer collection and treatment	2,307,674	2,307,674
Sanitation	2,782,637	2,782,637
Depreciation		
Total operating expenses	8,013,124	8,013,124
Operating income	2,258,355	2,258,355
Non-operating Revenues (Expenses):		
Interest revenue	37,975	37,975
Gain (loss) on disposition of capital assets		
Interest expense and fiscal charge	(560,270)	(560,270)
Total non-operating revenues (expenses)	(522,295)	(522,295)
Income before contributions and transfers	1,736,060	1,736,060
Capital contributions		
Transfers in	70,000	70,000
Transfers out	(1,806,060)	(1,806,060)
Change in net assets	-0-	-0-
Fund balances - beginning	27,225,134	27,225,134
Prior year adjustment		
Net assets ending	\$ 27,225,134	\$ 27,225,134

2010			2009	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 3,257,266		\$ 3,257,266	\$ (384,940)	\$ 3,306,523
3,220,292		3,220,292	(221,191)	3,405,033
3,015,623		3,015,623	114,191	3,038,754
210,686		210,686	(3,047)	213,410
				53,182
<u>119,538</u>		<u>119,538</u>	<u>46,913</u>	<u>78,798</u>
<u>9,823,405</u>	<u>-0-</u>	<u>9,823,405</u>	<u>(448,074)</u>	<u>10,095,700</u>
384,896	589	385,485	29,360	371,551
2,573,539	2,224	2,575,763	(67,795)	2,318,046
2,081,002	3,817	2,084,819	222,855	2,002,435
2,299,300	(718)	2,298,582	484,055	2,347,918
<u>1,871,108</u>	<u>(1,871,108)</u>			<u>1,964,021</u>
<u>9,209,845</u>	<u>(1,865,196)</u>	<u>7,344,649</u>	<u>668,475</u>	<u>9,003,971</u>
<u>613,560</u>	<u>1,865,196</u>	<u>2,478,756</u>	<u>220,401</u>	<u>1,091,729</u>
35,804		35,804	(2,171)	74,621
(538,733)	27,123	(511,610)	48,660	(34,045)
(502,929)	27,123	(475,806)	46,489	(579,560)
110,631	1,892,319	2,002,950	266,890	(538,984)
99,687		99,687	266,890	552,745
325,316		326,315	99,687	41,851
(1,166,539)		(1,166,539)	255,316	256,823
			<u>639,521</u>	<u>(1,155,326)</u>
(630,905)	1,892,319	1,261,414	1,261,414	(303,907)
27,225,134		27,225,134	-0-	27,575,210
				(46,169)
<u>\$ 26,594,229</u>	<u>\$ 1,892,319</u>	<u>\$ 28,486,548</u>	<u>\$ 1,261,414</u>	<u>\$ 27,225,134</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Golf Course Operating Fund

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 43,105	\$ 237,211
Receivables (Net of Allowance for Uncollectibles):		
Accounts	21,766	30,966
Due from other funds		100,000
Inventory	101,493	115,056
Prepays		<u>2,501</u>
	<u>166,364</u>	<u>485,734</u>
Restricted Assets:		
Cash and temporary investments	<u>62,800</u>	<u>52,900</u>
Total restricted assets	<u>62,800</u>	<u>52,900</u>
Total current assets	<u>229,164</u>	<u>538,634</u>
Capital Assets:		
Property, plant and equipment	9,258,101	9,258,101
Less accumulated depreciation	<u>(1,963,292)</u>	<u>(1,568,475)</u>
Total capital assets (net of accumulated depreciation)	<u>7,294,809</u>	<u>7,689,626</u>
Total noncurrent assets	<u>7,294,809</u>	<u>7,689,626</u>
Total assets	<u>7,523,973</u>	<u>8,228,260</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Golf Course Operating Fund - Continued

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 41,065	\$ 39,702
Accrued wages	37,762	36,824
Deferred revenues	127,151	124,180
Capital leases payable - current	140,965	140,148
Due to other funds	<u>4,030</u>	<u>10,605</u>
Total current liabilities	350,973	351,459
Noncurrent Liabilities:		
Capital leases payable - net of current	<u>230,875</u>	<u>375,500</u>
Total liabilities	<u>581,848</u>	<u>726,959</u>
Net Assets:		
Invested in capital assets, net of related debt	6,922,969	7,173,978
Unrestricted	<u>19,156</u>	<u>327,323</u>
Total net assets	<u>\$ 6,942,125</u>	<u>\$ 7,501,301</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Course and ground	\$ 843,793	\$ 1,011,830
Cart	224,776	269,234
Pro shop	210,933	249,374
Range	53,600	73,721
Food and beverage	212,317	260,991
Other	<u>5,286</u>	<u>4,581</u>
Total operating revenues	<u>1,550,705</u>	<u>1,869,731</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	209,255	160,767
Food and beverage	91,457	106,899
Payroll and related benefits	841,158	836,542
Other expenses	576,334	587,128
Management fee	84,000	83,496
Depreciation	<u>394,817</u>	<u>393,164</u>
Total operating expenses	<u>2,197,021</u>	<u>2,167,996</u>
Operating income (loss)	<u>(646,316)</u>	<u>(298,265)</u>
Non-Operating Revenues (Expenses):		
Interest revenue	3,040	
Interest expense and fiscal charges	<u>(11,870)</u>	<u>(14,601)</u>
Total non-operating revenues (expenses)	<u>(8,830)</u>	<u>(14,601)</u>
Income (loss) before contributions and transfers	<u>(655,146)</u>	<u>(312,866)</u>
Transfers in	100,000	353,902
Transfers out	<u>(4,030)</u>	<u>(10,605)</u>
Change in net assets	<u>(559,176)</u>	30,431
Net assets at beginning of year	<u>7,501,301</u>	<u>7,470,870</u>
Net assets at end of year	<u>\$ 6,942,125</u>	<u>\$ 7,501,301</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,562,875	\$ 1,892,856
Payments from (to) other funds	93,425	(304,575)
Payments to suppliers	(943,618)	(945,457)
Payments to employees	(840,220)	(827,375)
Net cash provided (used) by operating activities	<u>(127,538)</u>	<u>(184,551)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	100,000	353,902
Transfers out	(4,030)	(10,605)
Net cash provided (used) by non-capital financing activities	<u>95,970</u>	<u>343,297</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets		(51,102)
Principal paid on capital debt	(143,808)	(137,369)
Interest and fiscal charges paid on capital debt	(11,870)	(14,601)
Net cash provided (used) by capital and related financing activities	<u>(155,678)</u>	<u>(203,072)</u>
Cash Flows from Investing Activities:		
Interest received	<u>3,040</u>	<u> </u>
Net cash provided (used) by investing activities	<u>3,040</u>	<u>-0-</u>
Net increase (decrease) in cash and cash equivalents	(184,206)	(44,326)
Cash and cash equivalents at the beginning of year	<u>290,111</u>	<u>334,437</u>
Cash and cash equivalents at the end of year	<u>\$ 105,905</u>	<u>\$ 290,111</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$(<u>646,316</u>)	\$(<u>298,265</u>)
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	394,817	393,164
(Increase) decrease in accounts receivable	9,200	11,847
(Increase) decrease in due from other funds	100,000	(100,000)
(Increase) decrease in inventory	13,563	(1,644)
(Increase) decrease in prepaids	2,501	9,962
Increase (decrease) in accounts payable	1,363	(15,485)
Increase (decrease) in accrued wages	938	9,167
Increase (decrease) in deferred revenues	2,971	11,278
Increase (decrease) in due to other funds	(<u>6,575</u>)	(<u>204,575</u>)
Total adjustments	<u>518,778</u>	<u>113,714</u>
Net cash provided (used) by operating activities	\$(<u><u>127,538</u></u>)	\$(<u><u>184,551</u></u>)
Noncash Investing, Capital, and Financing Activities:		
Net effect of noncash transactions	\$ <u>-0-</u>	\$ <u>-0-</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010
With Comparative Actual Totals for 2009

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 1,060,052	\$ 1,060,052
Cart	298,815	298,815
Pro shop	98,589	98,589
Range	79,810	79,810
Food and beverage	195,875	195,875
Other		
Total operating revenues	<u>1,733,141</u>	<u>1,733,141</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	111,144	111,144
Food and beverage	54,724	54,724
Payroll and related benefits	847,026	847,026
Other expenses	581,582	581,582
Management fee	84,000	84,000
Depreciation		
Total operating expenses	<u>1,678,476</u>	<u>1,678,476</u>
Operating income (loss)	<u>54,665</u>	<u>54,665</u>
Non-operating Revenues (Expenses):		
Interest revenue		
Interest expense and fiscal charge		
Total non-operating revenues (expenses)	<u>-0-</u>	<u>-0-</u>
Income (loss) before contributions and transfers	54,665	54,665
Transfers in		
Transfers out	<u>(12,384)</u>	<u>(12,384)</u>
Change in net assets	42,281	42,281
Fund balances - beginning	<u>7,501,301</u>	<u>7,501,301</u>
Fund balances - ending	<u>\$ 7,543,582</u>	<u>\$ 7,543,582</u>

2010			2009	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 843,793	\$	\$ 843,793	\$ (216,259)	\$ 1,011,830
224,776		224,776	(74,039)	269,234
210,933		210,933	112,344	249,374
53,600		53,600	(26,210)	73,721
212,317		212,317	16,442	260,991
5,286		5,286	5,286	4,581
<u>1,550,705</u>	<u>-0-</u>	<u>1,550,705</u>	<u>(182,436)</u>	<u>1,869,731</u>
209,255		209,255	(98,111)	160,767
91,457		91,457	(36,733)	106,899
841,158	(938)	840,220	6,806	836,542
576,334		576,334	5,248	587,128
84,000		84,000		83,496
<u>394,817</u>	<u>(394,817)</u>			<u>393,164</u>
<u>2,197,021</u>	<u>(395,755)</u>	<u>1,801,266</u>	<u>(122,790)</u>	<u>2,167,996</u>
<u>(646,316)</u>	<u>395,755</u>	<u>(250,561)</u>	<u>(305,226)</u>	<u>(298,265)</u>
3,040		3,040	3,040	
<u>(11,870)</u>		<u>(11,870)</u>	<u>(11,870)</u>	<u>(14,601)</u>
<u>(8,830)</u>	<u>-0-</u>	<u>(8,830)</u>	<u>(8,830)</u>	<u>(14,601)</u>
<u>(655,146)</u>	<u>395,755</u>	<u>(259,391)</u>	<u>(314,056)</u>	<u>(312,866)</u>
100,000		100,000	100,000	353,902
<u>(4,030)</u>		<u>(4,030)</u>	<u>8,354</u>	<u>(10,605)</u>
<u>(559,176)</u>	<u>395,755</u>	<u>(163,421)</u>	<u>(205,702)</u>	<u>30,431</u>
<u>7,501,301</u>		<u>7,501,301</u>	<u>-0-</u>	<u>7,470,870</u>
<u>\$ 6,942,125</u>	<u>\$ 395,755</u>	<u>\$ 7,337,880</u>	<u>\$ (205,702)</u>	<u>\$ 7,501,301</u>

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CAPITAL ASSET SCHEDULES

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Governmental Funds Capital Assets:		
Land	\$ 2,359,934	\$ 2,359,934
Buildings	26,202,247	26,202,247
Improvements other than buildings	11,787,587	11,284,826
Machinery and equipment	10,861,827	10,678,062
Infrastructure	75,504,677	71,168,497
Construction in progress	<u>5,376,435</u>	<u>5,823,556</u>
Total governmental funds capital assets	<u>\$ 132,092,707</u>	<u>\$ 127,517,122</u>
Investments in Governmental Funds Capital Assets by Source:		
General fund	\$ 10,715,975	\$ 10,492,177
Special revenue fund	3,333,353	3,170,647
Capital projects fund	94,860,040	90,670,959
Contributed	<u>23,183,339</u>	<u>23,183,339</u>
Total governmental funds capital assets	<u>\$ 132,092,707</u>	<u>\$ 127,517,122</u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2010

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government	\$ 1,057,663	\$ 2,071,443	\$ 1,114,749
Public safety		7,316,573	500,585
Public works		1,877,845	517,522
Culture and recreation	<u>1,302,271</u>	<u>14,936,386</u>	<u>9,654,731</u>
 Total governmental funds capital assets	 <u>\$ 2,359,934</u>	 <u>\$ 26,202,247</u>	 <u>\$ 11,787,587</u>

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

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 1,211,026	\$	\$ 3,851,941	\$ 9,306,822
5,401,186			13,218,344
2,443,725	75,504,677	864,265	81,208,034
<u>1,805,890</u>	<u></u>	<u>660,229</u>	<u>28,359,507</u>
<u>\$ 10,861,827</u>	<u>\$ 75,504,677</u>	<u>\$ 5,376,435</u>	<u>\$ 132,092,707</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010

<u>Function</u>	<u>Governmental Funds Capital Assets 10/01/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 09/30/10</u>
General government	\$ 6,606,547	\$ 2,700,275	\$	\$ 9,306,822
Public safety	13,201,712	32,582	(15,949)	13,218,345
Public works	79,459,943	1,760,221	(12,130)	81,208,034
Culture and recreation	<u>28,248,920</u>	<u>122,811</u>	<u>(12,225)</u>	<u>28,359,506</u>
Total governmental funds capital assets	<u>\$ 127,517,122</u>	<u>\$ 4,615,889</u>	<u>\$ (40,304)</u>	<u>\$ 132,092,707</u>

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

OTHER SCHEDULES

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2010

	General	Clearing	Payroll	General Contingencies
<u>Assets</u>				
Cash and cash equivalents	\$ 6,900	\$ 10,015,333	\$	\$
Receivables (Net of Allowance for Uncollectibles):				
Taxes	39,143			
Customer accounts	79,824			
Sales tax	750,020			
Franchise tax	199,583			
Grants	215,484			
Due from clearing fund	5,159,120		2,574	1,114,700
Due from other funds		4,030		
Investments		399,000		
Inventories:				
Resale items	50,491			
Supplies	59,510			
Prepaid items			2,426	
Total assets	\$ 6,560,075	\$ 10,418,363	\$ 5,000	\$ 1,114,700
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 417,411	\$	\$	\$
Cash bonds and taxes	197,806			
Accrued wages	245,212			
Deferred revenue	128,407			
Due to other funds		10,418,363		
Total liabilities	988,836	10,418,363	-0-	-0-
<u>Fund Balances:</u>				
<u>Reserved:</u>				
Inventory	110,001			
Encumbrances				
<u>Unreserved:</u>				
<u>Designated:</u>				
Unemployment insurance				
Noncurrent liabilities				1,114,700
Equipment replacement				
Special events				
Undesignated	5,461,238		5,000	
Total fund balances	5,571,239	-0-	5,000	1,114,700
Total liabilities and fund balances	\$ 6,560,075	\$ 10,418,363	\$ 5,000	\$ 1,114,700

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Red Light Camera</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 10,022,233
					39,143
					79,824
					750,020
					199,583
					215,484
3,791,259	210,075	2,448	138,187	(10,418,363)	-0-
					4,030
					399,000
					50,491
					59,510
					2,426
<u>\$ 3,791,259</u>	<u>\$ 210,075</u>	<u>\$ 2,448</u>	<u>\$ 138,187</u>	<u>\$(10,418,363)</u>	<u>\$ 11,821,744</u>
\$ 116,877	\$	\$	\$ 32,535	\$	\$ 566,823
					197,806
147,284					245,212
				(10,418,363)	275,691
					-0-
<u>264,161</u>	<u>-0-</u>	<u>-0-</u>	<u>32,535</u>	<u>(10,418,363)</u>	<u>1,285,532</u>
					110,001
152,500					152,500
	210,075				210,075
					1,114,700
3,374,598					3,374,598
		2,448			2,448
			105,652		5,571,890
<u>3,527,098</u>	<u>210,075</u>	<u>2,448</u>	<u>105,652</u>	<u>-0-</u>	<u>10,536,212</u>
<u>\$ 3,791,259</u>	<u>\$ 210,075</u>	<u>\$ 2,448</u>	<u>\$ 138,187</u>	<u>\$(10,418,363)</u>	<u>\$ 11,821,744</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010

	General	Clearing	Payroll	General Contingencies
Revenues:				
Taxes:				
Property	\$ 3,411,203	\$	\$	\$
Sales	4,432,443			
Franchise	1,610,075			
Other	132,308			
Industrial district	3,843,335			
Recreation	1,035,350			
Fines and fees	339,784			
Licenses and permits	237,964			
Interest	34,673			5,287
Miscellaneous	262,728			
Intergovernmental	69,205			
Total revenues	15,409,068	-0-	-0-	5,287
Expenditures:				
General Government and Administration:				
General administration	1,148,551			
Finance	803,523			
Elections	8,188			
Legal	158,637			
Municipal court	287,736			
Engineering	391,663			
Public Safety:				
Police	4,301,689			
Fire	437,559			
EMS department	377,260			
Humane	231,841			
Public works:				
Garage	542,128			
Street	611,562			
Drainage	657,360			
Building inspection	525,218			
Hurricane Ike	5,802			
Culture and recreation:				
Parks	1,005,453			
Recreation	1,912,403			
Civic Center & Jasmine Hall	518,667			
Commissions and Boards	331,469			
Special Events	140,259			
Capital outlay	184,609			
Total expenditures	14,581,577	-0-	-0-	-0-

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Red Light Camera</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$
					3,411,203
					4,432,443
					1,610,075
					132,308
					3,843,335
					1,035,350
			43,239		383,023
					237,964
17,233	1,223				58,416
4,000		14,705			281,433
<u>20,010</u>					<u>89,215</u>
<u>41,243</u>	<u>1,223</u>	<u>14,705</u>	<u>43,239</u>	<u>-0-</u>	<u>15,514,765</u>
2,857	13,358				1,164,766
58,499					862,022
					8,188
					158,637
111,204			496		399,436
					391,663
35,803					4,337,492
3,600					441,159
22,679					399,939
					231,841
					542,128
13,201					624,763
					657,360
					525,218
					5,802
6,431					1,011,884
					1,912,403
					518,667
					331,469
		57,302			197,561
<u>79,493</u>					<u>264,102</u>
<u>333,767</u>	<u>13,358</u>	<u>57,302</u>	<u>496</u>	<u>-0-</u>	<u>14,986,500</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess of revenues over (under) expenditures	\$ <u>827,491</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>5,287</u>
Other Financing Sources (Uses):				
Transfers in	1,150,389			330,000
Transfers out	(2,246,731)			(330,000)
Proceeds from sale of capital assets	<u>54,925</u>			
Total other financing sources (uses)	<u>(1,041,417)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(213,926)	-0-	-0-	5,287
Fund balances, October 1	<u>5,785,165</u>		<u>5,000</u>	<u>1,109,413</u>
Fund balances, September 30	<u>\$ 5,571,239</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 1,114,700</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Red Light Camera</u>	<u>Consolidation</u>	<u>Total</u>
<u>\$ (292,524)</u>	<u>\$ (12,135)</u>	<u>\$ (42,597)</u>	<u>\$ 42,743</u>	<u>\$ -0-</u>	<u>\$ 528,265</u>
1,622,881		45,000		(1,606,731)	1,541,539
(255,316)				1,606,731	(1,225,316)
<u>15,130</u>					<u>70,055</u>
<u>1,382,695</u>	<u>-0-</u>	<u>45,000</u>	<u>-0-</u>	<u>-0-</u>	<u>386,278</u>
1,090,171	(12,135)	2,403	42,743	-0-	914,543
<u>2,436,927</u>	<u>222,210</u>	<u>45</u>	<u>62,909</u>		<u>9,621,669</u>
<u>\$ 3,527,098</u>	<u>\$ 210,075</u>	<u>\$ 2,448</u>	<u>\$ 105,652</u>	<u>\$ -0-</u>	<u>\$ 10,536,212</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2010

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
<u>Assets</u>			
Current Assets:			
Cash and temporary investments	\$ 2,052,544	\$ 342,392	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	<u>568,194</u>	<u> </u>	<u> </u>
	<u>2,620,738</u>	<u>342,392</u>	<u>-0-</u>
Current Restricted Assets:			
Cash and temporary investments	590,360		633,347
Due from other governments	<u> </u>	<u> </u>	<u> </u>
Total restricted current assets	<u>590,360</u>	<u>-0-</u>	<u>633,347</u>
Total current assets	<u>3,211,098</u>	<u>342,392</u>	<u>633,347</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u> </u>	<u> </u>	<u>1,571,961</u>
Total noncurrent restricted assets	<u>-0-</u>	<u>-0-</u>	<u>1,571,961</u>
Deferred charges	<u> </u>	<u> </u>	<u>246,698</u>
Capital Assets:			
Property, plant and equipment	58,366,136		
Construction in progress	<u> </u>	<u> </u>	<u> </u>
Less accumulated depreciation	<u>(26,873,207)</u>	<u> </u>	<u> </u>
Total capital assets (net of accumulated depreciation)	<u>31,492,929</u>	<u>-0-</u>	<u>-0-</u>
Total noncurrent assets	<u>31,492,909</u>	<u>-0-</u>	<u>1,818,659</u>
Total assets	<u>34,704,027</u>	<u>342,392</u>	<u>2,452,006</u>

(Continued)

<u>Utility Construction</u>	<u>1996 Utility Bond</u>	<u>Wastewater Treatment Bond Reserve</u>	<u>2007 Utility Bond</u>	<u>2009 Revenue Bond</u>	<u>Total</u>
\$ 676,711	\$	\$	\$	\$	\$ 3,071,647
					568,194
<u>676,711</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,639,841</u>
			456,750	1,556,415	3,236,872
			5,318		5,318
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>462,068</u>	<u>1,556,415</u>	<u>3,242,190</u>
<u>676,711</u>	<u>-0-</u>	<u>-0-</u>	<u>462,068</u>	<u>1,556,415</u>	<u>6,882,031</u>
					1,571,961
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,571,961</u>
					246,698
					58,366,136
608,615			232,263		840,878
					(26,873,207)
<u>608,615</u>	<u>-0-</u>	<u>-0-</u>	<u>232,263</u>	<u>-0-</u>	<u>32,333,807</u>
<u>608,615</u>	<u>-0-</u>	<u>-0-</u>	<u>232,263</u>	<u>-0-</u>	<u>34,152,466</u>
<u>1,285,326</u>	<u>-0-</u>	<u>-0-</u>	<u>694,331</u>	<u>1,556,415</u>	<u>41,034,497</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2010

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 329,550	\$	\$
Accrued wages	64,312		
Accrued compensated absences	126,593		
Revenue bonds payable	<u>735,000</u>		
	<u>1,255,455</u>	<u>-0-</u>	<u>-0-</u>
Current Liabilities Payable from Restricted Assets:			
Accounts payable			
Accrued interest			171,256
Customer deposits	590,360		
Revenue bonds payable			<u>525,000</u>
Total current liabilities payable from restricted assets	<u>590,360</u>	<u>-0-</u>	<u>696,256</u>
Total current liabilities	1,845,815	-0-	696,256
Noncurrent Liabilities:			
Revenue bonds payable	11,765,000		
Net pension obligation	<u>113,550</u>		
Total noncurrent liabilities	<u>11,878,550</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>13,724,365</u>	<u>-0-</u>	<u>696,256</u>
Net Assets:			
Invested in capital assets, net of related debt	18,992,929		(278,302)
Restricted For:			
Revenue bond retirement			2,034,052
Construction			
Unrestricted	<u>1,986,733</u>	<u>342,392</u>	
Total net assets	<u>\$ 20,979,662</u>	<u>\$ 342,392</u>	<u>\$ 1,755,750</u>

<u>Utility Construction</u>	<u>1996 Utility Bond</u>	<u>Wastewater Treatment Bond Reserve</u>	<u>2007 Utility Bond</u>	<u>2009 Revenue Bond</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 329,550
					64,312
					126,593
					735,000
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,255,455</u>
			18,387	1,260	19,647
					171,256
					590,360
					525,000
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>18,387</u>	<u>1,260</u>	<u>1,306,263</u>
			18,387	1,260	2,561,718
					11,765,000
					113,550
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,878,550</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>18,387</u>	<u>1,260</u>	<u>14,440,268</u>
608,615			232,263	1,555,155	21,110,660
					2,034,052
<u>676,711</u>			<u>443,681</u>		<u>443,681</u>
					3,005,836
<u>\$ 1,285,326</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 675,944</u>	<u>\$ 1,555,155</u>	<u>\$ 26,594,229</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2010

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 3,257,266	\$	\$
Sewer service	3,220,292		
Garbage fees	3,015,623		
Tapping and connection fees	210,686		
Other	<u>119,538</u>		
Total operating revenues	<u>9,823,405</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	384,896		
Water production and treatment	2,456,636		
Sewer collection	2,081,002		
Sanitation	2,299,300		
Depreciation	<u>1,871,108</u>		
Total operating expenses	<u>9,092,942</u>	<u>-0-</u>	<u>-0-</u>
Operating income	<u>730,463</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	15,167	1,941	12,260
Interest expense and fiscal charges			<u>(538,371)</u>
Total non-operating revenues (expenses)	<u>15,167</u>	<u>1,941</u>	<u>(526,111)</u>
Income (loss) before contributions and transfers	745,630	1,941	(526,111)
Capital contributions	99,687		
Transfers In (Out):			
Transfers in	325,316		
Transfers out	(1,166,539)		
Intrafund transfers	<u>(971,766)</u>		<u>1,772,343</u>
Change in net assets	(967,672)	1,941	1,246,232
Net assets at beginning of year (restated)	<u>21,947,334</u>	<u>340,451</u>	<u>509,518</u>
Net assets at end of year	<u>\$ 20,979,662</u>	<u>\$ 342,392</u>	<u>\$ 1,755,750</u>

Utility Construction	1996 Utility Bond	Wastewater Treatment Bond Reserve	2007 Utility Bond	2009 Revenue Bond	Total
\$	\$	\$	\$	\$	\$
					3,257,266
					3,220,292
					3,015,623
					210,686
					119,538
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,823,405</u>
					384,896
				116,903	2,573,539
					2,081,002
					2,299,300
					1,871,108
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>116,903</u>	<u>9,209,845</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(116,903)</u>	<u>613,560</u>
2,010			2,111	2,315	35,804
	(362)				(538,733)
<u>2,010</u>	<u>(362)</u>	<u>-0-</u>	<u>2,111</u>	<u>2,135</u>	<u>(502,929)</u>
2,010	(362)	-0-	2,111	(114,588)	110,631
					99,687
					325,316
					(1,166,539)
<u>350,000</u>	<u>(239,061)</u>	<u>(1,197,200)</u>	<u>(1,384,059)</u>	<u>1,669,743</u>	<u>-0-</u>
352,010	(239,423)	(1,197,200)	(1,381,948)	1,555,155	(630,905)
<u>933,316</u>	<u>239,423</u>	<u>1,197,200</u>	<u>2,057,892</u>	<u>-0-</u>	<u>27,225,134</u>
<u>\$ 1,285,326</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 675,944</u>	<u>\$ 1,555,155</u>	<u>\$ 26,594,229</u>

CITY OF LAKE JACKSON
Lake Jackson, Texas

CONSOLIDATED SCHEDULE OF CASH FLOWS
ENTERPRISE FUND - SUB-FUNDS

For the Year Ended September 30, 2010

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 9,960,743	\$	\$
Payments to customers and suppliers	(4,387,927)		
Payments to employees	(2,886,129)		
Net cash provided (used) by operating activities	2,686,687	-0-	-0-
Cash Flows from Non-Capital Financing Activities:			
Transfers in	325,316		
Transfers out	(1,166,539)		
Intrafund transfers	(971,766)		1,772,343
Net cash provided (used) by non-capital financing activities	(1,812,989)	-0-	1,772,343
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(1,854,468)		
Proceeds from sale of revenue bonds	10,800,000		525,000
Principal paid on capital debt	(10,244,167)		(445,833)
Interest and fiscal charges paid on capital debt			(609,062)
Net cash provided (used) by capital and related financing activities	(1,298,635)	-0-	(529,895)
Cash Flows from Investing Activities:			
Interest on investments	15,167	1,941	12,260
Net cash provided by investing activities	15,167	1,941	12,260
Net increase (decrease) in cash and cash equivalents	(409,770)	1,941	1,254,708
Cash and cash equivalents at the beginning of year	3,052,674	340,451	950,600
Cash and cash equivalents at the end of year	\$ 2,642,904	\$ 342,392	\$ 2,205,308
Reconciliation of Operating Income to Net Cash Provided			
(used) by Operating Activities:			
Operating income (loss)	\$ 730,463	\$	\$
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation	1,871,108		
(Increase) decrease in accounts receivable	104,084		
Increase (decrease) in accounts payable	(113,691)		
Increase (decrease) in accrued wages payable	(10,429)		
Increase (decrease) in net pension obligation	67,381		
Increase (decrease) in accrued compensated absences	4,517		
Increase (decrease) in customer deposits	33,254		
Total adjustments	1,956,224	-0-	-0-
Net cash provided (used) by operating activities	\$ 2,686,687	\$ -0-	\$ -0-
Non-cash Investing, Capital, and Financing Activities:			
Contributions of capital assets from government	\$ 99,687	\$	\$
Net effect of non-cash transactions	\$ 99,687	\$ -0-	\$ -0-

Utility Construction	1996 Utility Bond	Wastewater Treatment Bond Reserve	2007 Utility Bond	2009 Revenue Bond	Total
\$	\$	\$	\$	\$	\$
			(2,117)	(115,643)	9,960,743
					(4,505,687)
					(2,886,129)
-0-	-0-	-0-	(2,117)	(115,643)	2,568,927
					325,316
350,000	(239,061)	(1,197,200)	(1,384,059)	1,669,743	(1,166,539)
350,000	(239,061)	(1,197,200)	(1,384,059)	1,669,743	-0-
(66,602)			151,508		(1,769,562)
					11,325,000
	12,852		45,261		(10,690,000)
(66,602)	12,852	-0-	196,769	-0-	(550,949)
2,010			2,111	2,315	35,804
2,010	-0-	-0-	2,111	2,315	35,804
285,408	(226,209)	(1,197,200)	(1,187,296)	1,556,415	77,997
391,303	226,209	1,197,200	1,644,046	-0-	7,802,483
<u>\$ 676,711</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 456,750</u>	<u>\$ 1,556,415</u>	<u>\$ 7,880,480</u>
\$	\$	\$	\$	\$(116,903)	\$ 613,560
					1,871,108
			(2,117)	1,260	104,084
					(114,548)
					(10,429)
					67,381
					4,517
					33,254
-0-	-0-	-0-	(2,117)	1,260	1,955,367
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$(2,117)</u>	<u>\$(115,643)</u>	<u>\$ 2,568,927</u>
\$	\$	\$	\$	\$	\$ 99,687
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 99,687</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS
DEBT SERVICE SCHEDULE**

September 30, 2010

Year Ending 09/30	Series 2001		Series 2002	
	Principal	Interest	Principal	Interest
2011	\$ 180,000	\$ 90,810	\$ 260,000	\$ 205,070
2012	180,000	82,800	270,000	194,070
2013	180,000	74,610	280,000	182,380
2014	180,000	66,240	290,000	169,980
2015	180,000	57,735	305,000	156,661
2016	180,000	49,140	320,000	142,283
2017	180,000	40,410	335,000	126,886
2018	180,000	31,500	350,000	110,530
2019	180,000	22,500	370,000	93,065
2020	180,000	13,500	390,000	74,250
2021	180,000	4,500	410,000	54,250
2022			430,000	33,250
2023			450,000	11,250
2024				
2025				
2026				
2027				
2028				
2029				
2030				
TOTAL	\$ 1,980,000	\$ 533,745	\$ 4,460,000	\$ 1,553,925

(Continued)

<u>Series 2002</u>		<u>Series 2003</u>		<u>Series 2003</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 180,000	\$ 87,525	\$ 165,000	\$ 13,629	\$ 60,000	\$ 30,360
180,000	79,425	160,000	8,145	60,000	28,290
180,000	71,775	155,000	2,713	60,000	26,190
180,000	64,125			60,000	24,030
180,000	56,700			60,000	21,750
180,000	49,500			60,000	19,380
180,000	42,300			60,000	16,950
180,000	35,100			60,000	14,475
180,000	27,450			60,000	11,955
180,000	19,350			60,000	9,375
180,000	11,475			60,000	6,750
180,000	3,825			60,000	4,080
				60,000	1,365
<hr/>		<hr/>		<hr/>	
<u>\$ 2,160,000</u>	<u>\$ 548,550</u>	<u>\$ 480,000</u>	<u>\$ 24,487</u>	<u>\$ 780,000</u>	<u>\$ 214,950</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2010

Year Ending 09/30	Series 2004		Series 2007	
	Principal	Interest	Principal	Interest
2011	\$ 180,000	\$ 89,640	\$ 265,000	\$ 174,734
2012	180,000	83,700	265,000	164,300
2013	180,000	77,760	265,000	153,700
2014	180,000	71,820	265,000	143,100
2015	180,000	65,835	265,000	132,500
2016	180,000	59,715	265,000	121,900
2017	180,000	53,370	265,000	111,300
2018	180,000	46,800	265,000	100,700
2019	180,000	40,050	265,000	90,100
2020	180,000	33,120	265,000	79,500
2021	180,000	26,010	265,000	68,900
2022	180,000	18,720	265,000	58,300
2023	180,000	11,295	265,000	47,700
2024	180,000	3,780	265,000	37,100
2025			265,000	26,500
2026			265,000	15,900
2027			265,000	5,300
2028				
2029				
2030				
TOTAL	\$ <u>2,520,000</u>	\$ <u>681,615</u>	\$ <u>4,505,000</u>	\$ <u>1,531,534</u>

(Continued)

<u>Series 2009</u>		<u>Series 2009 Refunding</u>		<u>Series 2009 Certificate</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 120,000	\$ 94,500	\$ 955,000	\$ 165,375	\$ 250,000	\$ 192,500
120,000	88,200	945,000	136,875	250,000	181,250
120,000	82,200	930,000	108,750	250,000	171,875
120,000	76,500	690,000	84,450	250,000	163,125
120,000	70,800	680,000	63,900	250,000	154,375
120,000	65,550	670,000	43,650	250,000	145,625
120,000	60,750	660,000	22,875	250,000	136,875
120,000	56,025	285,000	7,162	250,000	127,500
120,000	51,450	60,000	1,088	250,000	117,500
120,000	46,950			250,000	107,500
120,000	42,450			250,000	97,500
120,000	37,800			250,000	87,500
120,000	33,000			250,000	77,500
120,000	28,200			250,000	67,500
120,000	23,220			250,000	57,500
120,000	18,060			250,000	47,375
120,000	12,900			250,000	37,062
120,000	7,740			250,000	26,625
120,000	2,580			250,000	16,062
				<u>250,000</u>	<u>5,375</u>
<u>\$ 2,280,000</u>	<u>\$ 898,875</u>	<u>\$ 5,875,000</u>	<u>\$ 634,125</u>	<u>\$ 5,000,000</u>	<u>\$ 2,018,124</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2010

Year Ending 09/30	Series 2010		Totals		
	Principal	Interest	Principal	Interest	Total
2011	\$ 100,000	\$ 124,800	\$ 2,715,000	\$ 1,268,943	\$ 3,983,943
2012	200,000	102,650	2,810,000	1,149,705	3,959,705
2013	150,000	97,837	2,750,000	1,049,790	3,799,790
2014	150,000	93,525	2,365,000	956,895	3,321,895
2015	150,000	89,025	2,370,000	869,281	3,239,281
2016	150,000	84,525	2,375,000	781,268	3,156,268
2017	150,000	79,800	2,380,000	691,516	3,071,516
2018	150,000	74,850	2,020,000	604,642	2,624,642
2019	150,000	69,375	1,815,000	524,533	2,339,533
2020	150,000	63,375	1,775,000	446,920	2,221,920
2021	150,000	57,375	1,795,000	369,210	2,164,210
2022	150,000	51,375	1,635,000	294,850	1,929,850
2023	150,000	45,375	1,475,000	227,485	1,702,485
2024	150,000	39,375	965,000	175,955	1,140,955
2025	150,000	33,375	785,000	140,595	925,595
2026	150,000	27,375	785,000	108,710	893,710
2027	150,000	21,375	785,000	76,637	861,637
2028	150,000	15,375	520,000	49,740	569,740
2029	150,000	9,281	520,000	27,923	547,923
2030	150,000	3,094	400,000	8,469	408,469
TOTAL	<u>\$ 3,000,000</u>	<u>\$ 1,183,137</u>	<u>\$ 33,040,000</u>	<u>\$ 9,823,067</u>	<u>\$ 42,863,067</u>

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CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2010

Year Ending 09/30	Series 2007		Series 2009 Refunding	
	Principal	Interest	Principal	Interest
2011	\$ 100,000	\$ 70,500	\$ 190,000	\$ 18,900
2012	100,000	65,500	185,000	15,100
2013	100,000	60,500	190,000	11,400
2014	100,000	56,000	100,000	7,600
2015	100,000	52,000	100,000	5,350
2016	100,000	48,000	95,000	2,850
2017	100,000	44,000		
2018	100,000	40,000		
2019	100,000	36,000		
2020	100,000	32,000		
2021	100,000	28,000		
2022	100,000	24,000		
2023	100,000	20,000		
2024	100,000	16,000		
2025	100,000	12,000		
2026	100,000	8,000		
2027	100,000	4,000		
2028				
2029				
2030				
TOTAL	\$ 1,700,000	\$ 616,500	\$ 860,000	\$ 61,200

Series 2009		Series 2010 Refunding		Totals		
Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 85,000	\$ 68,825	\$ 885,000	\$ 238,356	\$ 1,260,000	\$ 396,581	\$ 1,656,581
85,000	65,425	845,000	242,325	1,215,000	388,350	1,603,350
85,000	62,025	830,000	225,425	1,205,000	359,350	1,564,350
85,000	58,625	815,000	208,825	1,100,000	331,050	1,431,050
85,000	55,225	800,000	188,450	1,085,000	301,025	1,386,025
85,000	51,825	785,000	168,450	1,065,000	271,125	1,336,125
85,000	48,850	770,000	144,900	955,000	237,750	1,192,750
85,000	45,875	765,000	121,800	950,000	207,675	1,157,675
85,000	42,900	765,000	91,200	950,000	170,100	1,120,100
85,000	39,500	760,000	60,600	945,000	132,100	1,077,100
85,000	36,100	755,000	30,200	940,000	94,300	1,034,300
85,000	32,700			185,000	56,700	241,700
85,000	29,300			185,000	49,300	234,300
85,000	25,687			185,000	41,687	226,687
85,000	22,075			185,000	34,075	219,075
85,000	18,462			185,000	26,463	211,463
85,000	14,850			185,000	18,850	203,850
85,000	11,025			85,000	11,025	96,025
80,000	7,200			80,000	7,200	87,200
<u>80,000</u>	<u>3,600</u>			<u>80,000</u>	<u>3,600</u>	<u>83,600</u>
<u>\$ 1,690,000</u>	<u>\$ 740,074</u>	<u>\$ 8,775,000</u>	<u>\$ 1,720,531</u>	<u>\$ 13,025,000</u>	<u>\$ 3,138,306</u>	<u>\$ 16,163,306</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

INSURANCE COVERAGE

September 30, 2010

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Texas Municipal League:		
General and Auto Liability:		
General liability	\$ 5,000,000	10/01/10
Automobile liability	5,000,000	10/01/10
Other Liability:		
Law enforcement liability	5,000,000	10/01/10
Errors and omissions	2,000,000	10/01/10
Property coverage	50,609,800	10/01/10
Mobil equipment	1,845,796	10/01/10
Boiler and machinery	8,000,000	10/01/10
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	39,412,580	01/26/11
Pollution liability insurance	2,000,000	10/01/10

STATISTICAL SECTION

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

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

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

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

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

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB Statement No. 34 in fiscal year 2002, thus, 10 years of data is not available.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 20,767,169	\$ 22,531,131	\$ 24,720,024	\$ 29,204,153
7,165,037	6,127,672	5,539,740	1,185,058
<u>12,535,286</u>	<u>12,901,474</u>	<u>13,589,900</u>	<u>14,074,626</u>
<u>\$ 40,467,492</u>	<u>\$ 41,560,277</u>	<u>\$ 43,849,664</u>	<u>\$ 44,463,837</u>
\$ 26,931,575	\$ 27,384,565	\$ 27,423,694	\$ 28,033,629
4,403,071	4,433,305	3,762,045	2,477,733
<u>3,862,779</u>	<u>3,228,210</u>	<u>3,586,865</u>	<u>3,024,992</u>
<u>\$ 35,197,425</u>	<u>\$ 35,046,080</u>	<u>\$ 34,772,604</u>	<u>\$ 33,536,354</u>
\$ 47,698,744	\$ 49,915,696	\$ 52,143,718	\$ 57,237,782
11,568,108	10,560,977	9,301,785	3,662,791
<u>16,398,065</u>	<u>16,129,684</u>	<u>17,176,765</u>	<u>17,099,618</u>
<u>\$ 75,664,917</u>	<u>\$ 76,606,357</u>	<u>\$ 78,622,268</u>	<u>\$ 78,000,191</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,933,681	\$ 2,894,285	\$ 3,075,201	\$ 3,222,710
5,238,784	5,464,662	5,739,091	6,046,380
5,346,890	5,925,876	5,758,443	5,764,410
4,621,273	4,977,391	4,885,568	5,037,305
<u>1,225,583</u>	<u>1,260,296</u>	<u>1,180,102</u>	<u>1,233,922</u>
<u>19,366,211</u>	<u>20,522,510</u>	<u>20,638,405</u>	<u>21,304,727</u>
6,407,376	6,614,955	6,913,963	7,013,299
2,629,561	2,573,279	2,718,214	2,747,149
<u>1,868,965</u>	<u>2,017,199</u>	<u>2,167,996</u>	<u>2,197,021</u>
<u>10,905,902</u>	<u>11,205,433</u>	<u>11,800,173</u>	<u>11,957,469</u>
<u>\$ 30,272,113</u>	<u>\$ 31,727,943</u>	<u>\$ 32,438,578</u>	<u>\$ 33,262,196</u>
\$ 442,892	\$ 451,580	\$ 447,112	\$ 410,235
244,049	239,063	186,017	237,964
974,310	986,604	931,477	1,035,350
25,000	744,892	1,566,242	1,025,417
<u>856,100</u>			
<u>2,542,351</u>	<u>2,422,139</u>	<u>3,130,848</u>	<u>2,708,966</u>
5,614,724	6,678,843	7,003,764	6,807,782
2,823,869	2,970,992	3,038,754	3,015,623
1,637,741	1,847,418	1,869,731	1,550,705
		53,182	
<u>10,076,334</u>	<u>11,497,253</u>	<u>11,965,431</u>	<u>11,374,110</u>
<u>\$ 12,618,685</u>	<u>\$ 13,919,392</u>	<u>\$ 15,096,279</u>	<u>\$ 14,083,076</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

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

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB Statement No. 34 in fiscal year 2002, thus, 10 years of data is not available.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$(16,823,860)	\$(18,100,371)	\$(17,507,557)	\$(18,595,761)
<u>(829,568)</u>	<u> 291,820</u>	<u> 165,258</u>	<u>(583,359)</u>
<u>(17,653,428)</u>	<u>(17,808,551)</u>	<u>(17,342,299)</u>	<u>(19,179,120)</u>
5,020,245	5,366,631	5,685,508	5,690,679
6,972,467	6,890,894	7,043,241	6,709,639
272,624	272,703	218,277	206,933
1,596,697	1,525,195	1,586,698	1,610,075
3,220,061	3,422,770	3,962,165	3,843,335
59,590	145,269	130,559	134,657
819,379	656,899	193,207	99,729
103,123	182,791	138,624	282,518
56,533	22,498	325,310	70,055
<u>(53,112)</u>	<u> 707,506</u>	<u> 513,355</u>	<u> 745,253</u>
<u>18,067,607</u>	<u>19,193,156</u>	<u>19,796,944</u>	<u>19,392,873</u>
443,132	264,341	74,621	38,844
16,000			99,687
<u> 53,112</u>	<u>(707,506)</u>	<u>(513,353)</u>	<u>(745,253)</u>
<u>512,244</u>	<u>(443,165)</u>	<u>(438,734)</u>	<u>(606,722)</u>
<u>18,579,851</u>	<u>18,749,991</u>	<u>19,358,210</u>	<u>18,786,151</u>
1,243,747	1,092,785	2,289,387	797,112
<u>(317,324)</u>	<u>(151,345)</u>	<u>(273,476)</u>	<u>(1,190,081)</u>
<u>\$ 926,423</u>	<u>\$ 941,440</u>	<u>\$ 2,015,911</u>	<u>\$ (392,969)</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund:					
Reserved for other*	\$ 59,973	\$ 63,746	\$ 57,388	\$ 67,614	\$ 538,565
Unreserved	<u>6,508,038</u>	<u>6,524,769</u>	<u>7,387,749</u>	<u>7,741,804</u>	<u>7,242,862</u>
Total general fund	<u>\$ 6,568,011</u>	<u>\$ 6,588,515</u>	<u>\$ 7,445,137</u>	<u>\$ 7,809,418</u>	<u>\$ 7,781,427</u>
All Other Governmental Funds Reserved For:					
Reserved For:					
Debt service	\$ 897,419	\$ 784,047	\$ 795,592	\$ 768,321	\$ 604,045
Capital projects	4,656,643	8,986,602	7,071,280	5,978,847	3,998,032
Unreserved, Reported In:					
Special Revenue	2,559,616	4,372,503	3,241,768	1,694,660	1,551,229
Capital projects	<u>2,018,357</u>	<u>-0-</u>	<u>423,844</u>	<u>1,616,002</u>	<u>1,989,716</u>
Total all other governmental funds	<u>\$ 10,132,035</u>	<u>\$ 14,143,152</u>	<u>\$ 11,532,484</u>	<u>\$ 10,057,830</u>	<u>\$ 8,143,022</u>

Note: *Includes encumbrances and prepaid items

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 199,512	\$ 125,301	\$ 442,782	\$ 331,434	\$ 262,501
<u>7,504,971</u>	<u>9,010,029</u>	<u>7,914,743</u>	<u>9,290,235</u>	<u>10,273,711</u>
<u>\$ 7,704,483</u>	<u>\$ 9,135,330</u>	<u>\$ 8,357,525</u>	<u>\$ 9,621,669</u>	<u>\$ 10,536,212</u>
\$ 550,663	\$ 534,831	\$ 527,608	\$ 719,637	\$ 705,816
1,706,433	6,344,497	5,648,872	4,838,804	9,470,729
1,593,812	1,843,390	2,432,834	2,578,102	2,784,937
<u>1,515,074</u>	<u>1,132,586</u>	<u>2,299,863</u>	<u>1,612,184</u>	<u>1,378,000</u>
<u>\$ 5,365,982</u>	<u>\$ 9,855,304</u>	<u>\$ 10,909,177</u>	<u>\$ 9,748,727</u>	<u>\$ 14,339,482</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues:					
Taxes	\$ 13,073,884	\$ 13,742,689	\$ 13,991,874	\$ 14,341,593	\$ 14,808,784
Intergovernmental	58,817	272,471	326,496	103,345	221,208
Charges for services	997,106	994,180	958,594	889,460	900,630
Fines and fees	297,281	353,082	325,470	304,200	327,720
Licenses and permits	119,542	208,169	211,309	315,555	187,044
Special assessment	4,453	4,098	3,736	3,597	
Investment earnings	799,174	387,668	290,464	218,164	467,505
Contributions			550,000	23,065	600
Miscellaneous	<u>157,680</u>	<u>85,193</u>	<u>61,506</u>	<u>90,884</u>	<u>71,698</u>
Total revenues	<u>15,507,937</u>	<u>16,047,550</u>	<u>16,719,449</u>	<u>16,289,863</u>	<u>16,985,189</u>
Expenditures:					
General government administration	2,356,954	1,978,733	2,111,361	2,047,348	2,181,307
Public safety	3,645,476	4,190,707	4,113,458	4,135,938	4,323,056
Public works	2,114,596	2,159,844	2,237,529	2,184,224	2,267,855
Culture and recreation	2,764,346	3,418,071	3,577,880	3,502,390	3,728,855
Capital outlay	3,523,620	3,867,639	8,904,603	6,380,274	2,817,025
Debt Service:					
Principal	1,625,000	1,580,000	1,855,000	2,110,000	2,285,000
Interest and fiscal charges	<u>1,118,653</u>	<u>1,213,076</u>	<u>1,470,118</u>	<u>1,374,354</u>	<u>1,338,466</u>
Total expenditures	<u>17,148,645</u>	<u>18,408,070</u>	<u>24,269,949</u>	<u>21,734,528</u>	<u>8,941,564</u>
Excess of revenues over (under) expenditures	<u>(1,640,708)</u>	<u>(2,360,520)</u>	<u>(7,550,500)</u>	<u>(5,444,665)</u>	<u>(1,956,375)</u>
Other Financing Sources (Uses):					
Bonds issued	3,600,000	6,000,000	7,415,000	3,600,000	
Discount on bonds issued		(8,398)	(3,079)		
Premium on bonds issued			27,166		
Sale of capital asset		19,630	25,863	137,058	71,558
Payment to bond refunding escrow agent			(2,549,996)		
Transfers in	3,348,985	3,662,513	3,423,562	3,492,943	4,659,251
Transfers out	<u>(2,654,578)</u>	<u>(3,286,250)</u>	<u>(2,964,424)</u>	<u>(2,895,709)</u>	<u>(4,717,233)</u>
Total other financing sources (uses)	<u>4,294,407</u>	<u>6,387,495</u>	<u>5,374,092</u>	<u>4,334,292</u>	<u>13,576</u>
Net change in fund balances	<u>\$ 2,653,699</u>	<u>\$ 4,026,975</u>	<u>\$(2,176,408)</u>	<u>\$(1,110,373)</u>	<u>\$(1,942,799)</u>
Debt Service as a percentage of noncapital Expenditures					
	20.1%	19.2%	21.6%	22.7%	22.5%

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 16,102,183	\$ 17,130,142	\$ 17,628,611	\$ 18,612,438	\$ 18,187,067
724,144	646,100	744,892	1,566,242	1,025,417
877,552	974,310	986,604	931,477	1,035,350
306,426	442,892	429,564	425,746	383,023
213,750	244,049	239,063	186,017	237,964
	3,246	100	655	2,349
687,327	819,379	656,900	191,524	99,729
1,025	2,020	515		
<u>124,902</u>	<u>97,857</u>	<u>182,275</u>	<u>140,307</u>	<u>282,518</u>
<u>19,037,309</u>	<u>20,359,995</u>	<u>20,868,524</u>	<u>22,054,406</u>	<u>21,253,417</u>
2,404,638	2,737,126	2,707,090	2,874,769	2,984,712
4,585,013	4,663,457	4,949,286	5,189,939	5,410,431
2,640,909	2,298,989	3,882,411	3,679,429	3,637,437
3,900,092	3,863,375	4,227,705	4,102,208	4,199,311
5,478,274	2,568,700	2,393,437	6,007,292	4,615,889
2,285,000	2,345,000	2,580,000	2,260,000	2,530,000
<u>1,232,899</u>	<u>1,267,213</u>	<u>1,238,338</u>	<u>1,273,840</u>	<u>1,318,896</u>
<u>22,526,825</u>	<u>19,743,860</u>	<u>21,978,267</u>	<u>25,387,477</u>	<u>24,696,676</u>
<u>(3,489,516)</u>	<u>616,135</u>	<u>(1,109,743)</u>	<u>(3,333,071)</u>	<u>(3,443,259)</u>
	5,300,000		9,245,000	8,000,000
	613			
			144,553	133,249
9,250	56,533	54,638	386,858	70,055
			(6,894,852)	
3,815,160	3,107,252	5,217,473	3,608,298	4,172,617
<u>(3,320,128)</u>	<u>(3,160,364)</u>	<u>(4,509,967)</u>	<u>(3,053,092)</u>	<u>(3,427,364)</u>
<u>504,282</u>	<u>5,304,034</u>	<u>762,144</u>	<u>3,436,765</u>	<u>8,948,557</u>
<u>\$(2,985,234)</u>	<u>\$ 5,920,169</u>	<u>\$(347,599)</u>	<u>\$ 103,694</u>	<u>\$ 5,505,298</u>
20.6%	21.0%	19.5%	18.2%	19.2%

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2001	\$1,062,786,530	\$ 102,242,250	\$ 165,963,334	\$ 999,065,446	\$ 0.35000
2002	1,140,783,950	104,976,810	177,158,100	1,068,602,660	0.35000
2003	1,208,631,980	103,229,290	194,432,481	1,117,428,789	0.37500
2004	1,289,587,900	100,857,740	203,374,329	1,187,071,311	0.37030
2005	1,340,800,620	106,550,060	212,386,376	1,234,964,304	0.37000
2006	1,414,404,750	112,102,800	252,573,630	1,273,933,920	0.38000
2007	1,497,758,792	114,426,600	265,668,634	1,346,516,758	0.37000
2008	1,548,589,780	117,138,400	274,123,140	1,391,605,040	0.38500
2009	1,598,884,378	121,221,910	280,572,592	1,439,533,696	0.39000
2010	1,627,373,340	124,429,670	295,147,652	1,456,655,358	0.39000

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 6
Direct and Overlapping Property Tax Rates (per \$100 of assessed value)
Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Brazoria County	Brazosport ISD	Brazos River Navigation	Brazosport College	Velasco Drainage
2001	\$ 0.2359	\$ 0.1141	\$ 0.3500	\$ 0.3995	\$ 1.3728	\$ 0.0725	\$ 0.0850	\$ 0.0690
2002	0.2371	0.1129	0.3500	0.3995	1.4228	0.0725	0.0850	0.0714
2003	0.2292	0.1458	0.3750	0.4195	1.4228	0.0721	0.0850	0.7137
2004	0.2351	0.1352	0.3703	0.3595	1.4728	0.0700	0.1050	0.0739
2005	0.2369	0.1331	0.3700	0.3620	1.5228	0.0675	0.1140	0.0762
2006	0.2493	0.1307	0.3800	0.3480	1.5728	0.0650	0.1190	0.0821
2007	0.2390	0.1310	0.3700	0.3217	1.4237	0.0597	0.1220	0.0821
2008	0.2332	0.1518	0.3850	0.3114	1.1339	0.0560	0.1210	0.0821
2009	0.2332	0.1568	0.3900	0.3300	1.1922	0.0535	0.1565	0.0821
2010	0.2340	0.1560	0.3900	0.4031	1.2415	0.0535	0.1902	0.0909

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

2010			2001		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Brazos Outlets (Mall)	\$ 17,354,580	1.19%	Southwest Mall	\$ 23,408,930	2.34%
Wal-Mart Stores Inc.	16,702,550	1.15%	Wal-Mart Stores Inc.	14,807,490	1.48%
Edgewater Apts.	13,637,440	0.94%	Dow Chemical Company	12,305,790	1.23%
Fazio Peter & Shari (Lowe's)	11,567,492	0.79%	Petula Associates LTD (Lowe's)	11,859,240	1.19%
Texas Dow Employees C.U.	10,078,120	0.69%	Houston Lighting & Power	9,232,710	0.92%
Home Depot	9,719,418	0.67%	The Village of Lake Jackson LTD	7,219,190	0.72%
Dow Chemical Company	9,583,100	0.66%	Dayton Hudson Corp. (Target)	6,938,770	0.69%
Centerpoint Energy Inc.	8,723,150	0.60%	Southwestern Bell	6,391,580	0.64%
Villages of Lake Jackson	6,840,210	0.47%	Albertsons Inc.	5,666,080	0.57%
Buc-ee's LTD	<u>6,667,070</u>	<u>0.46%</u>	Don Davis Buick Pontiac	<u>5,370,270</u>	<u>0.54%</u>
Total	\$ <u>110,873,130</u>	<u>7.61%</u>	Total	\$ <u>103,200,050</u>	<u>10.32%</u>

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 8
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 3,528,142	\$ 3,465,580	98.2%	\$ 61,410	\$ 3,526,990	100.0%
2002	3,772,165	3,720,173	98.6%	50,434	3,770,607	100.0%
2003	4,223,902	4,164,483	98.6%	54,659	4,219,142	99.9%
2004	4,424,975	4,368,949	98.7%	52,627	4,421,575	99.9%
2005	4,608,279	4,563,655	99.0%	41,319	4,604,974	99.9%
2006	4,855,234	4,818,745	99.2%	33,491	4,852,237	99.9%
2007	4,979,706	4,940,579	99.2%	35,144	4,975,723	99.9%
2008	5,345,950	5,294,887	99.0%	42,611	5,337,498	98.8%
2009	5,624,834	5,582,960	99.3%	23,714	5,606,674	99.7%
2010	5,665,476	5,606,421	99.0%		5,606,421	99.0%

Source: Brazoria County Tax Office

¹ Adjusted Tax Levy

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 9
Sales Tax Analysis
Last Ten Fiscal Years

Fiscal Year	General Fund Sales Tax Collections	Half-Cent Sales Tax Collections ¹	Total Sales Tax Collections	Percentage Growth	Sales Tax as a % of Total Revenues	Per Capita ²
2001	\$ 3,673,682	\$ 1,896,841	\$ 5,570,524	3.1%	35.9%	209.76
2002	3,778,512	1,889,256	5,667,768	1.7%	35.3%	210.85
2003	3,726,533	1,863,267	5,589,800	(1.4%)	33.4%	207.52
2004	3,810,459	1,905,229	5,715,688	2.3%	35.1%	211.55
2005	3,914,130	1,957,065	5,871,196	2.7%	34.6%	214.46
2006	4,261,667	2,130,834	6,392,501	8.9%	33.6%	231.49
2007	4,618,469	2,353,998	6,972,467	9.1%	34.2%	252.50
2008	4,553,842	2,337,052	6,890,894	(1.2%)	33.0%	249.54
2009	4,634,553	2,408,688	7,043,241	2.2%	31.9%	255.06
2010	4,432,443	2,277,196	6,709,639	(4.7%)	31.6%	242.98

Source: Finance Department

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

² See Table 14 for population data.

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Water and Sewer Revenue Bonds	Capital Leases			
2001	\$ 12,310,000	\$ 10,365,000	\$ 18,350,000	\$ -0-	\$ 41,025,000	5.91%	1,545
2002	17,570,000	9,525,000	17,380,000	-0-	44,475,000	6.33%	1,655
2003	20,250,000	9,885,000	16,410,000	-0-	46,545,000	6.61%	1,728
2004	22,640,000	8,985,000	15,440,000	546,742	47,611,742	6.74%	1,762
2005	21,255,000	8,085,000	14,470,000	437,964	44,247,964	6.18%	1,616
2006	19,895,000	7,160,000	13,500,000	298,684	40,853,684	5.66%	1,479
2007	23,775,000	6,235,000	14,530,000	326,074	44,866,074	6.22%	1,625
2008	22,120,000	5,310,000	13,460,000	653,017	41,543,017	5.76%	1,504
2009	22,895,368	4,674,632	12,390,000	542,143	40,502,143	5.61%	1,467
2010	26,780,000	6,260,000	13,025,000	561,044	46,626,044	6.46%	1,688

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

*See Table 14 for personal income and population data.

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Fiscal Year	Gross Bonded Debt ⁰	Less: Amounts Available in Debt Service Fund	Less: Amounts Payable from Half-Cent Optional Tax ¹	Less: Amounts Payable from Enterprise Revenues ²	Net Bonded Debt	Percentage of Actual Taxable Value of Property ³	Per Capita ⁴
2001	\$ 22,675,000	\$ 897,419	\$ 10,365,000	\$ 31,356	\$ 11,381,225	2.27%	854
2002	27,095,000	784,047	9,525,000	26,733	16,759,220	2.54%	1,008
2003	30,135,000	795,592	9,885,000	-0-	19,454,408	2.70%	1,119
2004	31,625,000	768,321	14,790,000	-0-	16,066,679	2.66%	1,171
2005	29,340,000	603,990	13,690,000	-0-	15,046,010	2.38%	1,072
2006	27,055,000	550,608	12,555,000	-0-	13,949,392	2.12%	980
2007	30,010,000	534,776	11,410,000	-0-	18,065,224	2.23%	1,087
2008	27,430,000	527,553	10,255,000	-0-	16,647,447	1.97%	993
2009	27,570,000	719,582	9,379,632	-0-	17,470,786	1.96%	998
2010	33,040,000	705,816	13,456,365	-0-	18,877,819	2.27%	1,196

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

⁰ Does not include Revenue Bonds

¹ Includes Series 2002 Limited Tax bonds and Series 2003 & 2007 Certificates of Obligation & 2009 refunding; all of which are being repaid from revenues generated from the half-cent optional sales tax. Does not include Revenue bonds.

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

³ See Table 5 for property value data.

⁴ See Table 14 for population data.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 12
Direct and Overlapping Governmental Activities Debt
As of September 30, 2010

Governmental Unit	Debt Outstanding	As of	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:				
Velasco Drainage District	\$ --		16.86%	\$ --
Brazosport I.S.D.	120,944,065	08/31/10	17.65%	21,346,627
Brazosport Jr. College	27,415,000	08/31/10	17.65%	4,838,748
Port Freeport	8,825,000	09/30/10	13.51%	1,192,258
Brazoria County	46,945,000	09/30/10	6.91%	3,243,900
Angleton Drainage District	--	09/30/10	3.44%	--
Angleton/Danbury Hospital District	16,460,000	09/30/10	0.60%	98,760
Columbia-Brazoria I.S.D.	38,731,219	08/31/10	0.71%	274,992
Angleton I.S.D.	461,606,893	08/31/10	0.40%	<u>1,846,428</u>
Subtotal, overlapping debt				32,841,711
City of Lack Jackson (direct debt)	33,040,000	* 09/30/10	100.00%	<u>33,040,000</u>
Total direct and overlapping debt				<u>\$ 65,881,711</u>

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

* **Gross Debt**

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table 13
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer System Revenue Bonds						
	Utility Revenue and Other ⁰	Less: Operating Expenses ¹	Net Available Revenue	Average Annual Requirement	Average Coverage	Maximum Annual Requirements	Maximum Coverage
2001	\$ 6,383,480	\$ 3,857,399	\$ 2,526,081	\$ 1,307,890	1.93	\$ 311,740	8.10
2002	6,384,672	3,881,134	2,503,538	1,285,888	1.95	1,725,920	1.45
2003	5,794,570	3,849,608	1,944,962	1,263,482	1.54	1,689,195	1.15
2004	5,676,717	3,768,023	1,908,694	1,240,652	1.54	1,651,600	1.16
2005	6,063,698	3,908,603	2,155,095	1,217,347	1.77	1,613,535	1.34
2006	6,242,509	4,150,183	2,092,326	1,193,530	1.75	1,574,600	1.33
2007	6,052,858	4,425,545	1,627,313	959,150	1.70	1,678,355	0.97
2008	6,937,654	4,417,633	2,520,021	921,297	2.74	1,634,680	1.54
2009	7,078,385	4,692,032	2,386,353	881,665	2.71	1,590,720	1.50
2010	6,843,586	4,998,514	1,845,072	806,403	2.29	1,654,081	1.12

Source: Lake Jackson Finance Department

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 14
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Estimated Population	Estimated Personal Income	Per Capita Personal Income	Median Age ¹	School Enrollment	Unemploy- ment Rate	Labor Force
2001	26,557	\$ 694,014,081	\$ 26,133	--	6,431	4.0%	13,974
2002	26,881	702,481,173	26,133	--	6,424	5.1%	14,526
2003	26,936	703,918,488	26,133	--	6,445	5.0%	14,951
2004	27,018	706,061,394	26,133	--	6,536	5.3%	14,960
2005	27,377	715,443,141	26,133	--	6,476	4.7%	14,180
2006	27,614	721,636,662	26,133	--	6,409	3.6%	14,467
2007	27,614	721,636,662	26,133	--	6,472	3.8%	14,439
2008	27,614	721,636,662	26,133	--	6,921	5.8%	14,266
2009	27,614	721,636,662	26,133	--	6,422	7.1%	13,735
2010	27,614	721,636,662	26,133	--	6,276	8.4%	13,886

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

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

School enrollment provided by Brazosport Independent School District.

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

¹ Median age only available in Census Years.

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table 15
Principal Employers
Current Year and Nine Years Ago

2010			2001		
Employer	Employees	Percentage of Total City Employment	Employer	Estimated Employees	Percentage of Total City Employment
Brazosport Memorial Hospital	676	4.69%	Wal Mart Stores Inc.	510	3.71%
Wal-Mart	470	3.26%	Brazosport Memorial Hospital	486	3.54%
Brazosport I.S.D.	380	2.63%	Brazosport I.S.D.	405	2.95%
Dow Credit Union	215	1.49%	City of Lake Jackson	208	1.51%
City of Lake Jackson	206	1.43%	Dow Credit Union	190	1.38%
Target	158	1.10%	Lowes	120	0.87%
Lowes	135	0.94%	Target	130	0.95%
Home Depot	95	0.66%	Home Depot	89	0.65%
Ryan's Steakhouse	70	0.49%	Ryan's Steakhouse	60	0.44%
Randall's	63	0.44%	Albertson's	48	0.35%
Jerry's Food King	38	0.26%	Stanley Supermarket	48	0.35%
Total	<u><u>2,506</u></u>	<u><u>17.37%</u></u>	Total	<u><u>2,294</u></u>	<u><u>16.70%</u></u>

Source: Principal Employers

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government and Administration	30	31	31	32	31	31	31	35	35	35
Public Safety:										
Police	57	57	57	57	57	58	58	59	59	61
Fire	2	2	2	2	1	1	1	1	1	1
Humane	3	3	3	3	3	3	3	3	3	3
Culture and Recreation	27	27	27	27	27	27	27	27	27	27
Public Works:										
Streets	7	7	7	7	7	7	7	7	7	7
Drainage	15	15	15	15	15	15	15	15	15	15
Code Enforcement	6	6	6	6	6	6	6	8	8	8
Garbage	9	9	9	9	9	9	9	9	9	9
Water and Sewer	41	41	40	38	38	37	37	37	37	37
Sanitation	<u>25</u>									
	<u>222</u>	<u>223</u>	<u>222</u>	<u>221</u>	<u>219</u>	<u>219</u>	<u>219</u>	<u>226</u>	<u>226</u>	<u>228</u>

Source: City Budget

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	Est. 2010
Public Safety:										
Police:										
% Criminal Offenses Cleared	52%	79%	73%	64%	52%	55%	54%	55%	57%	50%
Traffic contacts	12,586	15,955	15,822	17,119	16,406	18,039	18,296	14,406	13,515	20,000
Fire:										
Fire calls	422	455	455	469	486	519	537	532	520	550
EMS calls	1,367	1,488	1,468	1,514	1,629	1,891	2,183	2,197	2,448	2,650
Inspections	228	330	n/a	226	253	243	408	319	368	360
Public Works:										
Streets:										
Potholes repaired	671	598	559	486	481	314	363	235	223	650
Gutter sweeping (cu yd)	1,759	1,137	1,293	1,176	1,676	1,430	1,300	1,707	1,570	1,800
Culture and Recreation:										
Recreation Center members	5,769	5,415	5,091	5,586	4,937	5,864	5,800	6,204	5,738	6,250
Recreation Center Attendance	201,959	246,631	251,638	241,350	168,967	142,234	190,000	240,600	251,750	250,000
Water and Sewer:										
Number of sewer leaks Repaired										
Linear feet of sewer mains cleaned	62	107	16	45	133	3	5	3	8	10
	8,900	60,150	11,100	39,085	122,216	47,735	108,464	45,215	29,430	25,000
Sanitation:										
Refuse Collected: ¹										
Residential garbage (cu yd)	18,550	23,851	23,237	25,000	27,060	27,031	27,200	28,000	24,070	25,000
Commercial garbage (cu yd)	34,450	34,934	35,934	37,000	26,698	40,459	40,800	42,000	36,106	37,000

Source: City Departments

¹ Does not include non-compacted refuse collection.

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Culture and Recreation:										
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Community Center	1	2	2	2	2	2	2	2	2	2
Recreation Center	1	1	1	1	1	1	1	1	1	1
Parks Acreage ¹	1,296	1,296	1,296	1,296	1,296	1,296	1,306	1,306	1,306	1,306
Parks	23	23	23	23	23	23	23	23	23	23
Baseball/softball fields	23	23	23	23	23	23	23	23	23	23
Soccer fields	24	24	24	24	24	24	24	24	24	24
Water:										
Water mains (miles)	130	130	130	130	130	130	130	130	130	130
Fire Hydrants	916	917	917	917	917	917	917	917	917	917
Wastewater²										
Maximum daily treatment capacity (thousands of gallons)	2,150	2,150	2,150	2,150	6,150	6,150	6,150	6,150	6,150	6,150

Source: Various City departments

¹ In 2007 Dow donated 9.86 acres of land.

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

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FEDERAL AWARDS SECTION

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KENNEMER, MASTERS & LUNSFORD

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Independent Auditor's Report

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

March 16, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Jackson (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis

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To the Honorable Mayor and
Members of Council
City of Lake Jackson
March 16, 2011
Page 2

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

Compliance and Other Matters

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

We have performed tests designed to verify the City's compliance with the requirements of the Public Funds Investment Act. During the year ended September 30, 2010, no instances of noncompliance were found.

We noted certain matters that we reported to management of the City, in a separate letter dated March 16, 2011.

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

Kennebec, Masters & Hurdford, LLC

KENNEMER, MASTERS & LUNSFORD

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Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material
Effect on Each to Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133

March 16, 2011

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

Compliance

We have audited the compliance of the City of Lake Jackson (the "City"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

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To the Honorable Mayor and
Members of Council
City of Lake Jackson
March 16, 2011
Page 2

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non compliance with a type of compliance requirement of a federal program that will not be prevented, or detected and corrected, on a timely basis.

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

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

Kennemer, Masters & Hungford, LLC

CITY OF LAKE JACKSON

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2010*

Page 1 of 1

I. Summary of auditor's results:

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

II. Findings related to the financial statements

None.

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

None.

CITY OF LAKE JACKSON
SCHEDULE OF STATUS OF PRIOR FINDING
YEAR ENDED SEPTEMBER 30, 2010

None.

CITY OF LAKE JACKSON
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2010

None.

CITY OF LAKE JACKSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project/Grant Number</u>	<u>Expenditures Indirect Costs or Award Amount</u>
<u>U.S. Department of Agriculture:</u>			
Direct:			
Emergency Watershed Protection EWP Program	10.923	69-7442-9-866	\$ 567,764
Emergency Watershed Protection EWP Program	10.923	69-7442-9-875	<u>185,852</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 753,646</u>
<u>U.S Department of Housing and Urban Development:</u>			
Passed Through Brazoria County:			
Community Development Block Grant (drainage project)	14.239		\$ 58,546
Community Development Block Grant (sidewalk lighting)	14.239		<u>6,401</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 64,947</u>
<u>U.S. Department of Justice</u>			
Direct:			
Bulletproof Vest Partnership (BVP)	16.607	15-040-0-1-754	\$ 4,704
Passed Through Brazoria County:			
Edward Byrne Memorial Justice Assistance Grant (JAG) program (recovery act)	16.804		<u>20,010</u>
TOTAL DEPARTMENT OF JUSTICE			<u>\$ 24,714</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through the Federal Emergency Management Agency:			
FY 2009 Assistance to firefighters grant	97.044	EMW-2009-FO-08954	<u>\$ 54,679</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>\$ 54,679</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 897,986</u>

See notes to supplement Schedule of Expenditures of Federal Awards.

CITY OF LAKE JACKSON

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2010

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

Governmental Fund Types:

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

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

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

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

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

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CONTINUING FINANCIAL DISCLOSURES

As of 01/31/11

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

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CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-1 Bond Summary and Authorization

Summary of Bonds Outstanding

General Obligation Bonds

2001 General Obligation Bonds	\$ 1,980,000
2002A Limited Tax General Obligation Bonds	2,160,000
2002 Limited Tax General Obligation Bonds	4,460,000
2003 Limited Tax Refunding Bonds	480,000
2003 Combination Tax and Revenue Certificates of Obligations	780,000
2004 Limited Tax Bonds	2,520,000
2007 Limited Tax Bonds	4,505,000
2009 Limited Tax Bonds	2,280,000
2009 Limited Tax Refunding Bonds	5,875,000
2009 Certificates of Obligation	5,000,000
2010 Limited Tax Bonds	<u>3,000,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>33,040,000</u>

While the 2002 Limited Tax G.O. Bonds, the 2003 and 2009 Certificates of Obligation, and \$ 3,216,365 of the 2009 Limited Tax Refunding Bonds are secured by a pledge of Ad Valorem Tax Revenues, they are to be paid totally from revenues generated by the Optional Half Cent Sales Tax.

Waterworks and Sewer System Bonds

2007 Waterworks and Sewer System Bonds	\$ 1,700,000
2009 Waterworks and Sewer System Bonds	1,690,000
2009 Waterworks and Sewer System Refunding Bonds	860,000
2010 Waterworks and Sewer System Refunding Bonds	<u>8,775,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>13,025,000</u>

General Obligation Bonds Authorized but not Issued as of 01/31/11

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

Waterworks and Sewer System Bonds Authorized but not Issued as of 01/31/11

None.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-2 Financial Information (As of 1/31/2011)

2010 Assessed Valuation (100% of Actual) ¹	\$ <u>1,439,512,774</u>
<u>General Obligation Bonds Outstanding²</u>	
Presently outstanding (01/31/11)	\$ 33,040,000
Other Bonds issued to date	<u>-0-</u>
Gross debt	33,040,000
Less: Debt Service Cash Balance	<u>2,490,573</u>
Net Debt	\$ <u>17,093,062</u>
Ratio of Net Debt to 2010 Assessed Valuation	1.19%
2011 Estimated Population	28,000
2010 Assessed Valuation per Capita	\$ 51,411.17
Net Debt per Capita	\$ 610.47
Area of the City	18 square miles

¹ Tax Year; Net of exemptions in the amount of \$ 299,801,676.

² Excludes the Waterworks and Sewer System Revenue Bonds outstanding.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-3
Estimated Direct & Overlapping Debt Statement

Political Subdivision	Net Debt		Estimated Percent Overlapping	Amount Overlapping
	Amount	As of		
Angleton I.S.D.	\$ 461,606,893	08/31/10	0.40%	\$ 1,846,428
Angleton-Danbury Hospital District	157,084,237	08/31/10	0.60%	942,505
Angleton Drainage District	-0-	09/30/10	3.44%	-0-
Brazoria County	46,945,000	09/30/10	6.91%	3,243,900
Brazosport I.S.D.	120,944,065	08/31/10	17.65%	21,346,627
Port Freeport	8,825,000	09/30/10	13.51%	1,192,258
Brazosport Jr. College	27,415,000	08/31/10	17.65%	4,838,748
Columbia-Brazoria I.S.D.	38,731,219	08/31/10	0.71%	274,992
Velasco Drainage District	-0-	09/30/10	16.86%	-0-
 Total Overlapping Debt				 <u>33,685,457</u>
 City of Lake Jackson				 <u>33,040,000</u>
 Total Direct and Overlapping Debt				 <u>\$ 66,725,457</u>
 Ratio of Total Direct and Overlapping Debt to 2010 Assessed Valuation				 4.64%
 Per Capital Total Direct and Overlapping Debt				 <u>\$ 2,383</u>
 Assessed Valuation per Capita				 <u>\$ 51,411</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-4
Outstanding Debt Service Requirements
General Obligation Debt

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2011	\$ 2,715,000	\$ 1,268,943	\$ 3,983,943
2012	2,810,000	1,149,705	3,959,705
2013	2,750,000	1,049,790	3,799,790
2014	2,365,000	956,895	3,321,895
2015	2,370,000	869,281	3,239,281
2016	2,375,000	781,268	3,156,268
2017	2,380,000	691,516	3,071,516
2018	2,020,000	604,642	2,624,642
2019	1,815,000	524,533	2,339,533
2020	1,775,000	446,920	2,221,920
2021	1,795,000	369,210	2,164,210
2022	1,635,000	294,850	1,929,850
2023	1,475,000	227,485	1,702,485
2024	965,000	175,955	1,140,955
2025	785,000	140,595	925,595
2026	785,000	108,710	893,710
2027	785,000	76,637	861,637
2028	520,000	49,740	569,740
2029	520,000	27,923	547,923
2030	<u>400,000</u>	<u>8,469</u>	<u>408,469</u>
	<u>\$ 33,040,000</u>	<u>\$ 9,823,067</u>	<u>\$ 42,863,067</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

<u>Fiscal Year Ending 09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2011	\$ 1,260,000	\$ 396,581	\$ 1,656,581
2012	1,215,000	388,350	1,603,350
2013	1,205,000	359,350	1,564,350
2014	1,100,000	331,050	1,431,050
2015	1,085,000	301,025	1,386,025
2016	1,065,000	271,125	1,336,125
2017	955,000	237,750	1,192,750
2018	950,000	207,675	1,157,675
2019	950,000	170,100	1,120,100
2020	945,000	132,100	1,077,100
2021	940,000	94,300	1,034,300
2022	185,000	56,700	241,700
2023	185,000	49,300	234,300
2024	185,000	41,687	226,687
2025	185,000	34,075	219,075
2026	185,000	26,463	211,463
2027	185,000	18,850	203,850
2028	85,000	11,025	96,025
2029	80,000	7,200	87,200
2030	<u>80,000</u>	<u>3,600</u>	<u>83,600</u>
	<u>\$ 13,025,000</u>	<u>\$ 3,138,306</u>	<u>\$ 16,163,306</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-6 Tax Adequacy

The following calculation does not include the estimated fund balance as of 9/30/11, the debt service on the 2003 & 2009 Certificates of Obligation, the 2002 Golf Course General Obligation bonds, and \$ 3,216,365 (principal and interest) of the 2009 Limited Tax Refunding Bonds. (These are to be repaid from the half cent sales tax).

	<u>Average Requirements (2011-2030)</u>	<u>Maximum Requirement 2011</u>
General Obligation Debt Service Requirements	\$ 1,282,483	\$ 2,305,455
Debt Service Fund tax rate required on 2010 Assessed Taxable Valuation of \$ 1,439,512,774 @ 98% collection	\$ 0.091	\$ 0.163

Including the Certificates of Obligation and the 2002 & 2009 General Obligation bonds paid from the half cent sales tax, the calculation is as follows:

	<u>Average Requirements (2011-2030)</u>	<u>Maximum Requirement 2011</u>
General Obligation Debt Service Requirements	\$ 2,172,986	\$ 3,983,943
Debt Service Fund tax rate required on 2010 Assessed Taxable Valuation of \$ 1,439,512,774 @ 98% collection	\$ 0.154	\$ 0.282

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-7 Tax Rate and Tax Collection Information

Tax Collection Period

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

Tax Collection Record

Tax Year	Assessed Taxable Valuation	Tax Rate	Percent Tax Collections		Year Ending
			Current	Total	
2000	\$ 999,065,446	0.3500	98.2%	100.0%	09/30/01
2001	1,068,602,660	0.3500	98.6%	100.0%	09/30/02
2002	1,117,428,789	0.3750	98.6%	99.9%	09/30/03
2003	1,187,071,311	0.3703	98.7%	99.9%	09/30/04
2004	1,237,823,934	0.3700	99.0%	99.9%	09/30/05
2005	1,273,933,920	0.3800	99.2%	99.9%	09/30/06
2006	1,354,217,330	0.3700	99.2%	99.8%	09/30/07
2007	1,391,605,040	0.3850	99.0%	99.7%	09/30/08
2008	1,451,257,205	0.3900	99.0%	99.0%	09/30/09
2009	1,456,655,358	0.3900	99.0%	99.0%	09/30/10
2010	1,439,512,774	0.3900	78.8%	79.5%	thru 1/31/11

Tax Rate Limitations

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

Tax Rate Distribution

Tax Year	2010	2009	2008	2007	2006
General Fund	\$ 0.2345	\$ 0.2340	\$ 0.2332	\$ 0.2329	\$ 0.2390
Debt Service Fund	<u>0.1555</u>	<u>0.1560</u>	<u>0.1568</u>	<u>0.1521</u>	<u>0.1310</u>
Total Tax Rate	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>	<u>\$ 0.3850</u>	<u>\$ 0.3700</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

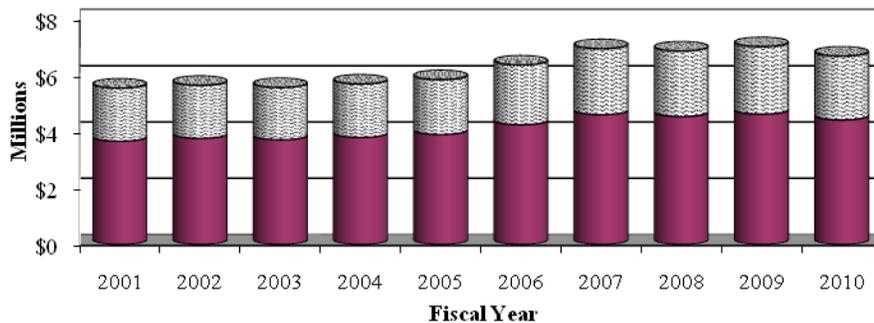
Table CD-8
Sales Tax Collection History

City Sales Tax Collection

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

Sales Tax Collection History

Fiscal Year	One Cent Sales Tax	Optional Half Cent Sales Tax ¹
2001	\$ 3,673,682	\$ 1,896,841
2002	3,778,512	1,889,256
2003	3,726,533	1,863,267
2004	3,810,459	1,905,229
2005	3,914,130	1,957,065
2006	4,261,667	2,130,834
2007	4,618,469	2,353,998
2008	4,553,842	2,337,052
2009	4,634,553	2,408,688
2010	4,432,443	2,277,196



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

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-9
Economic Development Fund

<u>Resources</u>	<u>ACTUAL 2008-09</u>	<u>BUDGET 2009-10</u>	<u>ACTUAL 2009-10</u>	<u>ADOPTED 2010-11</u>
Fund Balance	\$ 1,971,188	\$ 2,134,946	\$ 2,134,946	\$ 2,404,126
Revenues:				
Half Cent Sales Tax	2,408,688	2,413,223	2,277,196	2,341,768
Interest income	<u>20,500</u>	<u>23,598</u>	<u>11,664</u>	<u>17,134</u>
	<u>2,429,188</u>	<u>2,436,821</u>	<u>2,288,860</u>	<u>2,358,902</u>
 Total Resources	 <u>\$ 4,400,376</u>	 <u>\$ 4,571,767</u>	 <u>\$ 4,423,806</u>	 <u>\$ 4,763,028</u>
<u>Expenditures</u>	<u>ACTUAL 2008-09</u>	<u>BUDGET 2009-10</u>	<u>ACTUAL 2009-10</u>	<u>ADOPTED 2010-11</u>
Transfer to Economic Development Debt Service	\$ 784,174	\$ 977,396	\$ 877,823	\$ 1,141,074
Downtown Street Masterplan	482,031	117,969	122,852	50,000
S. Parking Place – Design	-0-	30,000	19,781	-0-
Transfer to Golf Course Debt Service	549,225	550,000	549,225	550,000
Golf Course Operating Contingency	100,000	100,000	100,000	100,000
Transfer to General Fund	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
 Total Expenditures	 <u>\$ 2,265,430</u>	 <u>\$ 2,125,365</u>	 <u>\$ 2,019,680</u>	 <u>\$ 2,191,074</u>
 Ending Fund Balance	 <u>\$ 2,134,946</u>	 <u>\$ 2,446,402</u>	 <u>\$ 2,404,126</u>	 <u>\$ 2,571,954</u>

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

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

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

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

CITY OF LAKE JACKSON

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Table CD-10
Debt Service Fund Management Index

General Debt Service Fund

Debt Service Fund Balance as of 9/30/10	\$	705,816
Debt Service Tax Levy of \$.15555 per \$ 100 of Assessed Valuation on 2010 Assessed Valuation of \$ 1,439,512,774 at 98% collection		2,193,674
Interest Earnings on Debt Service Fund		<u>8,000</u>
Total Available for 2011 Debt Service		2,907,490
Less: 2011 Debt Service Requirements		<u>2,311,764</u>
Projected Debt Service Fund Balance at 9/30/11	\$	<u><u>595,726</u></u>

Economic Development and Golf Course Debt Service Funds

These funds were established to account for the debt service on all bond issues which are to be repaid with the revenue from the optional half-cent sales tax. Currently, there are four outstanding issues, the 2009 Refunding CO's for the Recreation Center & Civic Center, the 2002 Golf Course GO's, the 2003 Golf Course CO's, and the 2009 CO's for the Downtown Revitalization.

	<u>Golf Course</u>	<u>Economic Development</u>
Debt Service Fund Balance as of 9/30/10	\$ -0-	\$ -0-
Transfer from Golf Course Operations	6,430	
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>550,000</u>	<u>1,141,074</u>
Total Available for 2011 Debt Service	556,430	1,141,074
Less: 2011 Debt Service Requirements	<u>556,430</u>	<u>1,141,074</u>
Projected Debt Service Fund Balance at 9/30/11	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

CITY OF LAKE JACKSON

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Table CD-11

Utility Debt Service Fund Management Index

Utility Revenue Interest and Sinking Fund (Including Reserve Balance)

Debt Service Fund Balance as of 9/30/10	\$ 2,205,309
Transfer from Utility Operating Fund (as budgeted)	1,612,441
Transfer from Debt Service Reserve (as budgeted)	-0-
2011 Projected Interest Earnings	<u>10,000</u>
Total Available for 2011 Debt Service	3,827,750
Less: 2011 Debt Service Requirements (including agent fees)	<u>1,660,581</u>
Projected Debt Service Fund Balance at 9/30/11	<u><u>\$ 2,167,169</u></u>

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	Fiscal Year	
	2010	2009
Revenues:		
Taxes	\$ 18,187,067	\$ 18,612,438
Intergovernmental	1,025,417	1,566,242
Charges for services	1,035,350	931,477
Fines and fees	383,023	425,746
Licenses and permits	237,964	186,017
Special assessment	2,349	655
Investment earnings	99,729	191,524
Miscellaneous	282,518	140,307
Total revenues	21,253,417	22,054,406
Expenditures:		
General government and administration	2,984,712	2,874,769
Public safety	5,410,431	5,189,939
Public works	3,637,437	3,679,429
Culture and recreation	4,199,311	4,102,208
Capital Outlay	4,615,889	6,007,292
Debt Service:		
Principal	2,530,000	2,260,000
Interest and fiscal charges	1,318,896	1,273,840
Total expenditures	24,696,676	25,387,477
Excess of revenues over (under) expenditures	(3,443,259)	(3,333,071)
Other Financing Sources (Uses):		
Bonds issued	8,000,000	9,245,000
Premium on bonds issued	133,249	144,553
Sale of capital assets	70,055	386,858
Payment to bond refunding escrow agent		(6,894,852)
Transfers in	4,172,617	3,608,298
Transfers out	(3,427,364)	(3,053,092)
Total other financing sources (uses)	8,948,557	3,436,765
Net change in fund balances	\$ 5,505,298	\$ 103,694

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

The following schedule presents a summary of the Proprietary Funds for the fiscal year ended September 30, 2010 and 2009.

	2010	2009
Revenues:		
Water and sewer services	\$ 6,477,558	\$ 6,711,556
Sanitation service	3,015,623	3,038,754
Tapping and connection fees	210,686	213,410
Golf course fees and charges	1,545,419	1,869,731
Other	124,824	136,561
	11,374,110	11,970,012
Operating Expenses:		
Utility administration	384,896	371,551
Reimbursed administrative	438,389	438,389
Water and sewer	4,654,541	4,320,481
Golf course	1,802,204	1,774,832
Sanitation	2,299,300	2,347,918
	9,579,330	9,253,171
Net revenues as described by Bond ordinance	1,794,780	2,716,841
Nonoperating Revenues (Expenses):		
Depreciation	(2,265,925)	(2,357,185)
Interest earnings	38,844	74,621
Gain (loss) on disposition of capital assets		(34,045)
Interest expense and fiscal charges	(550,603)	(594,161)
Capital Contributions	99,687	
Transfers:		
for franchise fee	(102,000)	(102,000)
for equipment replacement	(626,150)	(614,937)
for Golf Course debt service	(4,030)	(10,605)
Assets purchased by general fund	425,316	610,725
	(2,984,861)	(2,985,736)
Net income	\$(1,190,081)	\$(268,895)
Coverage of average annual debt service requirements	2.29%	2.71%
Customer count (residential & commercial)	8,790	8,790

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-14
Water and Sewer Information

Water and Sewer Rates

Current water and sewer rates became effective October 1, 2010.

Water:	First 2000 gallons	\$ 10.30 Minimum
	Over 2000 gallons	\$ 2.95 per 1,000 gallons
	Over 20,000 gallons	\$ 3.20 per 1,000 gallons
Sewer:	First 2000 gallons	\$ 10.30 Minimum
	Over 2000 gallons	\$ 3.23 per 1,000 gallons

Residential sewer charges stop at 15,000 gallons.

Water Supply Facilities

The City continues to purchase two million gallons of treated surface water per day from the Brazosport Water Authority. The current cost per 1,000 gallons is \$ 1.64.

In addition to the above, the City operates 11 water wells with a peak production capacity of 7.6 million gallons. Water storage capacity includes five elevated tanks (2.55 million gallons of capacity) and 4 ground storage tanks (2.0 million gallons total capacity).

Wastewater Treatment Plant

Sewer treatment is provided to the City by one water reclamation facility. This facility has a permitted capacity of 5.89 million gallons per day. Wastewater generated throughout the City flows through a series of lift stations prior to reaching the treatment plant. There are currently three “master” lift stations that pump directly to the treatment plant, and 39 lift stations that serve various subdivisions and convey wastewater to a “master” lift station.

Water and Sewer Customers

Currently, the City has 21 apartment complexes (2,808 units); 485 Commercial businesses and 8,220 residences utilizing the City’s water and sewer services.

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table CD-15
Top Ten Utility Customers

<u>Name of Business</u>	<u>Type of Business</u>	<u>FY 2010 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Brazosport Hospital	Hospital	22,768	2.40%
Oyster Creek Apartments	Apartments	13,078	1.38%
Oakwood Apartments	Apartments	11,170	1.18%
Star Bright Market	Gas Station/Car Wash	10,177	1.07%
Jackson Square #1	Apartments	9,808	1.03%
Gateway Apartments	Apartments	9,561	1.01%
TAJ Properties LLC	Apartments	9,189	0.97%
Comfort Suites	Hotel	8,873	0.94%
Buc-ee's #29	Gas Station/Car Wash	8,172	0.86%
Raamco Raintree LP	Apartments	<u>7,466</u>	<u>0.79%</u>
		<u>110,262</u>	<u>11.62%</u>

Total water consumption for the period October 1, 2009 to September 30, 2010 in thousands of gallons was 948,563.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-16
Principal Taxpayers and Assessed Valuation

Principal Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Tax Year 2010 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Brazos Outlets Center LLC	Retail	\$ 18,716,440	1.30%
Wal-Mart Stores Inc.	Retail	17,428,690	1.21%
Lowe's	Retail	11,253,250	0.78%
Dow Chemical Company	Various property	9,641,350	0.67%
Home Depot	Retail	9,172,638	0.64%
Centerpoint Energy, Inc.	Utility	9,025,390	0.63%
Partners of Lake Jackson LTD	Apartments	8,886,000	0.62%
Texas Dow Employees Credit Union	Financial Institution	8,629,980	0.60%
Buc-ee's Ltd.	Retail	6,284,290	0.44%
Ling Villages of Lake Jackson	Apartments	6,231,979	0.43%
Lake Jackson Crossing Ltd Prt.	Retail	5,264,590	0.37%
Dillard Texas Operating LTD	Retail	5,026,310	0.35%
Dayton Hudson Corp (Target)	Retail	4,786,730	0.33%
Leo Martin Chevrolet Inc.	Dealership	4,601,880	0.32%
Kohl's Illinois, Inc.	Retail	4,508,190	0.31%
Clark Richard A.	Various property	4,226,810	0.29%
Comcast	Various property	3,628,840	0.25%
Raamco Raintree LP	Apartments	3,599,330	0.25%
Linmark Oaks LLC	Apartments	3,010,960	0.21%
JRK-Oyster Creek LLC	Apartments	2,968,540	0.21%
		<u>\$ 146,892,187</u>	<u>10.20%</u>

Assessed Valuation by Classification

<u>Classification</u>	<u>2010 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,088,207,353	75.60%
Real, Vacant Platted Lots/Tracts	17,987,430	1.25%
Commercial & Industrial	297,256,771	20.65%
Real Acreage (Land Only)	12,239,560	0.85%
Utilities and Pipelines	19,137,280	1.33%
Special Inventory and other	4,684,380	0.33%
	<u>\$ 1,439,512,774</u>	<u>100.00%</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-17
General Fund - Budget Summary

On September 7, 2010 the 2010-11 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	2008-09 Actual	2009-10 Actual	2010-11 Adopted Budget
Revenues:			
Property tax	\$ 3,393,969	\$ 3,411,203	\$ 3,392,153
Sales tax	4,634,553	4,432,443	4,430,272
Franchise fees	1,688,698	1,610,075	1,703,000
Industrial district	3,962,165	3,843,335	4,007,000
Licenses and permits	186,017	237,964	156,100
Fines and fees	382,012	339,784	358,500
Civic Center fees	238,158	228,454	228,400
Recreation Center fees	693,318	806,895	684,950
Intergovernmental *	1,345,879	69,205	93,300
Interest and other	404,327	429,709	189,334
Proceeds from asset disposal		54,925	-0-
Utility Administrative fee	438,389	438,389	438,389
Transfer from Economic Development	350,000	350,000	350,000
Transfer from General Contingency	308,000	260,000	260,000
Total revenues	\$ 18,025,485	\$ 16,512,382	\$ 16,291,398
Expenditures:			
General government services	\$ 1,782,306	\$ 3,312,345	\$ 2,147,285
Financial services	1,099,054	1,125,194	1,191,532
Legal services	141,181	162,862	158,290
Public safety services *	5,756,332	5,973,353	5,981,275
Engineering services	412,639	411,228	402,740
Public works services	3,962,482	2,676,669	2,977,756
Parks & recreation services	3,554,140	3,026,397	3,105,755
Miscellaneous services	405,501	140,259	326,765
Total expenditures	\$ 17,113,635	\$ 16,828,307	\$ 16,291,398

* Intergovernmental Revenue 2008-09 include \$ 1,197,580 in grant revenue related to Hurricane Ike.

CITY OF LAKE JACKSON
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Table CD-18
Utility Fund - Budget Summary

On September 7, 2010 the 2010-11 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2008-09</u> Actual	<u>2009-10</u> Actual	<u>2010-11</u> Adopted Budget
Revenues:			
Plumbing fees	\$ 9,722	\$ 15,352	\$ 8,500
FEMA Hurricane reimbursement	-0-	-0-	-0-
Tap fees	14,585	17,557	11,500
Administrative fees	188,335	177,778	192,400
Water sales	3,442,892	3,417,985	3,578,054
Sewer sales	3,402,633	3,220,292	3,389,285
Senior discount	(139,130)	(160,719)	(160,550)
Sanitation sales	3,037,318	3,015,623	3,038,810
Other revenues	77,769	119,538	125,120
Interest & sales tax discount	27,599	16,566	15,000
Transfer from General Contingency	<u>85,500</u>	<u>70,000</u>	<u>70,000</u>
Total revenues	<u>\$ 10,147,223</u>	<u>\$ 9,909,971</u>	<u>\$ 10,268,119</u>
Expenditures:			
Utility administration	\$ 399,103	\$ 411,416	\$ 418,493
Water	2,437,401	2,492,819	2,556,392
Wastewater	2,168,157	2,162,291	2,225,495
Sanitation	2,785,634	2,714,078	2,844,909
Non-departmental	<u>2,148,026</u>	<u>2,573,252</u>	<u>2,222,830</u>
Total expenditures	<u>\$ 9,938,321</u>	<u>\$ 10,353,856</u>	<u>\$ 10,268,119</u>