

CITY OF LAKE JACKSON, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**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, 2009*

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CITY OF LAKE JACKSON

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March 3, 2010

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, 2009. The City's Finance Department prepared this report in conjunction with our auditors, Kennemer, Masters and Lunsford, LLC. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

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

PROFILE OF THE CITY

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

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

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

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

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

HISTORY AND BACKGROUND

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

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

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

AREA ECONOMY

The Dow Chemical Company, the world’s leading producer of chemicals and plastics, continues to be the major contributor to the area economy. Dow employs over 40,000 people globally. Texas Operations in Freeport, TX is Dow’s largest integrated site. The products manufactured on site are transported by rail, truck, marine vessels and pipeline to customers around the world. Texas Operations manufactures more than 44 percent of Dow’s products sold in the United States and more than 21 percent of Dow’s products

sold globally. In 2009 Dow increased the number of employees and contract laborers at the Freeport site to about 4,000 and 3,000, respectively. Other area petrochemical companies include ConocoPhillips, BASF, Oxy-Chem, Inc., Shintech and INEOS.

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 55,192 jobs in Texas, with 11,696 of those being direct jobs created by public and private terminals. Seventy-five percent of these direct jobs are held by Brazoria County residents.

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).

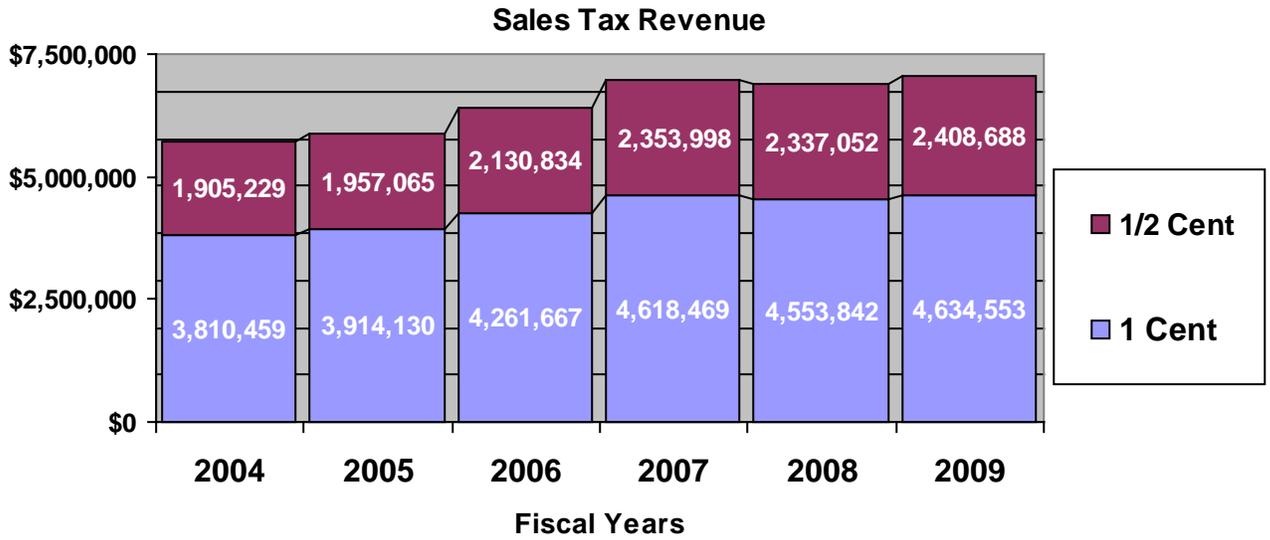
To date, construction of the 800 foot-long dock is complete, and dredging of the berthing area is nearing completion. The berth is expected to be in operation by the end of the first quarter of 2010. Also, construction of 22 acres of backland has begun and is expected to be completed in the second quarter of 2010.

Even more, Port Freeport officials are working with the U.S. congress in the final stages of a feasibility study on widening and deepening the Freeport Harbor Channel. Currently, the Freeport Harbor Channel, on which the Velasco Terminal is being developed, has a depth of 45 feet. This project would increase the depth of the channel from 45 feet to 55 feet. Freeport is aiming for the completion of the seven-year feasibility study in the summer of 2010.

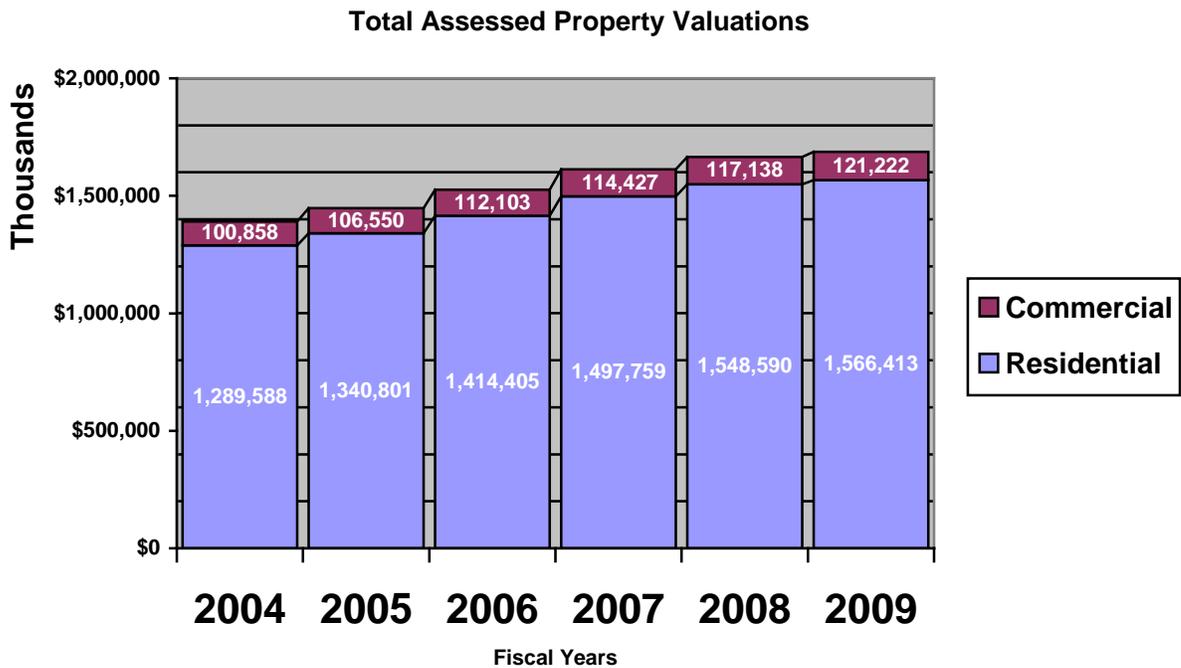
Freeport LNG received approval from the Federal Energy Regulatory Commission (FERC) to expand the liquefied natural gas (LNG) terminal capacity from 1.5 billion cubic feet of gas per day to 4 billion cubic feet of gas per day. The expansion of the plant will include an additional LNG vessel berth, LNG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

CITY ECONOMY

The 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 2009, sales tax collections totaled \$ 7,043,240; a 2% increase from the previous year. Of the total sales tax revenue approximately \$4.6 million was allocated to the General Fund, and approximately \$ 2.4 million to the Economic Development Fund.



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 2009. Total taxable value for all residential and commercial property was approximately \$1.4 billion for fiscal year 2009; a 1% (\$15.4 million) increase from the previous year.



At 7.1% through November, 2009, the City's unemployment rate was below the state's and nation's rate of 7.9% and 9.4%, respectively.

MAJOR ISSUES AND INITIATIVES

2009 Downtown Revitalization. On June 17, 2009 the Lake Jackson Development Corporation (LJDC) voted to recommend funding for the revitalization of downtown. 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.

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

Industrial District Contract. The contract between the cities of Clute, Freeport, Lake Jackson and local industry signed in 2001, will expire in December 2010. In the current contract, the parties agreed to set a valuation floor so that a minimum, guaranteed payment would be received each year. The minimum floor value was set at \$ 3,157,815,210. During the term of the contract values reached a high of \$ 3,750,517,710 before decreasing to near the minimum with the recent economic downturn.

In calculating the payment to cities only a certain percentage of the total value was multiplied by the city's weighted tax rate. During the course of the contract this percentage increased from 32.5% to the current 50%. Preliminary communications regarding the negotiation of a new contract have been made and meetings should begin soon. In fiscal 2008 and 2009, the City received \$ 3,422,770 and \$ 3,962,165 respectfully from the industrial district.

Looking ahead.

The City is in the process of preparing an ordinance that will put a \$7 million bond proposal on the May, 2010 ballot. Because the debt repayment portion of the city's tax rate will decrease in fiscal year 2011 and fiscal year 2012, if these bonds are approved, they will not necessitate an increase in the tax rate. The proposal calls for \$ 3 million in bonds to be sold in 2010 and \$ 4 million in 2013. About \$ 2 million would 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 would be used to patch streets affected by last summer's drought, such as Lake Road and Medical Drive. The final \$ 4 million would pay for paving work on Magnolia, Laurel, and Gardenia streets to be completed. The bond also would pay for replacement streets at Chinaberry, Camellia from Winding Way to Yaupon Drive, and Vinca, Periwinkle, Lupine, Bluebonnet, Lantana, Hybiscus, Elm and Camellia courts.

Cresco Companies (a development group) has purchased the 980 acres on the north side of town that was formerly owned by the state of Texas as part of its prison system. The City is in the midst of working on new development procedures and ordinances to allow various tools such as a Tax Increment Reinvestment Zone to be utilized in developing this area and our other growth areas. The current conceptual plan for this area includes 2000 homes plus 825 multi-family units.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

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

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

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

DEBT ADMINISTRATION

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

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial Reporting to the City of Lake Jackson for its comprehensive annual financial report for the fiscal year ended September 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

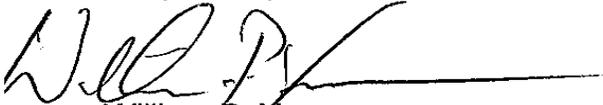
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable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

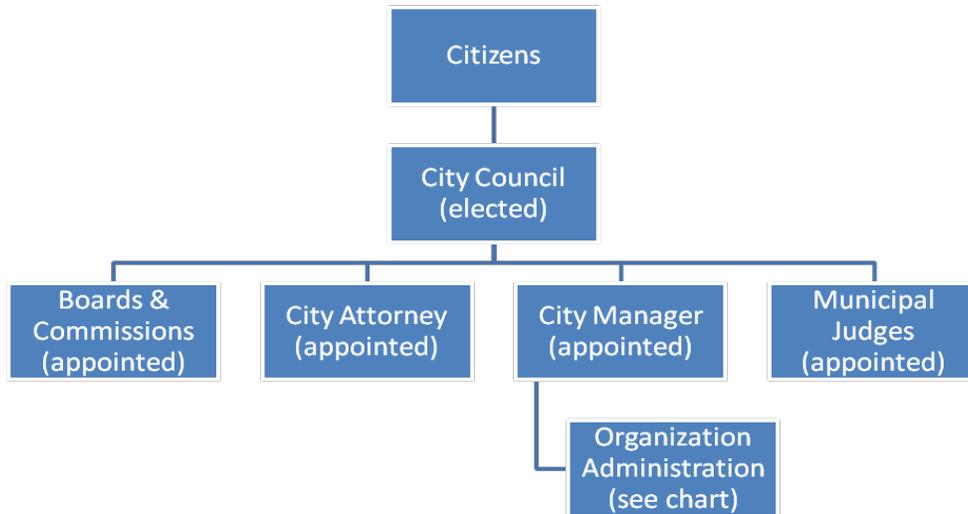


Junru Roland, CPFIM, CGFM, CGFO, CPA
Assistant Finance Director

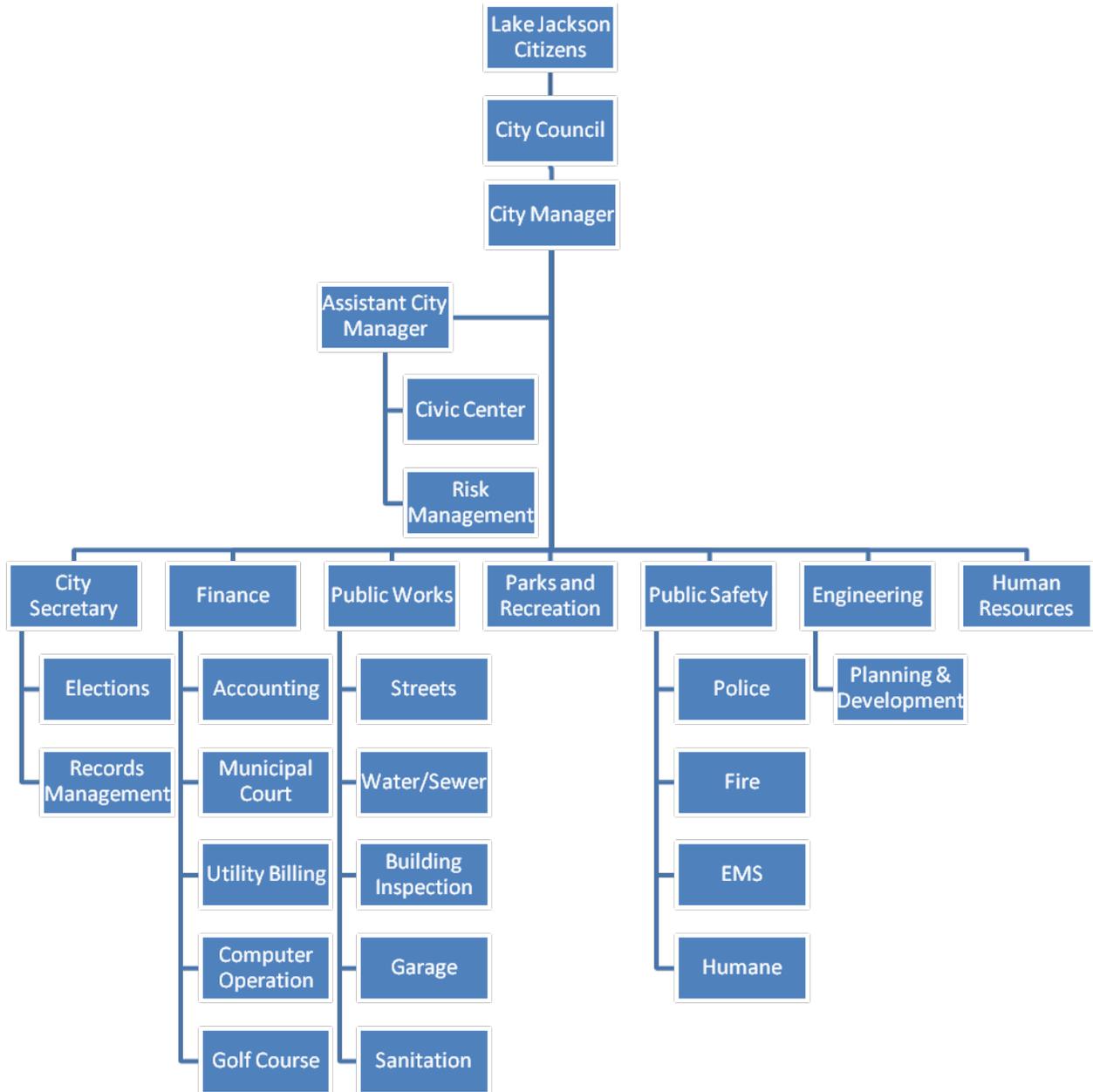
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City of Lake Jackson

Council-Manager Government



Organization Administration Chart



Elected Officials

Official	Title	Years of Service	Term Expires	Occupation
* Bob Sipple	Mayor	4	2010	VP of Sales
** Charlie Golden	Councilmember	1	2011	Retired
Bob Geter	Councilmember	4	2010	Insurance Agent
Gerald Roznovsky	Councilmember	5	2011	Manager
Will Brooks	Councilmember	2	2010	Inst. Lead/Designer
Vinay Singhania	Councilmember	4	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>30 years</i>
<i>Modesto Mundo</i>	<i>Asst. City Manager</i>	<i>15 years</i>
<i>Pam Eaves, CPA</i>	<i>Finance Director</i>	<i>20 years</i>
<i>Salvador Aguirre</i>	<i>City Engineer</i>	<i>31 years</i>
<i>Sherri Russell</i>	<i>City Attorney</i>	<i>3 years</i>
<i>First Southwest Company</i>	<i>Financial Advisors</i>	<i>5 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, 2008

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 3, 2010

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Jackson (the "City") as of and for the year ended September 30, 2009, 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, 2009, 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 3, 2010 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 3, 2010
Page 2

Required Supplementary Information

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

Combining and Individual Fund Statements and Schedules and Other Schedules

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

Introductory, Statistical and Continuing 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 & Hunford, LLC

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2009

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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii - xiv of this report.

Financial Highlights

- The assets of the City of Lake Jackson exceeded its liabilities at the close of the most recent fiscal year by \$ 78,622,268 (net assets). Of this amount, \$ 17,176,765 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors within the City's fund designation.
- As of the close of the current fiscal year, the City of Lake Jackson's governmental funds reported combined ending fund balances of \$ 19,370,396. 69.59% of this total amount, \$ 13,480,521 (unreserved fund balance) is available for use within the City's fund designation. Of this amount, \$ 7,725,795 has been designated for specific uses.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 9,290,235 or 55.23% of the total general fund expenditures.

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, 2009

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

The government-wide financial statements can be found on pages 15-17 of this report.

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

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

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

The City maintains twelve (12) 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 eight (8) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental funds financial statements can be found on pages 18-24 of this report.

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

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2009

The basic proprietary fund financial statements can be found on pages 26-31 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-70 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 74-126 of this report.

Other schedules can be found on pages 128-150 of this report following the combining statements. The statistical section can be found on pages 152-175 of this report following the other schedules. The federal awards section can be found on pages 180-187 of this report following the statistical section. The continuing financial disclosures can be found on pages 191-208 of this report following the federal awards section.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Lake Jackson, assets exceeded liabilities by \$ 78,622,268 as of September 30, 2009.

The largest portion of the City's net assets (66.32%) reflects its investments in capital assets (e.g., land, buildings, improvements, equipment, machinery, construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LAKE JACKSON'S NET ASSETS

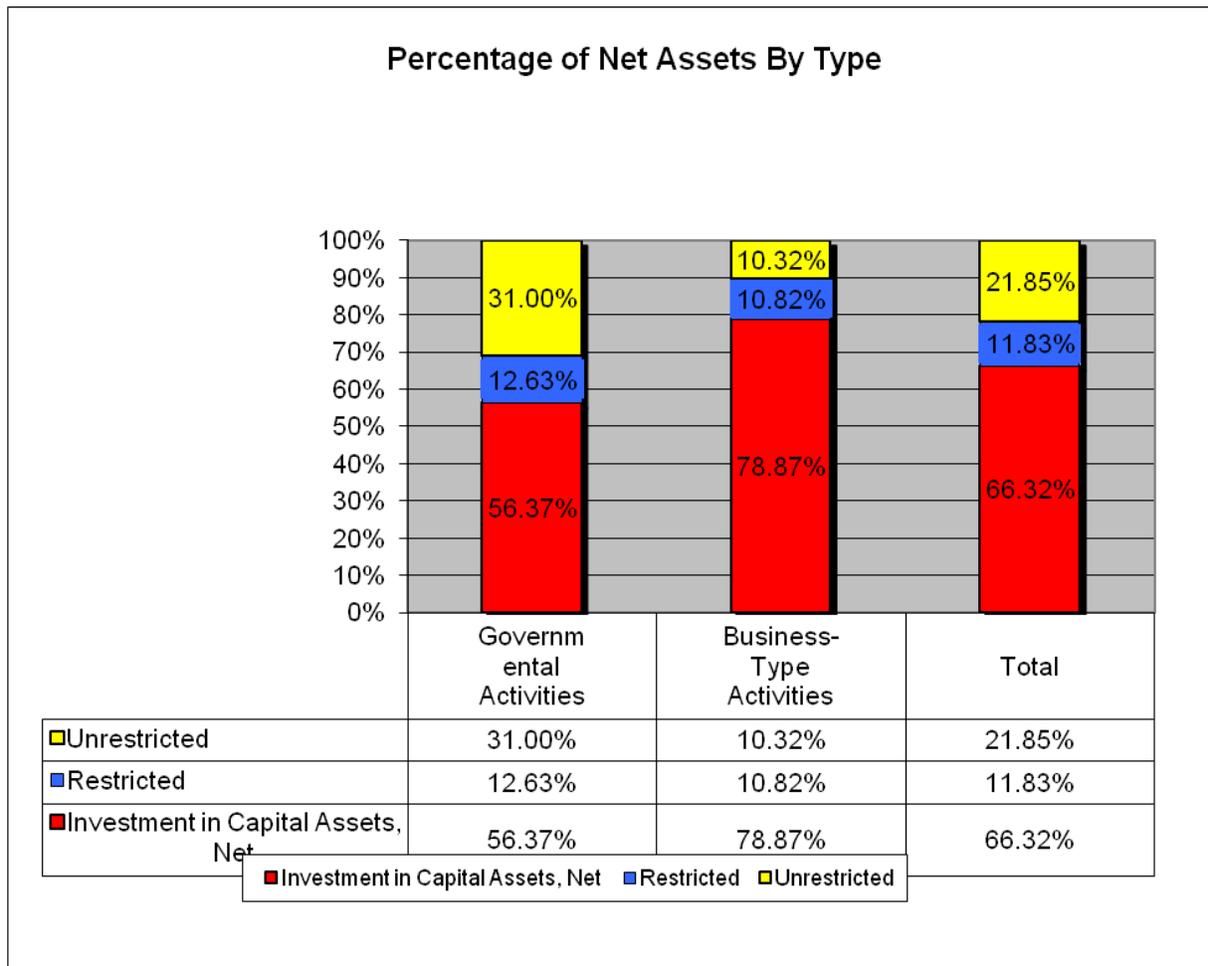
	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 22,212,013	\$ 22,605,690	\$ 9,312,159	\$ 9,540,226	\$ 31,524,172	\$ 32,145,916
Capital assets	<u>51,982,648</u>	<u>49,648,572</u>	<u>40,025,291</u>	<u>41,165,309</u>	<u>92,007,939</u>	<u>90,813,881</u>
Total assets	<u>74,194,661</u>	<u>72,254,262</u>	<u>49,337,450</u>	<u>50,705,535</u>	<u>123,532,111</u>	<u>122,959,797</u>
Long-term liabilities	28,262,377	27,947,164	13,568,549	14,532,078	41,530,926	42,479,242
Other liabilities	<u>2,082,620</u>	<u>2,746,821</u>	<u>1,296,297</u>	<u>1,127,377</u>	<u>3,378,917</u>	<u>3,874,198</u>
Total liabilities	<u>30,344,997</u>	<u>30,693,985</u>	<u>14,564,846</u>	<u>15,659,455</u>	<u>44,909,843</u>	<u>46,353,440</u>
Net Assets:						
Invest in capital assets, net of related debt	24,720,024	22,531,131	27,423,694	27,384,565	52,143,718	49,915,696
Restricted	5,539,740	6,127,672	3,762,045	4,433,305	9,301,785	10,560,977
Unrestricted	<u>13,589,900</u>	<u>12,901,474</u>	<u>3,586,865</u>	<u>3,228,210</u>	<u>17,176,765</u>	<u>16,129,684</u>
Total net assets	<u>\$ 43,849,664</u>	<u>\$ 41,560,277</u>	<u>\$ 34,772,604</u>	<u>\$ 35,046,080</u>	<u>\$ 78,622,268</u>	<u>\$ 76,606,357</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2009

An additional portion of the City's net assets of \$ 9,301,785 (11.83%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$ 17,176,765 (21.85%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2009, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories- governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a decrease of \$ 1,259,192 in restricted net assets and an increase of \$ 2,228,022 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 \$ 2,289,387. Part of the increase represents the degree to which increases in ongoing revenues have exceeded similar increases in ongoing expenses. The remainder of the increase in net assets reflects the increase in transfers in.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2009

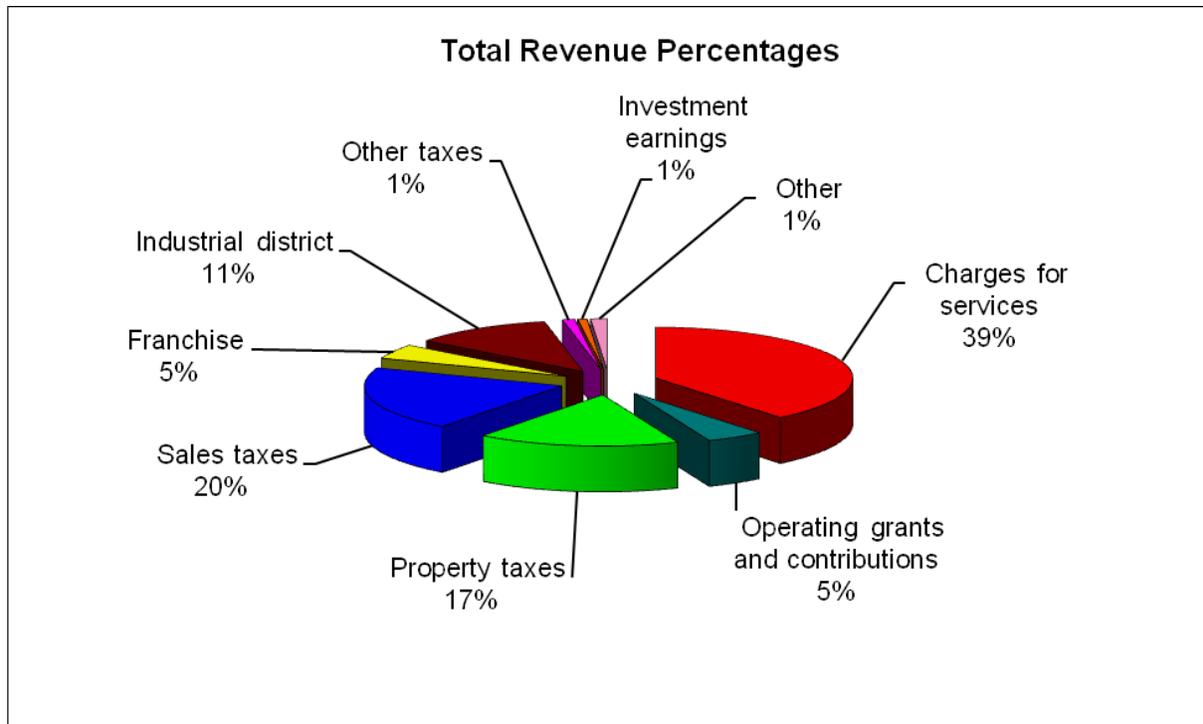
Total revenues for governmental activities increased from the previous year by \$ 1,506,648 (7.21%).

Program revenues increased by \$ 708,709. This is a result of an increase in operating and capital grants.

General revenues increased from last year by \$ 797,939. Key elements of this increase are as follows:

- Property taxes increased by \$ 318,877 (5.94%) from the prior year; primarily due to an increase in assessed value on property.
- Industrial District revenues increased \$ 539,395 (15.76%)--a result of the contractual rate increase in the percentage of value taxed.

Business-type Activities: Business activities decreased the City's net assets by \$(273,476) (or 0.78%). Total revenues increased and total expenses increased from the prior year by \$ 278,458 and \$ 594,740 respectively. Total revenues increased from the prior year, due to an increase in water/sewer rates and consumption. Also, rounds at the golf course increased, resulting in a 1.81% (\$ 33,197) increase in golf course revenue. Total expenses increased at a normal rate of about 5.31%. The major increases in 2009 expenses were maintenance and repairs, utilities, and depreciation.



CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2009

The following table provides a summary of the City's operations for the year ended September 30, 2009 with comparative tables for the year ended September 30, 2008.

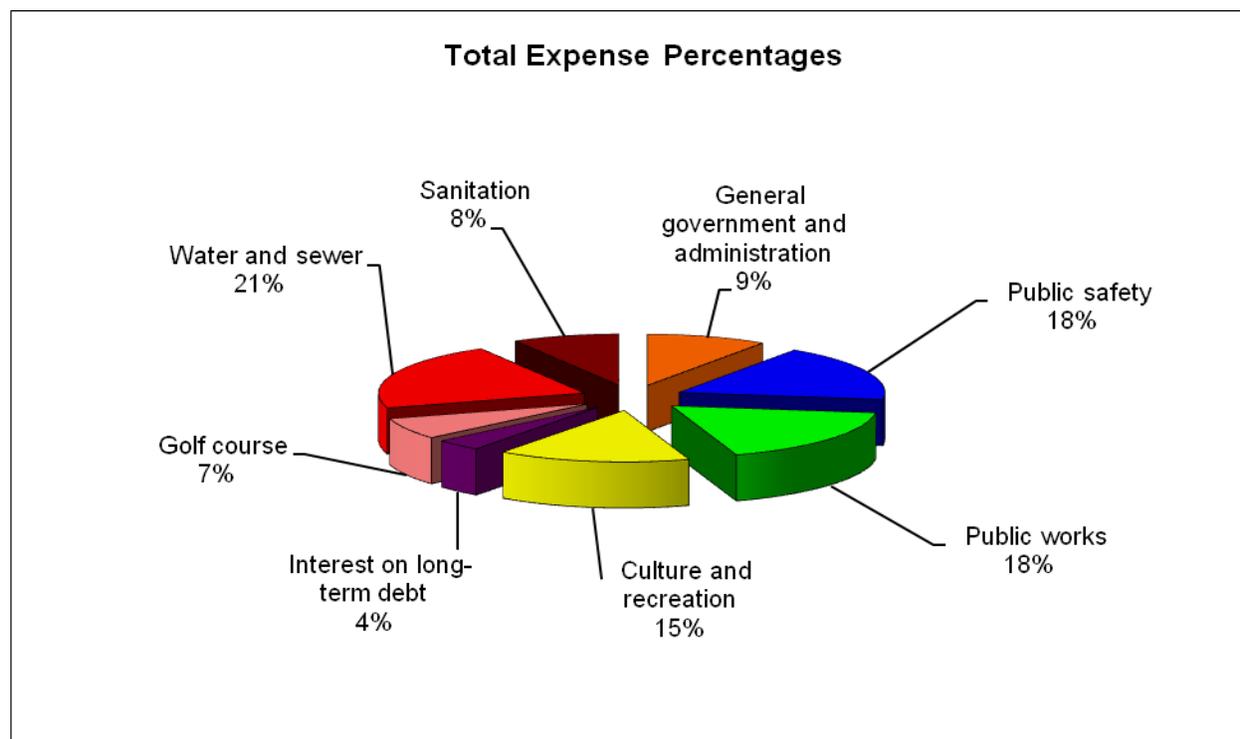
CITY OF LAKE JACKSON'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 1,564,606	\$ 1,677,247	\$ 11,912,249	\$ 11,497,253	\$ 13,476,855	\$ 13,174,500
Operating grants and contributions	1,566,242	744,892	53,182		1,619,424	744,892
Capital grants and contributions					-0-	-0-
General Revenues:						
Property taxes	5,685,508	5,366,631			5,685,508	5,366,631
Sales taxes	7,043,241	6,890,894			7,043,241	6,890,894
Franchise	1,586,698	1,525,195			1,586,698	1,525,195
Industrial district	3,962,165	3,422,770			3,962,165	3,422,770
Alcoholic beverages taxes	50,694	54,581			50,694	54,581
Criminal justice taxes	18,363	28,246			18,363	28,246
Apartment fee	60,847	62,442			60,847	62,442
Occupancy taxes	218,277	272,703			218,277	272,703
Investment earnings	193,207	656,899	74,621	264,341	267,828	921,240
Miscellaneous	139,279	182,791			139,279	182,791
Gain on disposition of capital assets	<u>325,310</u>	<u>22,498</u>			<u>325,310</u>	<u>22,498</u>
Total revenues	<u>22,414,437</u>	<u>20,907,789</u>	<u>12,040,052</u>	<u>11,761,594</u>	<u>34,454,489</u>	<u>32,669,383</u>
Expenses:						
General government and administration	3,075,201	2,894,285			3,075,201	2,894,285
Public safety	5,739,091	5,464,662			5,739,091	5,464,662
Public works	5,758,443	5,925,876			5,758,443	5,925,876
Culture and recreation	4,885,568	4,977,391			4,885,568	4,977,391
Interest on long-term debt	1,180,102	1,260,296			1,180,102	1,260,296
Golf course			2,167,996	2,017,199	2,167,996	2,017,199
Water and sewer			6,913,963	6,614,955	6,913,963	6,614,955
Sanitation			<u>2,718,214</u>	<u>2,573,279</u>	<u>2,718,214</u>	<u>2,573,279</u>
Total expenses	<u>20,638,405</u>	<u>20,522,510</u>	<u>11,800,173</u>	<u>11,205,433</u>	<u>32,438,578</u>	<u>31,727,943</u>
Increase (decrease) in net assets before transfers	1,776,032	385,279	239,879	556,161	2,015,911	941,440
Transfers and contributions	<u>513,355</u>	<u>707,506</u>	<u>(513,355)</u>	<u>(707,506)</u>	<u>-0-</u>	<u>-0-</u>

(continued)

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2009

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Increase (decrease) in net assets	\$ 2,289,387	\$ 1,092,785	\$(273,476)	\$(151,345)	\$ 2,015,911	\$ 941,440
Net assets, October 1 (restated)	<u>41,560,277</u>	<u>40,467,492</u>	<u>35,046,080</u>	<u>35,197,425</u>	<u>76,606,357</u>	<u>75,664,917</u>
Net assets, September 30	<u>\$ 43,849,664</u>	<u>\$ 41,560,277</u>	<u>\$ 34,772,604</u>	<u>\$ 35,046,080</u>	<u>\$ 78,622,268</u>	<u>\$ 76,606,357</u>



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City of Lake Jackson's governmental funds reported combined ending fund balances of \$ 19,370,396. 65.59% of this total amount (\$ 13,480,521) 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 (\$ 98,348), 2) for encumbrances (\$ 233,086), 3) to pay for debt service (\$ 719,637), and 4) for capital projects (\$ 4,838,804).

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2009

In the General Fund, the City originally budgeted for a fund balance increase of \$ 177,677. Due to actual revenues being more than budgeted and actual expenditures being less than budgeted, the actual fund balance change was an increase for fiscal year 2009 of \$ 1,264,144. This better than budget performance is due to several factors including (a) the recognition of grant funding and (b) the City's continued emphasis on expenditure control. It is the City's policy to transfer budget savings in the operating funds to the Capital Project Fund and/ or the Parks Fund. In fiscal year 2010, the City is transferring a budget-savings of \$ 900,000 from the General Fund to the Capital Projects Fund.

The Economic Development fund is used to account for revenue from the half-cent sales tax. In 2009, the half-cent sales tax revenue and investment income in the Economic Development fund was less than the budget but more than capital outlay and transfers. As a result, the Economic Development fund balance increased by \$ 163,758. The Debt Service fund balance increased by \$ 192,029 due to the refunding transactions. The Court/Emergency Operation Center/Brazos Oaks fund balance decreased by \$ 1,800,837 due to capital outlay expenditures.

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

Unrestricted net assets at September 30, 2009 amounted to \$ 3,586,865. Total net assets decreased \$ 273,476. In 2009, the reduction in net assets for proprietary funds was \$ 303,907 in the Enterprise Fund and a \$ 30,431 increase in the Golf Course Fund. Other factors concerning these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights. Intergovernmental revenues exceeded the budget by \$ 1,198,886 due to the recognition of grant funds related to Hurricane Ike. In addition, public works expenditures exceeded the budget by \$ 842,712; a result of expenditures in relation to Hurricane Ike.

Capital Assets

The City of Lake Jackson's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$ 92,007,939 (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 \$ 1,194,058. (\$ 2,334,076 increase for governmental activities and \$ 1,140,018 decrease in business-type activities).

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

- Street improvements totaling \$ 2,575,776.
- \$ 482,031 for the Downtown Revitalization Project; and
- \$ 803,956 for the construction of the Court/Emergency Operation Center.

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2009

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

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,359,934	\$ 2,359,934	\$ 3,821,585	\$ 3,821,585	\$ 6,181,519	\$ 6,181,519
Buildings	17,244,843	17,788,807	2,640,080	2,834,273	19,884,923	20,623,080
Improvements other than buildings	4,885,564	4,810,957	14,272,518	14,932,412	19,158,082	19,743,369
Furniture, equipment and vehicles	4,048,073	3,434,723	2,920,928	3,170,375	6,969,001	6,605,098
Infrastructure	17,620,678	19,385,171	15,444,397	15,780,141	33,065,075	35,165,312
Construction in progress	<u>5,823,556</u>	<u>1,868,980</u>	<u>925,783</u>	<u>626,523</u>	<u>6,749,339</u>	<u>2,495,503</u>
Total	<u>\$ 51,982,648</u>	<u>\$ 49,648,572</u>	<u>\$ 40,025,291</u>	<u>\$ 41,165,309</u>	<u>\$ 92,007,939</u>	<u>\$ 90,813,881</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 \$ 30,960,000. Of this amount, \$ 27,570,000 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 \$ 12,390,000 represents bonds secured by water and sewer revenues.

Outstanding Long-Term Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 2,160,000	\$ 5,690,000	\$	\$	\$ 2,160,000	\$ 5,690,000
Certificates of obligations	840,000	5,310,000			840,000	5,310,000
Limited tax bonds	24,570,000	16,430,000			24,570,000	16,430,000
Revenue bonds			<u>12,390,000</u>	<u>13,460,000</u>	<u>12,390,000</u>	<u>13,460,000</u>
Total	<u>\$ 27,570,000</u>	<u>\$ 27,430,000</u>	<u>\$ 12,390,000</u>	<u>\$ 13,460,000</u>	<u>\$ 39,960,000</u>	<u>\$ 40,890,000</u>

CITY OF LAKE JACKSON, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2009

During the fiscal year, the City's total bonded debt decreased \$ 930,000 or 2.27% 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 2009-10 Budget, General fund revenues and transfers-in are budgeted to decrease by 1.84% from 2008-09. This is primarily a result of a conservative approach to budgeting sales tax revenue; as the recession has affected the public's shopping habits.

Assessed Taxable Valuations increased approximately 3.7% over the preceding year.

The Utility Fund 2009-10 budget is 4.13% more than the proceeding year's budget. The base water rates for the 2009-10 budget year will increase from \$ 8.60/month to \$ 10.30/month; 10¢ will be added to the water rates for usage above the 2,000 gallon base bill and 25¢ per thousand gallons will be to water rates for usage above the 20,000 gallon base bill. This tier concept is recommended by TCEQ. The base sewer rates for the 2009-10 budget year will increase from \$ 9.60/month to \$ 10.30/month. In addition, 3¢ will be added to the sewer rates for usage above the 2,000 gallon base bill.

Request for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET ASSETS

September 30, 2009

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 18,920,029	\$ 3,464,533	\$ 22,384,562
Taxes receivable (net)	1,371,614		1,371,614
Due from other governments	707,338		707,338
Accounts receivable (net)	355,179	703,244	1,058,423
Investments	399,000		399,000
Inventories	98,348	115,056	213,404
Internal balances	(89,395)	89,395	-0-
Deferred expenses		2,501	2,501
Bond issuance costs (net)	449,900	304,051	753,951
Restricted Assets:			
Temporarily Restricted:			
Cash and cash equivalents		4,628,061	4,628,061
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	17,244,843	2,640,080	19,884,923
Improvements other than buildings	4,885,564	14,272,518	19,158,082
Furniture, equipment, and vehicles	4,048,073	2,920,928	6,969,001
Infrastructure	17,620,678	15,444,397	33,065,075
Construction in progress	<u>5,823,556</u>	<u>925,783</u>	<u>6,749,339</u>
Total assets	<u>74,194,661</u>	<u>49,337,450</u>	<u>123,532,111</u>
Liabilities:			
Accounts payable	1,456,334	482,943	1,939,277
Cash bonds and taxes	289,968		289,968
Accrued wages	277,252	111,565	388,817
Unearned revenue	59,066	124,180	183,246
Liabilities payable from restricted assets		1,264,267	1,264,267
Noncurrent liabilities:			
Due within one year	2,823,861	886,391	3,710,252
Due in more than one year	<u>25,438,516</u>	<u>11,695,500</u>	<u>37,134,016</u>
Total liabilities	<u>30,344,997</u>	<u>14,564,846</u>	<u>44,909,843</u>
Net Assets:			
Invested in capital assets, net of related debt	24,720,024	27,423,694	52,143,718
Restricted For:			
Debt service	700,936	1,906,975	2,607,911
Capital projects	4,838,804	1,855,070	6,693,874
Unrestricted	<u>13,589,900</u>	<u>3,586,865</u>	<u>17,176,765</u>
Total net assets	<u>\$ 43,849,664</u>	<u>\$ 34,772,604</u>	<u>\$ 78,622,268</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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 3,075,201	\$ 447,112	\$	\$
Public safety	5,739,091		21,064	
Public works	5,758,443	186,017	1,458,461	
Culture and recreation	4,885,568	931,477	86,717	
Interest on long-term debt	<u>1,180,102</u>			
Total governmental activities	<u>20,638,405</u>	<u>1,564,606</u>	<u>1,566,242</u>	<u>-0-</u>
Business-type Activities:				
Water and sewer	6,913,963	7,003,764	53,182	
Sanitation	2,718,214	3,038,754		
Golf course	<u>2,167,996</u>	<u>1,869,731</u>		
Total business-type activities	<u>11,800,173</u>	<u>11,912,249</u>	<u>53,182</u>	<u>-0-</u>
Total	<u>\$ 32,438,578</u>	<u>\$ 13,476,855</u>	<u>\$ 1,619,424</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

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
\$(2,628,089)	\$	\$(2,628,089)
(5,718,027)		(5,718,027)
(4,113,965)		(4,113,965)
(3,867,374)		(3,867,374)
<u>(1,180,102)</u>		<u>(1,180,102)</u>
<u>(17,507,557)</u>	<u>-0-</u>	<u>(17,507,557)</u>
	142,983	142,983
	320,540	320,540
	<u>(298,265)</u>	<u>(298,265)</u>
<u>-0-</u>	<u>165,258</u>	<u>165,258</u>
<u>(17,507,557)</u>	<u>165,258</u>	<u>(17,342,299)</u>
5,685,508		5,685,508
7,043,241		7,043,241
3,962,165		3,962,165
1,586,698		1,586,698
218,277		218,277
130,559		130,559
193,207	74,621	267,828
325,310		325,310
138,624		138,624
(41,851)	41,851	-0-
<u>555,206</u>	<u>(555,206)</u>	<u>-0-</u>
<u>19,796,944</u>	<u>(438,734)</u>	<u>19,358,210</u>
2,289,387	(273,476)	2,015,911
<u>41,560,277</u>	<u>35,046,080</u>	<u>76,606,357</u>
<u>\$ 43,849,664</u>	<u>\$ 34,772,604</u>	<u>\$ 78,622,268</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2009

	<u>General Fund</u>	<u>Economic Development</u>	<u>General Debt Service</u>	<u>Court/ Emergency Operations Center/ Brazos Oaks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and temporary investments	\$ 9,179,580	\$ 1,991,201	\$ 719,582	\$ 3,121,636	\$ 3,908,030	\$ 18,920,029
Receivables (Net of Allowance for Uncollectibles):						
Taxes	974,013	371,659	25,942			1,371,614
Accounts	56,974			24,605	26,095	107,674
Grants	443,258				264,080	707,338
Due from other funds	10,605				10,605	21,210
Investments	399,000					399,000
Inventories	<u>98,348</u>					<u>98,348</u>
Total assets	<u>\$ 11,161,778</u>	<u>\$ 2,362,860</u>	<u>\$ 745,524</u>	<u>\$ 3,146,241</u>	<u>\$ 4,208,810</u>	<u>\$ 21,625,213</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 878,118	\$ 127,914		\$ 401,768	\$ 48,534	\$ 1,456,334
Cash bonds and taxes	289,968					289,968
Accrued wages	277,252					277,252
Deferred revenue	94,771		25,887			120,658
Due to other funds		<u>100,000</u>			<u>10,605</u>	<u>110,605</u>
Total liabilities	<u>1,540,109</u>	<u>227,914</u>	<u>25,887</u>	<u>401,768</u>	<u>59,139</u>	<u>2,254,817</u>
Fund Balance:						
Reserved For:						
Inventory	98,348					98,348
Encumbrances	233,086					233,086
Debt service			719,637			719,637
Capital projects				2,744,473	2,094,331	4,838,804
Unreserved:						
Designated For:						
General fund	3,535,509					3,535,509
Special revenue funds		2,134,946			443,156	2,578,102
Capital projects fund					1,612,184	1,612,184
Undesignated	<u>5,754,726</u>					<u>5,754,726</u>
Total fund balances	<u>9,621,669</u>	<u>2,134,946</u>	<u>719,637</u>	<u>2,744,473</u>	<u>4,149,671</u>	<u>19,370,396</u>
Total liabilities and fund balances	<u>\$ 11,161,778</u>	<u>\$ 2,362,860</u>	<u>\$ 745,524</u>	<u>\$ 3,146,241</u>	<u>\$ 4,208,810</u>	<u>\$ 21,625,213</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, 2009

Total fund balances – governmental funds balance sheet	\$ 19,370,396
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 127,517,122 in assets less \$ 75,534,474 in accumulated depreciation.	51,982,648
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 35,705 and \$ 25,887, respectively.	61,592
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 \$ 667,004 net of allowance for uncollectible accounts of \$ 419,499 of the general fund amounted to \$ 247,505.	247,505
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 \$ 449,900 (issuance costs of \$ 622,557 less amortization of \$ 172,657).	449,900
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 \$ 7,441 (discount on sale of bonds of \$ 11,477 less amortization of \$ 4,036).	7,441
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 \$ 149,965 (premium on the sale of bonds of \$ 172,332 less amortization of \$ 22,367).	(149,965)
Payables for bond principal and other long-term debt are not reported in the funds.	(27,570,000)
Payables for bond interest are not reported in the funds.	(44,588)
Payables for long-term compensated absences.	(<u>505,265</u>)
Net assets of governmental activities – statement of net assets.	\$ <u>43,849,664</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, 2009

	<u>General</u>	<u>Economic Development</u>	<u>General Debt Service</u>	<u>Court/ Emergency Operations Center/ Brazos Oaks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property	\$ 3,393,969		\$ 2,278,184			\$ 5,672,153
Sales	4,634,553	2,408,688				7,043,241
Franchise	1,586,698					1,586,698
Occupancy					218,277	218,277
Other	129,904					129,904
Industrial district	3,962,165					3,962,165
Intergovernmental	1,198,886				367,356	1,566,242
Revenue producing facilities	931,477					931,477
Fines and fees	425,746					425,746
Licenses and permits	186,017					186,017
Special assessments					655	655
Investment income	84,471	20,500	15,978	35,863	34,712	191,524
Miscellaneous	<u>114,019</u>			<u>24,605</u>	<u>1,683</u>	<u>140,307</u>
Total revenues	<u>16,647,905</u>	<u>2,249,188</u>	<u>2,294,162</u>	<u>60,468</u>	<u>622,683</u>	<u>22,054,406</u>
Expenditures:						
Current:						
General government and administration	2,869,289				5,480	2,874,769
Public safety	5,189,939					5,189,939
Public works	3,377,038				302,391	3,679,429
Culture and recreation	3,895,922				206,286	4,102,208
Capital outlay	1,487,469	482,031		2,511,305	1,526,487	6,007,292
Debt Service:						
Principal retirement			1,370,000		890,000	2,260,000
Interest and fiscal charges			<u>751,203</u>		<u>522,637</u>	<u>1,273,840</u>
Total expenditures	<u>16,819,657</u>	<u>482,031</u>	<u>2,121,203</u>	<u>2,511,305</u>	<u>3,453,281</u>	<u>25,387,477</u>
Excess of revenues over (under) expenditures	<u>(171,752)</u>	<u>1,947,157</u>	<u>172,959</u>	<u>(2,450,837)</u>	<u>(2,830,598)</u>	<u>(3,333,071)</u>
Other Financing Sources (Uses):						
Issuance of bonds					2,400,000	2,400,000
Issuance of refunding bonds			3,012,065		3,832,935	6,845,000
Bond premium			39,297		105,256	144,553
Proceeds from sale of capital assets	353,541				33,317	386,858
Transfers in	1,531,876			650,000	1,426,422	3,608,298
Transfers out	<u>(449,521)</u>	<u>(1,783,399)</u>			<u>(820,172)</u>	<u>(3,053,092)</u>
Payment to bond refunding escrow agent			<u>(3,032,292)</u>		<u>(3,862,560)</u>	<u>(6,894,852)</u>
Total other financing sources (uses)	<u>1,435,896</u>	<u>(1,783,399)</u>	<u>19,070</u>	<u>650,000</u>	<u>3,115,198</u>	<u>3,436,765</u>
Net change in fund balances	1,264,144	163,758	192,029	(1,800,837)	284,600	103,694
Fund balances - beginning	<u>8,357,525</u>	<u>1,971,188</u>	<u>527,608</u>	<u>4,545,310</u>	<u>3,865,071</u>	<u>19,266,702</u>
Fund balances - ending	<u>\$ 9,621,669</u>	<u>\$ 2,134,946</u>	<u>\$ 719,637</u>	<u>\$ 2,744,473</u>	<u>\$ 4,149,671</u>	<u>\$ 19,370,396</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, 2009

Net change in fund balances – total governmental funds	\$ 103,694
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay of \$ 6,007,292 exceeded depreciation of \$ 3,569,817 in the current period.	2,437,475
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 \$ 5,970 and \$ 7,385, respectively.	13,355
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.	21,366
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 \$ 2,260,000.	2,260,000
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 \$ 9,245,000 for bonds, less \$ 6,845,000 paid to refunding bond escrow agent.	(2,400,000)
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 \$ 165,587 less current amortization of \$ 33,478.	132,109
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 \$ 144,553 less amortization of 7,835.	(136,718)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.	4,220
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.	(42,141)
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of assets disposed was \$ 103,399 (cost of \$ 391,417 less accumulated depreciation of \$ 288,018).	<u>(103,399)</u>
Change in net assets of governmental activities	<u>\$ 2,289,387</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, 2009

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,386,952	\$ 3,386,952
Sales	4,868,750	4,868,750
Franchise	1,581,355	1,581,355
Other	73,000	73,000
Industrial district	3,750,000	3,750,000
Intergovernmental		
Revenue producing facilities	900,650	900,650
Fines and fees	428,440	428,440
Licenses and permits	242,900	242,900
Investment income	237,785	237,785
Miscellaneous	107,800	107,800
Total revenues	<u>15,577,632</u>	<u>15,577,632</u>
Expenditures:		
Current:		
General government and administration	3,188,305	3,188,305
Public safety	5,432,966	5,432,966
Public works	3,011,585	3,011,585
Culture and recreation	4,070,825	4,070,825
Capital outlay	1,124,600	1,124,600
Total expenditures	<u>16,828,281</u>	<u>16,828,281</u>
Excess of revenues over (under) expenditures	<u>(1,250,649)</u>	<u>(1,250,649)</u>
Other Financing Sources (Uses):		
Proceeds from sale of capital assets		
Transfers in	1,428,326	1,428,326
Transfers out		
Total other financing sources (uses)	<u>1,428,326</u>	<u>1,428,326</u>
Net change in fund balance	177,677	177,677
Fund balances - balances	<u>8,357,525</u>	<u>8,357,525</u>
Fund balance - ending	<u>\$ 8,535,202</u>	<u>\$ 8,535,202</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)
\$ 3,393,969	\$	\$ 3,393,969	\$ 7,017
4,634,553		4,634,553	(234,197)
1,586,698		1,586,698	5,343
129,904		129,904	56,904
3,962,165		3,962,165	212,165
1,198,886		1,198,886	1,198,886
931,477		931,477	30,827
425,746		425,746	(2,694)
186,017		186,017	(56,883)
84,471		84,471	(153,314)
<u>114,019</u>		<u>114,019</u>	<u>6,219</u>
<u>16,647,905</u>	<u>-0-</u>	<u>16,647,905</u>	<u>1,070,273</u>
2,869,289	(10,617)	2,858,672	329,633
5,189,939	(70,827)	5,119,112	313,854
3,377,038	477,259	3,854,297	(842,712)
3,895,922	(6,381)	3,889,541	181,284
<u>1,487,469</u>	<u>(116,771)</u>	<u>1,370,698</u>	<u>(246,098)</u>
<u>16,819,657</u>	<u>272,663</u>	<u>17,092,320</u>	<u>(264,039)</u>
<u>(171,752)</u>	<u>(272,663)</u>	<u>(444,415)</u>	<u>806,234</u>
353,541		353,541	353,541
1,531,876		1,531,876	103,550
<u>(449,521)</u>		<u>(449,521)</u>	<u>(449,521)</u>
<u>1,435,896</u>	<u>-0-</u>	<u>1,435,896</u>	<u>7,570</u>
1,264,144	(272,663)	991,481	813,804
<u>8,357,525</u>		<u>8,357,525</u>	<u>-0-</u>
<u>\$ 9,621,669</u>	<u>\$(272,663)</u>	<u>\$ 9,349,006</u>	<u>\$ 813,804</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,481,395	\$ 2,481,395	\$ 2,408,688	\$ (72,707)
Investment income	50,185	50,185	20,500	(29,685)
Total revenues	<u>2,531,580</u>	<u>2,531,850</u>	<u>2,429,188</u>	<u>(102,392)</u>
Expenditures:				
Capital outlay	600,000	600,000	482,031	117,969
Total expenditures	<u>600,000</u>	<u>600,000</u>	<u>482,031</u>	<u>117,969</u>
Excess of revenues over (under) expenditures	<u>1,931,580</u>	<u>1,931,580</u>	<u>1,947,157</u>	<u>15,577</u>
Other Financing Sources (Uses):				
Transfers out	(1,794,239)	(1,794,239)	(1,783,399)	10,840
Total other financing sources (uses)	<u>(1,794,239)</u>	<u>(1,794,239)</u>	<u>(1,783,399)</u>	<u>10,840</u>
Net change in fund balance	137,341	137,341	163,758	26,417
Fund balances - beginning	<u>1,971,188</u>	<u>1,971,188</u>	<u>1,971,188</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 2,108,529</u>	<u>\$ 2,108,529</u>	<u>\$ 2,134,946</u>	<u>\$ 26,417</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, 2009

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Assets</u>			
Current Assets:			
Cash and temporary investments	\$ 3,227,322	\$ 237,211	\$ 3,464,533
Receivables (Net of Allowance for Uncollectibles):			
Accounts	672,278	30,966	703,244
Due from other funds		100,000	100,000
Inventory		115,056	115,056
Prepaid expenses		2,501	2,501
	<u>3,899,600</u>	<u>485,734</u>	<u>4,385,334</u>
Current Restricted Assets:			
Restricted Assets:			
Cash and temporary investments	3,091,241	52,900	3,144,141
Due from other governments	5,318		5,318
Total current restricted assets	<u>3,096,559</u>	<u>52,900</u>	<u>3,149,459</u>
Total current assets	<u>6,996,159</u>	<u>538,634</u>	<u>7,534,793</u>
Noncurrent Assets:			
Restricted Cash and Temporary Investments:			
Revenue bond covenant accounts	1,483,920		1,483,920
Total noncurrent restricted assets	<u>1,483,920</u>	<u>-0-</u>	<u>1,483,920</u>
Deferred charges	304,051		304,051
Capital Assets:			
Property, plant and equipment	56,441,341	9,258,101	65,699,442
Construction in progress	925,783		925,783
Less accumulated depreciation	(25,031,459)	(1,568,475)	(26,599,934)
Total capital assets (net of accumulated depreciation)	<u>32,335,665</u>	<u>7,689,626</u>	<u>40,025,291</u>
Total noncurrent assets	<u>34,123,636</u>	<u>7,689,626</u>	<u>41,813,262</u>
Total assets	<u>41,119,795</u>	<u>8,228,260</u>	<u>49,348,055</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - Continued

September 30, 2009

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 443,241	\$ 39,702	\$ 482,943
Accrued wages	74,741	36,824	111,565
Accrued compensated absences	122,076		122,076
Deferred revenue		124,180	124,180
Revenue bonds payable	624,167		624,167
Capital leases payable – current		140,148	140,148
Due to other funds		10,605	10,605
	1,264,225	351,459	1,615,684
Current Liabilities Payable from Restricted Assets:			
Accounts payable	20,503		20,503
Accrued interest	240,825		240,825
Customer deposits	557,106		557,106
Revenue bonds payable	445,833		445,833
	1,264,267	-0-	1,264,267
Total current liabilities payable from restricted assets			
Total current liabilities	2,528,492	351,459	2,879,951
Noncurrent Liabilities:			
Revenue bonds payable (net of unamortized discounts)	11,320,000		11,320,000
Capital leases payable		375,500	375,500
	11,320,000	375,500	11,695,500
Total noncurrent liabilities			
Total liabilities	13,848,492	726,959	14,575,451
Net Assets:			
Invested in capital assets, net of related debt	20,249,716	7,173,978	27,423,694
Restricted For:			
Revenue bond retirement	1,906,975		1,906,975
Construction	1,855,070		1,855,070
Unrestricted	3,259,542	327,323	3,586,865
	27,271,303	7,501,301	34,772,604
Total net assets			

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, 2009

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Operating Revenues:			
Water service	\$ 3,306,523	\$	\$ 3,306,523
Sewer service	3,405,033		3,405,033
Garbage fees	3,038,754		3,038,754
Tapping and connection fees	213,410		213,410
Operating grant revenue	53,182		53,182
Golf course fees and charges		1,865,150	1,865,150
Other	78,798	4,581	83,379
Total operating revenues	10,095,700	1,869,731	11,965,431
Operating Expenses:			
Utility administration	371,551		371,551
Water production and treatment	2,318,046		2,318,046
Sewer collection	2,002,435		2,002,435
Sanitation	2,347,918		2,347,918
Golf course		1,774,832	1,774,832
Depreciation	1,964,021	393,164	2,357,185
Total operating expenses	9,003,971	2,167,996	11,171,967
Operating income (loss)	1,091,729	(298,265)	793,464
Non-Operating Revenues (Expenses):			
Interest revenue	74,621		74,621
Gain (loss) on disposition of capital assets	(34,045)		(34,045)
Interest expense and fiscal charges	(579,560)	(14,601)	(594,161)
Total non-operating revenues (expenses)	(538,984)	(14,601)	(553,585)
Income (loss) before contributions and transfers	552,745	(312,866)	239,879
Capital contributions	41,851		41,851
Transfers in	256,823	353,902	610,725
Transfers out	(1,155,326)	(10,605)	(1,165,931)
Change in net assets	(303,907)	30,431	(273,476)
Net assets at beginning of year	27,575,210	7,470,870	35,046,080
Net assets at end of year	\$ 27,271,303	\$ 7,501,301	\$ 34,772,604

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, 2009

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 10,459,805	\$ 1,892,856	\$ 12,352,661
Payments to suppliers	(4,093,736)	(945,457)	(5,039,193)
Payments to employees	(2,841,561)	(827,375)	(3,668,936)
Payments to other funds		(304,575)	(304,575)
Net cash provided (used) by operating activities	<u>3,524,508</u>	<u>(184,551)</u>	<u>3,339,957</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	256,823	353,902	610,725
Transfers out	<u>(1,155,326)</u>	<u>(10,605)</u>	<u>(1,165,931)</u>
Net cash provided (used) by non-capital financing activities	<u>(898,503)</u>	<u>343,297</u>	<u>(555,206)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(1,158,259)	(51,102)	(1,209,361)
Principal paid on capital debt	(1,070,000)	(137,369)	(1,207,369)
Interest and fiscal charges paid on capital debt	<u>(845,340)</u>	<u>(14,601)</u>	<u>(859,941)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,073,599)</u>	<u>(203,072)</u>	<u>(3,276,671)</u>
Cash Flows from Investing Activities:			
Interest received	<u>74,621</u>		<u>74,621</u>
Net cash provided (used) by investing activities	<u>74,621</u>	<u>-0-</u>	<u>74,621</u>
Net increase (decrease) in cash and cash equivalents	(372,973)	(44,326)	(417,299)
Cash and cash equivalents at the beginning of year	<u>8,175,456</u>	<u>334,437</u>	<u>8,509,893</u>
Cash and cash equivalents at the end of year	<u>\$ 7,802,483</u>	<u>\$ 290,111</u>	<u>\$ 8,092,594</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2009

	Business-Type Activities		
	Enterprise	Golf Course Operating	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,091,729	\$(298,265)	\$ 793,464
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,964,021	393,164	2,357,185
(Increase) decrease in accounts receivable	66,956	11,847	78,803
(Increase) decrease in accounts receivable		(100,000)	(100,000)
(Increase) decrease in inventory		(1,644)	(1,644)
(Increase) decrease in prepaid expenses		9,962	9,962
Increase (decrease) in accounts payable	66,939	(15,485)	51,454
Increase (decrease) in accrued wages payable	32,961	9,167	42,128
Increase (decrease) in accrued compensated absences	4,753		4,753
Increase (decrease) in deferred revenue		11,278	11,278
Increase (decrease) in customer deposits	297,149		297,149
Increase (decrease) in due to other funds		(204,575)	(204,575)
	2,432,779	113,714	2,546,493
Net cash provided (used) by operating activities	\$ 3,524,508	\$(184,551)	\$ 3,339,957
Non-cash Investing, Capital, and Financing Activities:			
Contribution of capital assets from other governments	\$ 41,851	\$	\$ 41,851
Net effect of non-cash transactions	\$ 41,851	\$ -0-	\$ 41,851

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, 2009

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CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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, 2009

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, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

The City has presented the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," was issued June 2004. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is effective for periods beginning after December 15, 2008. The statement was implemented and did not have a material impact on the City's financial statements.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

GASB No. 51, "Accounting and Financial Reporting for Intangible Assets", was issued June 2007. This statement provides guidance for financial reporting of intangible assets for all state and local governments. This statement is effective for periods beginning after June 15, 2009. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City.

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

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

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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Budgetary Data

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

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

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

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

Governmental Fund Types:

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

Proprietary Fund Type:

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

The following reconciles the differences between the legally enacted budget basis and the GAAP basis of accounting for the year ended September 30, 2009:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - Continued

Governmental Fund Types:

	<u>General Fund</u>
Excess of revenues over (under) expenditures - GAAP basis	\$(171,752)
Adjustments of accrued wages	(389,434)
Adjustments of encumbrances	<u>116,771</u>
Excess of revenues over (under) expenditures - on budget basis	<u>\$(444,415)</u>

Proprietary Fund Types:

	<u>Enterprise Fund</u>
Change in net assets - GAAP basis	\$(303,907)
Provisions for Current Adjustments To:	
Accrued absences and accrued wages	37,714
Depreciation	1,964,021
Amortization of bond issuance costs	<u>28,222</u>
Change in net assets - budgetary basis	<u>\$ 1,726,050</u>
	<u>Golf Course Operating Fund</u>
Change in net assets - GAAP basis	\$ 30,431
Provisions for Current Adjustments To:	
Accrued wages	9,167
Depreciation	<u>393,164</u>
Change in net assets - budgetary basis	<u>\$ 432,762</u>

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. At September 30, 2009, the General Fund reported \$ 233,086 in encumbrances.

Cash and Cash Equivalents

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Continued

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

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

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

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

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

Interfund Receivables, Payables and Transfers

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

Capital Assets

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. No interest was capitalized during the year ended September 30, 2009.

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

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

Property Taxes

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

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

The assessed value of the property tax roll on August 1, 2008, upon which the levy for the 2008-09 fiscal year was based, was \$ 1,407,062,145. 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, 2009, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.2332 and \$ 0.1568 per \$ 100 valuation, respectively, for a total of \$ 0.3900 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2009 were 99.86% 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, 2009, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 35,650 and \$ 25,942 for the general and debt service funds, respectively.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

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

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

The estimated liabilities include required salary related payments. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable. As of September 30, 2009, there is no maturing compensated absences payable in the General Fund. Accrued compensated absences reported in the Enterprise Fund at September 30, 2009 totaled \$ 122,076.

Pension Plans

It is the policy of the City to fund pension costs annually. In the fiscal year ended September 30, 1999, the City implemented GASB Statement 27, Accounting for Pensions by State and Local Governmental Employers, which standardizes financial reporting for pensions by state and local governmental employers for the Emergency Services Personnel Retirement Fund (the Fund) upon the Fund's adoption of GASB 25. For fiscal year ended September 30, 1998, the City implemented GASB Statement 27 for the Texas Municipal Retirement System (TMRS). At the date of transition and implementation of GASB Statement 27, there was no pension liability or pension asset (see Note 8).

Inventories

The City employs the consumption method of accounting for inventory. Inventories are valued at cost using the first-in first-out method. Purchases are recorded at cost as inventory when purchased, and then charged out as expenditures when used. The reserve for inventory has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Inventory at September 30, 2009 consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Supplies	\$ 55,098	\$
Supplies held for resale	<u>43,250</u>	<u>115,056</u>
	<u>\$ 98,348</u>	<u>\$ 115,056</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations

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

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

Fund Equity

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

Net Assets

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

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased it has maturity of three months or less. Cash and temporary investments, and investments, as reported on the government-wide Statement of Net Assets at September 30, 2009, are as follows:

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 9,800	\$	\$ 9,800
Financial Institution Deposits:			
Demand deposits	6,090,046	1,236,614	7,326,660
Local Government Investment Pools:			
Texpool	7,927,996	1,767,163	9,695,159
Lone Star Investment Pool	2,370,578	460,766	2,831,344
TexSTAR	<u>5,986,142</u>	<u>1,163,518</u>	<u>7,149,660</u>
	<u>\$ 22,384,562</u>	<u>\$ 4,628,061</u>	<u>\$ 27,012,623</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, 2009, in addition to petty cash of \$ 9,800, the carrying amount of the City's cash, savings, and time deposits was \$ 7,725,660. The financial institutions balances were \$ 7,783,513 at September 30, 2009. Bank balances of \$ 668,075 were covered by federal depository insurance, \$ 500,000 was covered by SIPC coverage, \$ 4,337,850 was covered by collateral pledged in the City's name, and \$ 2,277,588 was covered by commercial insurance. The pledged collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

Investments

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes 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.

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

The City invests in TexPool, Lone Star Investment Pool, and TexSTAR to provide its liquidity needs. TexPool, Lone Star Investment Pool, and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Lone Star Investment Pool, and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool, Lone Star Investment Pool, and TexSTAR are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2009 TexPool, Lone Star investment Pool, and TexSTAR, had a weighted average maturity of 48 days, 52 days, and 49 days, respectively. Although TexPool, Lone Star Investment Pool, and TexSTAR portfolios had a weighted average maturity of 48 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, 2009.

	<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	\$ 9,695,159
Lone Star Investment Pool	N/A	Varies daily	1.00	2,831,344
TexSTAR	N/A	Varies daily	<u>1.00</u>	<u>7,149,660</u>
Total local government investment pools			<u>0.98</u>	<u>19,676,163</u>
Certificate of deposit	06-21-10	1.70%	234.00	100,000
Certificate of deposit	02-13-10	1.61%	136.00	99,000
Certificate of deposit	02-04-10	2.35%	127.00	100,000
Certificate of deposit	02-28-10	2.56%	<u>151.00</u>	<u>100,000</u>
Total certificates of deposit			<u>162.07</u>	<u>399,000</u>
Total investments			<u>4.20</u>	<u>\$ 20,075,163</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

Credit Risk - As of September 30, 2009, the LGIP's (which represent approximately 98.01% of the portfolio are rated AAAM by Standard and Poor's, while the certificates of deposits (1.99% 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, 2009, and holds no direct investments in derivatives at September 30, 2009.

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, 2009, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 35,705	\$
Delinquent property taxes receivable (debt service fund)	25,887	
Recreation memberships and deposits	<u> </u>	<u>59,066</u>
Total deferred/unearned revenue from governmental funds	\$ <u>61,592</u>	\$ <u>59,066</u>

As of September 30, 2009, the components of unearned revenue reported in the proprietary funds were as follows:

	<u>Unearned</u>
Service deposits	\$ <u>124,180</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at September 30, 2009 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>10,605</u>	\$ _____
Economic Development:		
Golf Course	_____	<u>100,000</u>
Golf Course Debt Service:		
General Fund		10,605
Golf Course	<u>10,605</u>	_____
Total Golf Course Debt Service	<u>10,605</u>	<u>10,605</u>
Proprietary Funds:		
Golf Course:		
Economic Development	100,000	
Golf Course Debt Service	_____	<u>10,605</u>
Total Proprietary Funds	<u>100,000</u>	<u>10,605</u>
Total	<u>\$ 121,210</u>	<u>\$ 121,210</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, 2009 consisted of the following individual fund transfers in and transfers out:

	<u>Transfers In</u>					
	<u>Governmental Funds</u>			<u>Proprietary Funds</u>		
<u>Transfers Out</u>	General Fund	Court/ Emergency Operations Center/ Brazos Oaks Construction	Non-major Governmental Funds	Enterprise Fund	Golf Course Fund	<u>Total</u>
Governmental Funds:						
General Fund	\$ _____	\$ _____	\$ _____	\$ 240,306	\$ 209,215	\$ 449,521
Economic development	350,000		1,333,399		100,000	1,783,399
Non-major governmental	26,550	650,000	82,418	16,517	44,687	820,172
Proprietary Funds:						
Enterprise	1,155,326					1,155,326
Golf Course	_____		<u>10,605</u>			<u>10,605</u>
	<u>\$ 1,531,876</u>	<u>\$ 650,000</u>	<u>\$ 1,426,422</u>	<u>\$ 256,823</u>	<u>\$ 353,902</u>	<u>\$ 4,219,023</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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, 2009, was as follows:

	<u>Balance</u> <u>10/01/08</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/09</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,359,934	\$	\$	\$ 2,359,934
Construction in progress	<u>1,868,980</u>	<u>4,581,027</u>	<u>626,451</u>	<u>5,823,556</u>
Total capital assets, not being depreciated	<u>4,228,914</u>	<u>4,581,027</u>	<u>626,451</u>	<u>8,183,490</u>
Capital Assets, Being Depreciated:				
Buildings	26,202,247			26,202,247
Improvements	10,737,054	547,772		11,284,826
Equipment	9,696,190	1,373,289	391,417	10,678,062
Infrastructure	<u>71,036,842</u>	<u>131,655</u>		<u>71,168,497</u>
Total capital assets, being depreciated	<u>117,672,333</u>	<u>2,052,716</u>	<u>391,417</u>	<u>119,333,632</u>
Less Accumulated Depreciation For:				
Buildings	8,413,440	543,964		8,957,404
Improvements	5,926,097	473,165		6,399,262
Equipment	6,261,467	656,540	288,018	6,629,989
Infrastructure	<u>51,651,671</u>	<u>1,896,148</u>		<u>53,547,819</u>
Total accumulated depreciation	<u>72,252,675</u>	<u>3,569,817</u>	<u>288,018</u>	<u>75,534,474</u>
Total capital assets, being depreciated, net	<u>45,419,658</u>	<u>(1,517,101)</u>	<u>103,399</u>	<u>43,799,158</u>
Governmental activities capital assets, net	<u>\$ 49,648,572</u>	<u>\$ 3,063,926</u>	<u>\$ 729,850</u>	<u>\$ 51,982,648</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/08</u>	<u>Additions</u>	<u>Retirements</u> <u>& Transfers</u>	<u>Balance</u> <u>09/30/09</u>
Business-type Activities (Utility Fund):				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ <u>626,523</u>	\$ <u>444,110</u>	\$ <u>144,850</u>	\$ <u>925,783</u>
Total capital assets, not being depreciated	<u>626,523</u>	<u>444,110</u>	<u>144,850</u>	<u>925,783</u>
Capital Assets, Being Depreciated:				
Buildings	5,399,947			5,399,947
Improvements other than buildings	26,201,495	138,084		26,339,579
Equipment	5,325,627	417,151	99,643	5,643,135
Infrastructure	<u>18,710,864</u>	<u>347,816</u>		<u>19,058,680</u>
Total capital assets, being depreciated	<u>55,637,933</u>	<u>903,051</u>	<u>99,643</u>	<u>56,441,341</u>
Less Accumulated Depreciation:				
Buildings	3,510,754	132,534		3,643,288
Improvements other than buildings	13,589,884	691,611		14,281,495
Equipment	3,099,474	456,316	63,397	3,492,393
Infrastructure	<u>2,930,723</u>	<u>683,560</u>		<u>3,614,283</u>
Total accumulated depreciation	<u>23,130,835</u>	<u>1,964,021</u>	<u>63,397</u>	<u>25,031,459</u>
Total capital assets, being depreciated, net	<u>32,507,098</u>	<u>(1,060,970)</u>	<u>36,246</u>	<u>31,409,882</u>
Business-type activities capital assets, net	\$ <u>33,133,621</u>	\$ <u>(616,860)</u>	\$ <u>181,096</u>	\$ <u>32,335,665</u>
	<u>Balance</u> <u>10/01/08</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/09</u>
Business-type Activities (Golf Course Fund):				
Capital Assets, Not Being Depreciated:				
Land	\$ <u>3,821,585</u>	\$ _____	\$ _____	\$ <u>3,821,585</u>
Total capital assets, not being depreciated	<u>3,821,585</u>	<u>-0-</u>	<u>-0-</u>	<u>3,821,585</u>
Capital Assets, Being Depreciated:				
Buildings	1,222,546			1,222,546
Improvements other than buildings	2,993,723	44,687		3,038,410
Equipment	<u>1,169,145</u>	<u>6,415</u>		<u>1,175,560</u>
Total capital assets, being depreciated	<u>5,385,414</u>	<u>51,102</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, 2009

NOTE 5 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/08</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/09</u>
Less Accumulated Depreciation:				
Buildings	\$ 277,466	\$ 61,659	\$	\$ 339,125
Improvements other than buildings	672,922	151,054		823,976
Equipment	<u>224,923</u>	<u>180,451</u>		<u>405,374</u>
Total accumulated depreciation	<u>1,175,311</u>	<u>393,164</u>	<u>-0-</u>	<u>1,568,475</u>
Total capital assets, being depreciated, net	<u>4,210,103</u>	<u>(342,062)</u>	<u>-0-</u>	<u>3,868,041</u>
Business-type activities capital assets, net	<u>\$ 8,031,688</u>	<u>\$ (342,062)</u>	<u>\$ -0-</u>	<u>\$ 7,689,626</u>
	<u>Balance</u> <u>10/01/08</u>	<u>Adjustments/</u> <u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/09</u>
Business-type Activities (Combined):				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,821,585	\$	\$	\$ 3,821,585
Construction in progress	<u>626,523</u>	<u>444,110</u>	<u>144,850</u>	<u>925,783</u>
Total capital assets, not being depreciated	<u>4,448,108</u>	<u>444,110</u>	<u>144,850</u>	<u>4,747,368</u>
Capital Assets, Being Depreciated:				
Buildings	6,622,493			6,622,493
Improvements other than buildings	29,195,218	182,771		29,377,989
Equipment	6,494,772	423,586	99,643	6,818,695
Infrastructure	<u>18,710,864</u>	<u>347,816</u>		<u>19,058,680</u>
Total capital assets, being depreciated	<u>61,023,347</u>	<u>954,153</u>	<u>99,643</u>	<u>61,877,857</u>
Less Accumulated Depreciation:				
Buildings	3,788,220	194,193		3,982,413
Improvements other than buildings	14,262,806	842,665		15,105,471
Equipment	3,324,397	636,767	63,397	3,897,767
Infrastructure	<u>2,930,723</u>	<u>683,560</u>		<u>3,614,283</u>
Total accumulated depreciation	<u>24,306,146</u>	<u>2,357,185</u>	<u>63,397</u>	<u>26,599,934</u>
Total capital assets, being depreciated, net	<u>36,717,201</u>	<u>(1,403,032)</u>	<u>36,246</u>	<u>35,277,923</u>
Business-type activities capital assets, net	<u>\$ 41,165,309</u>	<u>\$ (958,922)</u>	<u>\$ 181,096</u>	<u>\$ 40,025,291</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 5 - CAPITAL ASSETS - Continued

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

Governmental Activities:

General government	\$ 179,705
Public safety	535,121
Public works, including depreciation of infrastructure	2,072,645
Culture and recreation	<u>782,346</u>

Total depreciation expense-governmental activities \$ 3,569,817

Business-type Activities:

Water and sewer	\$ 1,724,547
Sanitation	239,474
Golf course	<u>393,164</u>

Total depreciation expense-business-type activities \$ 2,357,185

Governmental Fund Construction Commitments

The City has entered into contracts for construction as of September 30, 2009, as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Court and EOC	\$ 2,949,935	\$ 586,263	\$ 2,363,672
Court Renovation	281,250	237,656	43,594
Brazos Oaks Subdivision	1,769,786	1,514,012	255,774
Brazos Oaks Phase 2	1,458,691	877,328	581,363
Downtown Masterplan	<u>6,005,200</u>	<u>479,173</u>	<u>5,526,027</u>
 Total	 <u>\$ 12,464,862</u>	 <u>\$ 3,694,432</u>	 <u>\$ 8,770,430</u>

Proprietary Fund Construction Commitments

The City has entered into contracts for construction as of September 30, 2009, as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Utility Relocate 2009	\$ 743,428	\$ 205,027	\$ 538,401
Lift Station #35 Rehabilitation	<u>120,861</u>	<u>120,365</u>	<u>496</u>
 Total	 <u>\$ 864,289</u>	 <u>\$ 325,392</u>	 <u>\$ 538,897</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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	\$ 25,089
Debt Service Fund	<u>15,063</u>
Total	<u>\$ 40,152</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, 2009 was \$ 49,209.

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, 2009.

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, 2009 was \$ 419,499.

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, 2009

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, 2009

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.

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2009, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/09
		Issued	Maturity	Callable	
General Obligation	4.10 -				
Bond - Series 2001	6.00	2001	2021	2011	\$ 2,160,000
Limited Tax	4.00 -				
Bond - Series 2002	5.00	2002	2023	2013	4,705,000
Limited Tax	2.75 -				
Bond - Series 2002A	4.50	2002	2022	2013	2,340,000
Limited Tax Refunding	2.50 -				
Bond - Series 2003	3.50	2003	2013	N/A	760,000
Certificates of Obligation	2.50 -				
Series 2003	4.55	2003	2023	2012	840,000
Limited Tax Bond	3.30 -				
Series 2004	4.20	2004	2024	2013	2,700,000
Limited Tax Bond	3.875 -				
Series 2007	4.00	2007	2027	2017	4,820,000
Limited Tax Bond	3.75 -				
Series 2009	5.250	2009	2029		2,400,000
Limited Tax Refunding	3.875 -				
Series 2009	4.00	2009	2019		<u>6,845,000</u>
 Total					 <u>\$ 27,570,000</u>

General obligation bond transactions for the year ended September 30, 2009 were as follows:

Bonds outstanding, October 1	\$ 27,430,000
Issued	9,245,000
Maturities	<u>(9,105,000)</u>
Bonds outstanding, September 30	<u>\$ 27,570,000</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds\Certificates of Obligation - Continued

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, 2009, the amount of ad valorem taxes collected for interest and sinking was \$ 2,278,184. The debt service requirements for principal and interest was \$ 3,533,840. In addition, \$ 1,344,004 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, 2009:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 2,530,000	\$ 1,039,774	\$ 3,569,774
2011	2,365,000	951,643	3,316,643
2012	2,360,000	865,805	3,225,805
2013	2,350,000	780,078	3,130,078
2014	1,965,000	700,245	2,665,245
2015-2019	8,960,000	2,391,790	11,351,790
2020-2024	6,030,000	869,765	6,899,765
2025-2029	<u>1,010,000</u>	<u>62,480</u>	<u>1,072,480</u>
Total	<u>\$ 27,570,000</u>	<u>\$ 7,661,580</u>	<u>\$ 35,231,580</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.

Revenue bonds payable for business-type activities at September 30, 2009, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/09
		Issued	Maturity	Callable	
Revenue Bonds Series 1993A	2.50 - 5.40	1993	2013	2003	\$ 290,000
Revenue Bonds - Series 1996	5.00 - 7.00	1996	2016	2007	700,000
Revenue Bonds - Series 2000	5.00 - 7.00	2000	2021	2011	9,600,000
Revenue Bonds - Series 2007	4.00 - 5.00	2007	2027	2017	<u>1,800,000</u>
Total					<u>\$ 12,390,000</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds Payable - Continued

Revenue bond transactions for the year ended September 30, 2009 were as follows:

Bonds outstanding, October 1	\$ 13,460,000
Maturities	<u>(1,070,000)</u>
 Bonds outstanding, September 30	 <u>\$ 12,390,000</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, 2009, the required balance in the sinking fund was \$ 663,842. 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, 2009, the required balance in the reserve fund was \$ 1,483,920. At September 30, 2009, the balance in the City's reserve/sinking accounts designated for interest and sinking totaled \$ 663,880; and the designated amount for the reserve totaled \$ 1,483,920. The total account balance of \$ 2,147,800 is sufficient to cover the combined reserve and sinking requirement of \$ 2,147,762.

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

The following is a summary of revenue bond requirements for business-type activities by year as of September 30, 2009:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2010	\$ 1,070,000	\$ 520,720	\$ 1,590,720
2011	1,070,000	476,610	1,546,610
2012	1,070,000	432,065	1,502,065
2013	1,080,000	386,970	1,466,970
2014	1,000,000	341,400	1,341,400
2015-2019	4,700,000	1,089,000	5,789,000
2020-2024	2,100,000	215,200	2,315,200
2025-2027	<u>300,000</u>	<u>18,000</u>	<u>318,000</u>
 Total	 <u>\$ 12,390,000</u>	 <u>\$ 3,479,965</u>	 <u>\$ 15,869,965</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 7 - LONG-TERM DEBT - Continued

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 \$ 137,369 and \$ 14,601, respectively.

The leased assets and related obligations are accounted for in the business-type activities column of the government-wide financial statements as capital assets and noncurrent liabilities. Current year depreciation on leased assets totaled \$ 121,860 and has been included in depreciation expense.

The assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	\$ 1,058,064
Less accumulated depreciation	<u>281,148</u>
Total	<u>\$ 776,916</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, 2009:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2010	\$ 152,019
2011	152,069
2012	230,149
2013	<u>7,906</u>
	542,143
Less amount representing interest	<u>26,495</u>
Net present value of minimum lease payments	<u>\$ 515,648</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 7 - LONG-TERM DEBT - Continued

Changes in Outstanding Debt

Transactions for the year ended September 30, 2009 are summarized as follows:

	<u>Balance</u> <u>10-01-08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09-30-09</u>	<u>Current</u> <u>Portion</u>
Governmental Type Activities:					
General obligation bonds	\$ 5,690,000	\$	\$ 3,530,000	\$ 2,160,000	\$ 505,000
Certificates of obligation bonds	5,310,000		4,470,000	840,000	650,000
Limited tax bonds	16,430,000	9,245,000	1,105,000	24,570,000	1,105,000
Components of Bonded Debt:					
Premiums on bonds	13,247	144,553	7,835	149,965	14,582
Discounts on bonds	(8,015)	574		(7,441)	(574)
Accrued interest payable	48,808	44,588	48,808	44,588	44,588
Compensated absences	<u>463,124</u>	<u>505,265</u>	<u>463,124</u>	<u>505,265</u>	<u>505,265</u>
Total governmental activities	<u>27,947,164</u>	<u>9,939,980</u>	<u>9,624,767</u>	<u>28,262,377</u>	<u>2,823,861</u>
Business-Type Activities:					
Revenue bonds	13,460,000		1,070,000	12,390,000	1,070,000
Capital leases	653,017		137,369	515,648	140,148
Components of Bonded Debt:					
Accrued interest payable	259,958	240,825	259,958	240,825	240,825
Compensated absences	<u>117,323</u>	<u>122,076</u>	<u>117,323</u>	<u>122,076</u>	<u>122,076</u>
Total business-type activities	14,490,298	362,901	1,584,650	13,268,549	1,573,049
Less Portion Payable from Restricted Assets:					
Revenue bonds payable	445,833			445,833	445,833
Accrued interest payable	<u>259,958</u>	<u>240,825</u>	<u>259,958</u>	<u>240,825</u>	<u>240,825</u>
Net business-type activities	<u>13,784,507</u>	<u>122,076</u>	<u>1,324,692</u>	<u>12,581,891</u>	<u>886,391</u>
Total government (net)	<u>\$ 41,731,671</u>	<u>\$ 10,062,056</u>	<u>\$ 10,949,459</u>	<u>\$ 40,844,268</u>	<u>\$ 3,710,252</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, 2009. Minimum future rentals to be received on noncancelable leases, as of September 30, 2009, 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, 2009

NOTE 8 - LEASING OPERATIONS - Continued

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2010	\$ 79,426
2011	81,453
2012	83,539
2013	85,681
2014	<u>87,895</u>
	<u>\$ 417,994</u>

NOTE 9 - PENSION AND OPEB-SUPPLEMENTAL DEATH BENEFITS PLAN

Pension Trust

The City, as an employer, participates as one of the 827 plans in the statewide agent multiple-employer plan administered by the System, providing pension benefits for all of its full-time employees. The plan provisions that have been adopted by the Texas Municipal Retirement System (TMRS) Board of Trustees are within the options available in the governing state statutes. Employees can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The contribution rate for employees is 6% and the matching percentage for the City is 200% as adopted by the governing body of the City. The City, as an employer, has adopted 100% updated service credit (USC) on a repeating basis and annual increases (AI) on a repeating basis, at 70% of the change in the CPI. Employees are vested after 5 years of service, but their accumulated deposits and interest must remain in the plan to receive any employer-financed benefits.

At retirement, death, disability, the benefit is calculated by converting the sum of the employee's personal account balance and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed the TMRS Act. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution (PLSD). As an employer, the City's annual pension costs and contributions to the Pension Trust for the years ended September 30, 2009, 2008 and 2007 were \$ 1,097,851, \$ 976,229, and \$ 841,045, respectively, which equaled 77% for 2009 and 100% of the required contributions for 2008 and 2007.

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 rate is 11.19% of covered payroll for the months in calendar year 2008, and 12.00% for the months in calendar year 2009. 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 full required rate for calendar year 2008 and 2009 was 11.19% and 15.51% 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 contributions monthly. Since the City needs to know its contribution rate in

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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

Pension Trust - Continued

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, 2010 contribution rate is based on the December 31, 2008 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>
2007	\$ 841,045	100.00%	\$ -0-
2008	976,229	100.00%	-0-
2009 (phase-in)	1,326,959	77.00%	229,108

1. Annual required contributions (ARC)	\$ 1,326,959
2. Interest in net pension obligation (NPO)	-0-
3. Adjustment to ARC	-0-
4. Annual pension cost	1,326,959
5. Contributions made (at phase-in rate)	(1,097,851)
6. Increase (decrease) in NPO	229,108
7. NPO (asset), beginning of year	-0-
8. NPO (asset), end of year	229,108

Plan Provisions -	<u>2006</u>	<u>2007</u>	<u>2008</u>
1) Total number of participating entities	821	827	833
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, 2009

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

Pension Trust - Continued

Actuarial Information -	2006	2007	2008
1) Actuarial cost method	Unit Credit	Projected Unit Credit	Projected Unit Credit
2) Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
3) Amortization period	25 years - open period amortized	30 years - closed period amortized	29 years - closed period amortized
4) Asset valuation method (cost)			
5) Assumptions:			
Investment return	7.0%	7.0%	7.5%
Projected salary increases	None	Varies - age and service	Varies - age and service
Inflation	3.5%	3.0%	3.0%
Cost-of-living adjustments	low/low	2.1%	2.1%
6) City specific assumptions			
Payroll growth assumption	low/low	mid/mid	mid/mid

Funding Information -

Actuarial Valuation Date	Actuarial Value of Assets** (a)	Actuarial Accrued Liability* (AAL)- (b)	Unfunded AAL (UAAL) (b-a)	Percentage Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2006	\$ 21,427,796	\$ 24,948,118	\$ 3,520,322	85.89%	\$ 8,041,269	43.78%
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%

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

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

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

At its December 2008, meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2008. A summary of actuarial assumptions and definitions can be found in the December 31, 2008 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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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

Pension Trust - Continued

25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

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

In addition, TMRS is currently working on its legislative package for 2010. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for 2010 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio that includes equities as well. If legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2010 actuarial valuation.

In response to the increase in the required contribution rate, the City has elected the 8-year phase-in period to increase contributions to the full (required) rate. The City's full contribution rate for calendar year 2010 is 15.54%, and the (elected) phase-in rate for calendar year 2010 is 12.03%.

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

OPEB-Supplemental Death Benefits Fund

The City as an employer participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected to provide group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment 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 0.25% and 0.28% in 2009 and 2008, 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, 2009, 2008, and 2007 were \$ 22,788, \$ 24,074, and \$ 22,546, respectively, which equaled 100% of the required contributions each year.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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

OPEB-Supplemental Death Benefits Fund - Continued

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

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, 2009, there were **186** member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

The table below summarizes the TESRS membership as of August 31, 2008:

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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

Plan Description - Continued

The above membership count does not include retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) fund before merging into S.B.411. Of the 4,340 current members, 8 were covered by Lake Jackson Emergency Services Department (ESD) and 33 were covered by the Lake Jackson Voluntary Fire Department (VFD).

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

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. Average monthly contribution by the City is \$ 125 per member.

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

Funding Policy

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

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2008 total contributions (dues and prior service) of \$ 2,439,339 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state appropriated \$ 8,800,000 for the fiscal year ending August 31, 2008. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2006 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2008 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2009 (\$ 415,405 to help pay for the System's administrative expenses) and with the assumed

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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

Annual Required Contributions - Continued

continuation of legislative appropriations of (1) the maximum state contributions amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$ 425,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009 are equal to the contributions required. Since the amount of contributions from the state for the City's participants is not sum certain and is both unavailable and immaterial, no income or expenditures have been recorded for on-behalf payments of fringe benefits.

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ¹ - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered (b-a)/(c)
8/31/04	\$ 38,140,501	\$ 51,567,426	\$ 13,426,925	74.0%	7,994	\$ 1,680
8/31/06	42,268,305	58,082,828	15,814,523	72.8%	8,061	1,962
8/31/08	60,987,157	64,227,341	3,240,184	95.0%	8,254	393

Notes:

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

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

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

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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

Required Supplementary Information - Schedule of Funding Progress - Continued

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

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

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

NOTE 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, 2009.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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, 2009 amounted to \$ 3,962,165.

NOTE 15 - GRANTS, LOANS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2009, the City applied for and received federal grants related to various activities. The operations of these grants are reported in the General Fund and Capital Projects. These grants are reimbursement type grants; therefore, revenues equal expenditures. Grant revenues are classified as intergovernmental revenues.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

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

	<u>General Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Federal Grants:				
U.S. Department of Agriculture:				
Emergency Watershed Protection EWP Program	\$	\$ 367,356	\$	\$ 367,356
U.S. Department of Justice:				
Bulletproof Vest Partnership (BVP)	1,306			1,306
U.S. Department of Homeland Security:				
Public Assistance Grants (Hurricane Ike)	<u>1,197,580</u>	<u> </u>	<u>53,182</u>	<u>1,250,762</u>
Total	<u>\$ 1,198,886</u>	<u>\$ 367,356</u>	<u>\$ 53,182</u>	<u>\$ 1,619,424</u>

As of September 30, 2009, all cash and in-kind matching requirements had been met for those grants requiring local matching.

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

NOTE 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, 2009, the City paid the Shelter \$ 112,899 under this agreement.

CITY OF LAKE JACKSON

Lake Jackson, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

NOTE 17 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2009, expenditures exceeded appropriations in the funds as follows:

General Fund	\$ 264,039
Debt Service Fund:	
Economic Development Debt Service Fund	10,366

The budget was not amended; however, the City Council approved these expenditures as required by City budget procedures. The difference in the General Fund was the result of significant wage accruals related to Hurricane Ike at September 30, 2008 which reversed during 2008-2009 and significantly affected the budget basis. The difference in the Economic Development Corporation Debt Service Fund resulted from additional bond issuance costs as a result of the current year bond issuance.

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

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Park Fund – This fund is used to account for resources and expenditures dedicated to small park improvements. Projects primarily include 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.

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2009

	Special Revenue Funds		
	Park	Motel Occupancy Tax	Memorial Garden
Assets:			
Cash and temporary investments	\$ 305,847	\$ 134,556	\$ 2,883
Receivables (Net of Allowance for Uncollectibles):			
Accounts			
Grants			
Due from other funds	_____	_____	_____
 Total assets	 <u>\$ 305,847</u>	 <u>\$ 134,556</u>	 <u>\$ 2,883</u>
 Liabilities:			
Accounts payable	\$ _____	\$ 130	\$ _____
Due to other funds	_____	_____	_____
 Total liabilities	 <u>-0-</u>	 <u>130</u>	 <u>-0-</u>
 Fund Balances:			
Reserved:			
Capital projects			
Unreserved, Designated For:			
Special revenue funds	305,847	134,426	2,883
Capital projects fund	_____	_____	_____
 Total fund balances	 <u>305,847</u>	 <u>134,426</u>	 <u>2,883</u>
 Total liabilities and fund balances	 <u>\$ 305,847</u>	 <u>\$ 134,556</u>	 <u>\$ 2,883</u>

Debt Service Funds		Capital Projects			Total Nonmajor Governmental Funds
Economic Development	Golf Course	General Construction	2004 Infrastructure	2009 Construction	
\$	\$	\$ 1,370,413	\$ 459,639	\$ 1,634,692	\$ 3,908,030
		26,095			26,095
		264,080			264,080
	<u>10,605</u>				<u>10,605</u>
<u>\$ -0-</u>	<u>\$ 10,605</u>	<u>\$ 1,660,558</u>	<u>\$ 459,639</u>	<u>\$ 1,634,692</u>	<u>\$ 4,208,810</u>
\$	\$	\$ 48,404	\$	\$	\$ 48,534
	<u>10,605</u>				<u>10,605</u>
<u>-0-</u>	<u>10,605</u>	<u>48,404</u>	<u>-0-</u>	<u>-0-</u>	<u>59,139</u>
			459,639	1,634,692	2,094,331
		<u>1,612,184</u>			<u>443,156</u>
					<u>1,612,184</u>
<u>-0-</u>	<u>-0-</u>	<u>1,612,184</u>	<u>459,639</u>	<u>1,634,692</u>	<u>4,149,671</u>
<u>\$ -0-</u>	<u>\$ 10,605</u>	<u>\$ 1,660,588</u>	<u>\$ 459,639</u>	<u>\$ 1,634,692</u>	<u>\$ 4,208,810</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, 2009

	Special Revenue Funds		
	Park	Motel Occupancy Tax	Memorial Garden
Revenues:			
Motel occupancy tax	\$	\$ 218,277	\$
Special assessments			
Intergovernmental			
Interest	3,309	1,338	14
Other			1,683
	<u>3,309</u>	<u>219,615</u>	<u>1,697</u>
Total revenues			
Expenditures:			
Current:			
Cultural and Recreation:			
Contribution to Fine Arts Council		29,587	
Contribution to Museum of Natural Science		44,381	
Contribution to Chamber of Commerce		80,000	
Contribution to Historical Museum		44,381	
Other	4,500	3,437	
Capital outlay	43,592		
Debt Service:			
Principal			
Interest and fiscal charges			
	<u>48,092</u>	<u>201,786</u>	<u>-0-</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	(44,783)	17,829	1,697
Other Financing Sources (Uses):			
Issuance of bonds			
Issuance of refunding bonds			
Premium on bond issuance			
Sale of capital assets	33,317		
Transfers in			
Transfers out		(26,550)	
Payment to bond refunding escrow agent			
	<u>33,317</u>	<u>(26,550)</u>	<u>-0-</u>
Total other financing sources (uses)			
Net changes in fund balances	(11,466)	(8,721)	1,697
Fund balance – beginning	<u>317,313</u>	<u>143,147</u>	<u>1,186</u>
Fund balance – ending	<u>\$ 305,847</u>	<u>\$ 134,426</u>	<u>\$ 2,883</u>

Debt Service Funds		Capital Projects			Total Nonmajor Governmental Funds
Economic Development	Golf Course	General Construction	2004 Infrastructure	2009 Construction	
\$	\$	\$	\$	\$	\$ 218,277
		655			655
		367,356			367,356
		19,029	6,077	4,945	34,712
					1,683
<u>-0-</u>	<u>-0-</u>	<u>387,040</u>	<u>6,077</u>	<u>4,945</u>	<u>622,683</u>
					29,587
					44,381
					80,000
					44,381
		307,871			315,808
		788,062		694,833	1,526,487
590,000	300,000				890,000
<u>214,605</u>	<u>259,830</u>			<u>48,202</u>	<u>522,637</u>
<u>804,605</u>	<u>559,830</u>	<u>1,095,933</u>	<u>-0-</u>	<u>743,035</u>	<u>3,453,281</u>
<u>(804,605)</u>	<u>(559,830)</u>	<u>(708,893)</u>	<u>6,077</u>	<u>(738,090)</u>	<u>(2,830,598)</u>
				2,400,000	2,400,000
3,832,935					3,832,935
50,056				55,200	105,256
					33,317
784,174	559,830	82,418			1,426,422
		(61,204)	(650,000)	(82,418)	(820,172)
<u>(3,862,560)</u>					<u>(3,862,560)</u>
<u>804,605</u>	<u>559,830</u>	<u>21,214</u>	<u>(650,000)</u>	<u>2,372,782</u>	<u>3,115,198</u>
-0-	-0-	(687,679)	(643,923)	1,634,692	284,600
		<u>2,299,863</u>	<u>1,103,562</u>		<u>3,865,071</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,612,184</u>	<u>\$ 459,639</u>	<u>\$ 1,634,692</u>	<u>\$ 4,149,671</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, 2009
With Comparative Actual Total for 2008

	2009			Variance with Final Budget- Positive (Negative)	2008
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$ 8,000	\$ 8,000	\$ 3,309	\$(4,691)	\$ 8,507
Contribution				-0-	
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>3,309</u>	<u>(4,691)</u>	<u>8,507</u>
Expenditures:					
Current:					
Other	30,508	30,508	4,500	26,008	29,690
Capital outlay	<u>43,592</u>	<u>43,592</u>	<u>43,592</u>		<u>24,666</u>
Total expenditures	<u>74,100</u>	<u>74,100</u>	<u>48,092</u>	<u>26,008</u>	<u>54,356</u>
Excess of revenues over (under) expenditures	<u>(66,100)</u>	<u>(66,100)</u>	<u>(44,783)</u>	<u>21,317</u>	<u>(45,849)</u>
Other Financing Sources (Uses):					
Sale of capital assets			<u>33,317</u>	<u>33,317</u>	<u>150,000</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>33,317</u>	<u>33,317</u>	<u>150,000</u>
Net changes in fund balance	<u>(66,100)</u>	<u>(66,100)</u>	<u>(11,466)</u>	<u>54,634</u>	<u>104,151</u>
Fund balance – beginning	<u>317,313</u>	<u>317,313</u>	<u>317,313</u>	<u>-0-</u>	<u>213,162</u>
Fund balance – ending	<u>\$ 251,213</u>	<u>\$ 251,213</u>	<u>\$ 305,847</u>	<u>\$ 54,634</u>	<u>\$ 317,313</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, 2009
With Comparative Actual Totals for 2008

	2009			Variance with Final Budget- Positive (Negative)	2008
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Occupancy tax	\$ 250,000	\$ 250,000	\$ 218,277	\$(31,723)	\$ 272,703
Investment income	<u>4,000</u>	<u>4,000</u>	<u>1,338</u>	<u>(2,662)</u>	<u>4,872</u>
Total revenues	<u>254,000</u>	<u>254,000</u>	<u>219,615</u>	<u>(34,385)</u>	<u>277,575</u>
Expenditures:					
Current:					
Culture and recreation	<u>232,855</u>	<u>232,855</u>	<u>201,786</u>	<u>31,069</u>	<u>266,903</u>
Total expenditures	<u>232,855</u>	<u>232,855</u>	<u>201,786</u>	<u>31,069</u>	<u>266,903</u>
Excess of revenues over (under) expenditures	<u>21,145</u>	<u>21,145</u>	<u>17,829</u>	<u>(3,316)</u>	<u>10,672</u>
Other Financing Sources (Uses):					
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(26,550)</u>	<u>(1,550)</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(26,550)</u>	<u>(1,550)</u>	<u>(20,000)</u>
Net changes in fund balance	<u>(3,855)</u>	<u>(3,855)</u>	<u>(8,721)</u>	<u>(4,866)</u>	<u>(9,328)</u>
Fund balance – beginning	<u>143,147</u>	<u>143,147</u>	<u>143,147</u>	<u>-0-</u>	<u>152,475</u>
Fund balance – ending	<u>\$ 139,292</u>	<u>\$ 139,292</u>	<u>\$ 134,426</u>	<u>\$(4,866)</u>	<u>\$ 143,147</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, 2009
With Comparative Actual Totals for 2008

	2009			Variance with Final Budget- Positive (Negative)	2008
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues:					
Investment income	\$	\$	\$ 14	\$ 14	\$ 87
Miscellaneous			1,683	1,683	515
Total revenues	-0-	-0-	1,697	1,697	602
Expenditures:					
Current:					
Culture and recreation				-0-	2,455
Total expenditures				-0-	2,455
Excess of revenues over (under) expenditures	-0-	-0-	1,697	1,697	(1,853)
Other financing sources (uses)				-0-	
Net changes in fund balance	-0-	-0-	1,697	1,697	(1,853)
Fund balance – beginning	1,186	1,186	1,186	-0-	3,039
Fund balance – ending	\$ 1,186	\$ 1,186	\$ 2,883	\$ 1,697	\$ 1,186

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, 2009

With Comparative Actual Total for 2008

	2009			Variance with Final Budget- Positive (Negative)	2008
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	590,000	590,000	590,000		865,000
Interest and fiscal charges	<u>204,239</u>	<u>204,239</u>	<u>214,605</u>	(10,366)	<u>237,957</u>
Total expenditures	<u>794,239</u>	<u>794,239</u>	<u>804,605</u>	(10,366)	<u>1,102,957</u>
Excess (deficiency) of revenues over (under) expenditures	(794,239)	(794,239)	(804,605)	(10,366)	(1,102,957)
Other Financing Sources (Uses):					
Issuance of refunding bonds			3,832,935	3,832,935	
Bond premium			50,056	50,056	
Transfers in	794,239	794,239	784,174	(10,065)	1,102,957
Payment to bond escrow agent	_____	_____	(3,862,560)	(3,862,560)	_____
Total other financing sources (uses)	<u>794,239</u>	<u>794,239</u>	<u>804,605</u>	<u>10,366</u>	<u>1,102,957</u>
Net changes in fund balance	-0-	-0-	-0-	-0-	-0-
Fund balance – beginning	_____	_____	_____	-0-	_____
Fund balance – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Golf Course Debt Service Fund

For the Year Ended September 30, 2009

With Comparative Actual Totals for 2008

	2009			Variance with Final Budget- Positive (Negative)	2008
	Budgeted Amounts		Actual		Actual GAAP Basis
	Original	Final			
Revenues	\$ _____	\$ _____	\$ _____	\$ -0-	\$ _____
Expenditures:					
Debt Service:					
Principal	300,000	300,000	300,000		290,000
Interest and fiscal charges	<u>260,605</u>	<u>260,605</u>	<u>259,830</u>	<u>775</u>	<u>270,955</u>
Total expenditures	<u>560,605</u>	<u>560,605</u>	<u>559,830</u>	<u>775</u>	<u>560,955</u>
Excess of revenues over (under) expenditures	<u>(560,605)</u>	<u>(560,605)</u>	<u>(559,830)</u>	<u>775</u>	<u>(560,955)</u>
Other Financing Sources (Uses):					
Transfers in	<u>560,605</u>	<u>560,605</u>	<u>559,830</u>	<u>(775)</u>	<u>560,955</u>
Total other financing sources (uses)	<u>560,605</u>	<u>560,605</u>	<u>559,830</u>	<u>(775)</u>	<u>560,955</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 9,179,580	\$ 8,249,546
Receivable (Net of Allowance for Uncollectibles):		
Taxes	974,013	924,726
Accounts	56,974	275,087
Grants	443,258	731,642
Due from other funds	10,605	215,180
Investments	399,000	399,000
Inventories	<u>98,348</u>	<u>92,925</u>
 Total assets	 <u>\$ 11,161,778</u>	 <u>\$ 10,888,106</u>

<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 878,118	\$ 1,300,327
Cash bonds and taxes	289,968	455,940
Accrued wages	277,252	666,686
Deferred revenue	<u>94,771</u>	<u>107,628</u>
 Total liabilities	 <u>1,540,109</u>	 <u>2,530,581</u>
Fund Balance:		
Reserved For:		
Inventory	98,348	92,925
Encumbrances	233,086	349,857
Unreserved:		
Undesignated	<u>9,290,235</u>	<u>7,914,743</u>
 Total fund balance	 <u>9,621,669</u>	 <u>8,357,525</u>
 Total liabilities and fund balance	 <u>\$ 11,161,778</u>	 <u>\$ 10,888,106</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, 2009

With Comparative Actual Totals for 2008

	Budgeted Amounts	
	Original	Final
Revenues:		
Taxes:		
Property	\$ 3,386,952	\$ 3,386,952
Sales	4,868,750	4,868,750
Franchise	1,581,355	1,581,355
Other	73,000	73,000
Industrial district	3,750,000	3,750,000
Intergovernmental		
Revenue producing facilities	900,650	900,650
Fines and fees	428,440	428,440
Licenses and permits	242,900	242,900
Investment income	237,785	237,785
Miscellaneous	107,800	107,800
Total revenues	<u>15,577,632</u>	<u>15,577,632</u>
Expenditures:		
Current:		
General government and administration	3,188,305	3,188,305
Public safety	5,432,966	5,432,966
Public works	3,011,585	3,011,585
Culture and recreation	4,070,825	4,070,825
Capital outlay	1,124,600	1,124,600
Total expenditures	<u>16,828,281</u>	<u>16,828,281</u>
Excess of revenues over (under) expenditures	<u>(1,250,649)</u>	<u>(1,250,649)</u>
Other Financing Sources (Uses):		
Transfers in	1,428,326	1,428,326
Transfers out		
Sale of capital assets		
Total other financing sources (uses)	<u>1,428,326</u>	<u>1,428,326</u>
Net change in fund balance	177,677	177,677
Fund balance - beginning	<u>8,357,525</u>	<u>8,357,525</u>
Fund balance - ending	<u>\$ 8,535,202</u>	<u>\$ 8,535,202</u>

2009			2008	
Actual GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)	Actual GAAP Basis
\$ 3,393,969	\$	\$ 3,393,969	\$ 7,017	\$ 3,259,202
4,634,553		4,634,553	(234,197)	4,553,842
1,586,698		1,586,698	5,343	1,525,195
129,904		129,904	56,904	145,169
3,962,165		3,962,165	212,165	3,422,770
1,198,886		1,198,886	1,198,886	744,892
931,477		931,477	30,827	986,604
425,746		425,746	(2,694)	429,564
186,017		186,017	(56,883)	239,063
84,471		84,471	(153,314)	292,699
<u>114,019</u>		<u>114,019</u>	<u>6,219</u>	<u>176,410</u>
<u>16,647,905</u>	<u>-0-</u>	<u>16,647,905</u>	<u>1,070,273</u>	<u>15,775,410</u>
2,869,289	(10,617)	2,858,672	329,633	2,707,090
5,189,939	(70,827)	5,119,112	313,854	4,949,286
3,377,038	477,259	3,854,297	(842,712)	3,882,411
3,895,922	(6,381)	3,889,541	181,284	3,843,683
<u>1,487,469</u>	<u>(116,771)</u>	<u>1,370,698</u>	<u>(246,098)</u>	<u>743,949</u>
<u>16,819,657</u>	<u>272,663</u>	<u>17,092,320</u>	<u>(264,039)</u>	<u>16,126,419</u>
<u>(171,752)</u>	<u>(272,663)</u>	<u>(444,415)</u>	<u>806,234</u>	<u>(351,009)</u>
1,531,876		1,531,876	103,550	1,485,058
(449,521)		(449,521)	(449,521)	(2,382,270)
<u>353,541</u>		<u>353,541</u>	<u>353,541</u>	<u>54,638</u>
<u>1,435,896</u>	<u>-0-</u>	<u>1,435,896</u>	<u>7,570</u>	<u>(842,574)</u>
1,264,144	(272,663)	991,481	813,804	(1,193,583)
<u>8,357,525</u>	<u>-0-</u>	<u>8,357,525</u>	<u>-0-</u>	<u>9,551,108</u>
<u>\$ 9,621,669</u>	<u>\$(272,663)</u>	<u>\$ 9,349,006</u>	<u>\$ 813,804</u>	<u>\$ 8,357,525</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and temporary investments	\$ 1,991,201	\$ 1,612,774
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>371,659</u>	<u>358,414</u>
Total assets	<u>\$ 2,362,860</u>	<u>\$ 1,971,188</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 127,914	\$
Due to other funds	<u>100,000</u>	<u> </u>
Total liabilities	<u>227,914</u>	<u>-0-</u>
Fund Balance:		
Unreserved:		
Undesignated	<u>2,134,946</u>	<u>1,971,188</u>
Total fund balance	<u>2,134,946</u>	<u>1,971,188</u>
Total liabilities and fund balance	<u>\$ 2,362,860</u>	<u>\$ 1,971,188</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, 2009
With Comparative Actual Totals for 2008

	2009			Variance with Final Budget- Positive (Negative)	2008
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Sales taxes	\$ 2,481,395	\$ 2,481,395	\$ 2,408,688	\$ (72,707)	\$ 2,337,052
Investment income	50,185	50,185	20,500	(29,685)	53,066
Total revenues	<u>2,531,580</u>	<u>2,531,580</u>	<u>2,429,188</u>	<u>(102,392)</u>	<u>2,390,118</u>
Expenditures:					
Capital outlay	600,000	600,000	482,031	117,969	
Total expenditures	<u>600,000</u>	<u>600,000</u>	<u>482,031</u>	<u>117,969</u>	<u>-0-</u>
Excess of revenues over (under) expenditures	<u>1,931,580</u>	<u>1,931,580</u>	<u>1,947,157</u>	<u>15,577</u>	<u>2,390,118</u>
Other Financing Sources (Uses):					
Transfers out	(1,794,239)	(1,794,239)	(1,783,399)	10,840	(2,101,533)
Total other financing sources (uses)	<u>(1,794,239)</u>	<u>(1,794,239)</u>	<u>(1,783,399)</u>	<u>10,840</u>	<u>(2,101,533)</u>
Net changes in fund balance	137,341	137,341	163,758	26,417	288,585
Fund balances – beginning	<u>1,971,188</u>	<u>1,971,188</u>	<u>1,971,188</u>	<u>-0-</u>	<u>1,682,603</u>
Fund balances – ending	<u>\$ 2,108,529</u>	<u>\$ 2,108,529</u>	<u>\$ 2,134,946</u>	<u>\$ 26,417</u>	<u>\$ 1,971,188</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and temporary investments	\$ 719,582	\$ 527,553
Receivable (Net of Allowance for Uncollectibles):		
Taxes	<u>25,942</u>	<u>18,557</u>
Total assets	<u>\$ 745,524</u>	<u>\$ 546,110</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Deferred revenue	\$ <u>25,887</u>	\$ <u>18,502</u>
Total liabilities	<u>25,887</u>	<u>18,502</u>
Fund Balance:		
Reserved For:		
Debt service	<u>719,637</u>	<u>527,608</u>
Total fund balance	<u>719,637</u>	<u>527,608</u>
Total liabilities and fund balance	<u>\$ 745,524</u>	<u>\$ 546,110</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, 2009
With Comparative Actual Totals for 2008

	2009			Variance with Final Budget- Positive (Negative)	2008
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues:					
Taxes	\$ 2,283,755	\$ 2,283,755	\$ 2,278,184	\$ (5,571)	\$ 2,112,678
Investment income	<u>16,045</u>	<u>16,045</u>	<u>15,978</u>	<u>(67)</u>	<u>34,525</u>
Total revenues	<u>2,299,800</u>	<u>2,299,800</u>	<u>2,294,162</u>	<u>(5,638)</u>	<u>2,147,203</u>
Expenditures:					
Debt Service:					
Principal	1,490,000	1,490,000	1,370,000	120,000	1,425,000
Interest and fiscal charges	<u>809,800</u>	<u>809,800</u>	<u>751,203</u>	<u>58,597</u>	<u>729,426</u>
Total expenditures	<u>2,299,800</u>	<u>2,299,800</u>	<u>2,121,203</u>	<u>178,597</u>	<u>2,154,426</u>
Excess of revenues over (under) expenditures	<u>-0-</u>	<u>-0-</u>	<u>172,959</u>	<u>172,959</u>	<u>(7,223)</u>
Other Financing Sources (Uses):					
Issuance of refunding bonds			3,012,065	3,012,065	
Bond issuance premium			39,297	39,297	
Payment to bond refunding escrow agent			<u>(3,032,292)</u>	<u>(3,032,292)</u>	
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>19,070</u>	<u>19,070</u>	<u>-0-</u>
Net changes in fund balance	-0-	-0-	192,029	192,029	(7,223)
Fund balance – beginning	<u>527,608</u>	<u>527,608</u>	<u>527,608</u>	<u>-0-</u>	<u>534,831</u>
Fund balance – ending	<u>\$ 527,608</u>	<u>\$ 527,608</u>	<u>\$ 719,637</u>	<u>\$ 192,029</u>	<u>\$ 527,608</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 3,227,322	\$ 2,990,250
Receivables (Net of Allowance for Uncollectibles):		
Accounts	<u>672,278</u>	<u>744,552</u>
	<u>3,899,600</u>	<u>3,734,802</u>
Restricted Assets:		
Cash and temporary investments	3,091,241	3,719,451
Due from other governments	<u>5,318</u>	<u></u>
Total restricted assets	<u>3,096,559</u>	<u>3,719,451</u>
Total current assets	<u>6,996,159</u>	<u>7,454,253</u>
Noncurrent Assets:		
Restricted Cash and Temporary Investments:		
Revenue bond covenant accounts	<u>1,483,920</u>	<u>1,465,755</u>
Total noncurrent restricted assets	<u>1,483,920</u>	<u>1,465,755</u>
Deferred charges	<u>304,051</u>	<u>332,273</u>
Capital Assets:		
Property, plant and equipment	56,441,341	55,637,933
Construction in process	925,783	626,523
Less accumulated depreciation	<u>(25,031,459)</u>	<u>(23,130,835)</u>
Total capital assets (net of accumulated depreciation)	<u>32,335,665</u>	<u>33,133,621</u>
Total noncurrent assets	<u>34,123,636</u>	<u>34,931,649</u>
Total assets	<u>41,119,795</u>	<u>42,385,902</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Enterprise Fund - Continued

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 443,241	\$ 396,688
Accrued wages	74,741	41,780
Accrued compensated absences	122,076	117,323
Revenue bonds payable	<u>624,167</u>	<u>624,167</u>
	<u>1,264,225</u>	<u>1,179,958</u>
Current Liabilities Payable from Restricted Assets:		
Accounts payable	20,503	117
Accrued interest	240,825	259,957
Customer deposits	557,106	534,827
Revenue bonds payable	<u>445,833</u>	<u>445,833</u>
Total current liabilities payable from restricted assets	<u>1,264,267</u>	<u>1,240,734</u>
Total current liabilities	2,528,492	2,420,692
Noncurrent Liabilities:		
Revenue bonds payable (net of unamortized discounts)	<u>11,320,000</u>	<u>12,390,000</u>
Total liabilities	<u>13,848,492</u>	<u>14,810,692</u>
Net Assets:		
Invested in capital assets, net of related debt	20,249,716	20,005,894
Restricted For:		
Revenue bond retirement	1,906,975	1,932,943
Construction	1,855,070	2,457,362
Unrestricted	<u>3,259,542</u>	<u>3,179,011</u>
Total net assets	<u>\$ 27,271,303</u>	<u>\$ 27,575,210</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Water service	\$ 3,306,523	\$ 3,115,137
Sewer service	3,405,033	3,251,097
Garbage fees	3,038,754	2,970,992
Tapping and connection fees	213,410	251,625
Operating grant revenue	53,182	
Other	<u>79,798</u>	<u>60,984</u>
Total operating revenues	<u>10,095,700</u>	<u>9,649,835</u>
Operating Expenses:		
Utility administration	371,551	323,852
Water production, treatment and distribution	2,318,046	2,247,364
Sewer collection and treatment	2,002,435	1,846,417
Sanitation	2,347,918	2,227,242
Depreciation	<u>1,964,021</u>	<u>1,902,114</u>
Total operating expenses	<u>9,003,971</u>	<u>8,546,989</u>
Operating income	<u>1,091,729</u>	<u>1,102,846</u>
Non-Operating Revenues (Expenses):		
Interest revenue	74,621	258,811
Gain (loss) on sale of capital assets	(34,045)	(6,000)
Interest expense and fiscal charges	<u>(579,560)</u>	<u>(618,181)</u>
Total non-operating revenues (expenses)	<u>(538,984)</u>	<u>(365,370)</u>
Income (loss) before contributions and transfers	552,745	737,476
Capital contributions	41,851	
Transfers in	256,823	319,931
Transfers out	<u>(1,155,326)</u>	<u>(1,115,058)</u>
Change in net assets	(303,907)	(57,651)
Net assets at beginning of year	<u>27,575,210</u>	<u>27,632,861</u>
Net assets at end of year	<u>\$ 27,271,303</u>	<u>\$ 27,575,210</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 10,459,805	\$ 9,353,845
Payments to suppliers	(4,093,736)	(4,472,630)
Payments to employees	(2,841,561)	(2,588,994)
Net cash provided by operating activities	<u>3,524,508</u>	<u>2,292,221</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	256,823	319,931
Transfers out	(1,155,326)	(1,115,058)
Net cash provided (used) by non-capital financing activities	<u>(898,503)</u>	<u>(795,127)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(1,158,259)	(891,912)
Principal paid on capital debt	(1,070,000)	(1,070,000)
Interest and fiscal charges paid on capital debt	(845,340)	(339,056)
Net cash provided (used) by capital and related financing activities	<u>(3,073,599)</u>	<u>(2,300,968)</u>
Cash Flows from Investing Activities:		
Interest received	<u>74,621</u>	<u>258,811</u>
Net cash provided (used) by investing activities	<u>74,621</u>	<u>258,811</u>
Net (decrease) in cash and cash equivalents	(372,973)	(545,063)
Cash and cash equivalents at the beginning of year	<u>8,175,456</u>	<u>8,720,519</u>
Cash and cash equivalents at the end of year	<u>\$ 7,802,483</u>	<u>\$ 8,175,456</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ <u>1,091,729</u>	\$ <u>1,102,846</u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	1,964,021	1,902,114
(Increase) decrease in accounts receivable	66,956	(295,990)
Increase (decrease) in accounts payable	66,939	(207,693)
Increase (decrease) in accrued wages payable	32,961	1,641
Increase (decrease) in accrued compensated absences	4,753	4,974
Increase (decrease) in customer deposits	<u>297,149</u>	<u>(215,671)</u>
Total adjustments	<u>2,432,779</u>	<u>1,189,375</u>
Net cash provided by operating activities	\$ <u><u>3,524,508</u></u>	\$ <u><u>2,292,221</u></u>
Non-cash Investing, Capital, and Financing Activities:		
Contributions of capital assets from government	\$ <u>41,851</u>	\$ <u> </u>
Net effect of non-cash transactions	\$ <u><u>41,851</u></u>	\$ <u><u>-0-</u></u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

For the Year Ended September 30, 2009
With Comparative Actual Totals for 2008

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 3,273,950	\$ 3,273,950
Sewer service	3,179,228	3,179,228
Garbage fees	3,046,803	3,046,803
Tapping and connection fees	241,500	241,500
Operating grant revenue		
Other	<u>69,420</u>	<u>69,420</u>
Total revenues	<u>9,810,901</u>	<u>9,810,901</u>
Operating Expenses:		
Utility administration	384,220	384,220
Water production, treatment and distribution	2,453,890	2,453,890
Sewer collection and treatment	2,034,495	2,034,495
Sanitation	2,328,420	2,328,420
Depreciation		
Total operating expenses	<u>7,201,025</u>	<u>7,201,025</u>
Operating income	<u>2,609,876</u>	<u>2,609,876</u>
Non-operating Revenues (Expenses):		
Interest revenue	141,800	141,800
Gain (loss) on disposition of capital assets		
Interest expense and fiscal charge	<u>(571,180)</u>	<u>(571,180)</u>
Total non-operating revenues (expenses)	<u>(429,380)</u>	<u>(429,380)</u>
Income before contributions and transfers	2,180,496	2,180,496
Capital contributions		
Transfers in		
Transfers out	<u>(1,155,326)</u>	<u>(1,155,326)</u>
Change in net assets	1,025,170	1,025,170
Fund balances - beginning	<u>27,575,210</u>	<u>27,575,210</u>
Net assets ending	<u>\$ 28,600,380</u>	<u>\$ 28,600,380</u>

2009			2008	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 3,306,523		\$ 3,306,523	\$ 32,573	\$ 3,115,137
3,405,033		3,405,033	225,805	3,251,097
3,038,754		3,038,754	(8,049)	2,970,992
213,410		213,410	(28,090)	251,625
53,182		53,182	53,182	
78,798		78,798	9,378	60,984
<u>10,095,700</u>	<u>-0-</u>	<u>10,095,700</u>	<u>284,799</u>	<u>9,649,835</u>
371,551	(2,081)	369,470	14,750	323,852
2,318,046	(6,742)	2,311,304	142,586	2,247,364
2,002,435	(18,219)	1,984,216	50,279	1,846,417
2,347,918	(10,672)	2,337,246	(8,826)	2,227,242
<u>1,964,021</u>	<u>(1,964,021)</u>			<u>1,902,114</u>
<u>9,003,971</u>	<u>(2,001,735)</u>	<u>7,002,236</u>	<u>198,789</u>	<u>8,546,989</u>
<u>1,091,729</u>	<u>2,001,735</u>	<u>3,093,464</u>	<u>483,588</u>	<u>1,102,846</u>
74,621		74,621	(67,179)	258,811
(34,045)		(34,045)	(34,045)	(6,000)
<u>(579,560)</u>	<u>28,222</u>	<u>(551,338)</u>	<u>19,842</u>	<u>(618,181)</u>
<u>(538,984)</u>	<u>28,222</u>	<u>(510,762)</u>	<u>(81,382)</u>	<u>(365,370)</u>
552,745	2,029,957	2,582,702	402,206	737,476
41,851		41,851	41,851	
256,823		256,823	256,823	319,931
<u>(1,155,326)</u>		<u>(1,155,326)</u>		<u>(1,115,058)</u>
(303,907)	2,029,957	1,726,050	700,880	(57,651)
<u>27,575,210</u>		<u>27,575,210</u>	<u>-0-</u>	<u>27,632,861</u>
<u>\$ 27,271,303</u>	<u>\$ 2,029,957</u>	<u>\$ 29,301,260</u>	<u>\$ 700,880</u>	<u>\$ 27,575,210</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Golf Course Operating Fund

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current Assets:		
Cash and temporary investments	\$ 237,211	\$ 291,437
Receivables (Net of Allowance for Uncollectibles):		
Accounts	30,966	42,813
Due from other funds	100,000	
Inventory	115,056	113,412
Prepays	<u>2,501</u>	<u>12,463</u>
	<u>485,734</u>	<u>460,125</u>
Restricted Assets:		
Cash and temporary investments	<u>52,900</u>	<u>43,000</u>
Total restricted assets	<u>52,900</u>	<u>43,000</u>
Total current assets	<u>538,634</u>	<u>503,125</u>
Capital Assets:		
Property, plant and equipment	9,258,101	9,206,999
Less accumulated depreciation	<u>(1,568,475)</u>	<u>(1,175,311)</u>
Total capital assets (net of accumulated depreciation)	<u>7,689,626</u>	<u>8,031,688</u>
Total noncurrent assets	<u>7,689,626</u>	<u>8,031,688</u>
Total assets	<u>8,228,260</u>	<u>8,534,813</u>

(Continued)

CITY OF LAKE JACKSON

Lake Jackson, Texas

COMPARATIVE STATEMENTS OF NET ASSETS
Golf Course Operating Fund - Continued

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 39,702	\$ 55,187
Accrued wages	36,824	27,657
Deferred revenues	124,180	112,902
Capital leases payable - current	140,148	137,369
Due to other funds	<u>10,605</u>	<u>215,180</u>
Total current liabilities	351,459	548,295
Noncurrent Liabilities:		
Capital leases payable - net of current	<u>375,500</u>	<u>515,648</u>
Total liabilities	<u>726,959</u>	<u>1,063,943</u>
Net Assets:		
Invested in capital assets, net of related debt	7,173,978	7,378,671
Unrestricted	<u>327,323</u>	<u>92,199</u>
Total net assets	<u>\$ 7,501,301</u>	<u>\$ 7,470,870</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Course and ground	\$ 1,011,830	\$ 937,167
Cart	269,234	279,759
Pro shop	249,374	289,999
Range	73,721	68,987
Food and beverage	260,991	256,044
Other	<u>4,581</u>	<u>15,462</u>
Total operating revenues	<u>1,869,731</u>	<u>1,847,418</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	160,767	198,398
Food and beverage	106,899	99,704
Payroll and related benefits	836,542	761,786
Other expenses	587,128	531,868
Management fee	83,496	80,939
Depreciation	<u>393,164</u>	<u>344,504</u>
Total operating expenses	<u>2,167,996</u>	<u>2,017,199</u>
Operating income (loss)	<u>(298,265)</u>	<u>(169,781)</u>
Non-Operating Revenues (Expenses):		
Interest revenue		5,530
Interest expense and fiscal charges	<u>(14,601)</u>	<u>(17,064)</u>
Total non-operating revenues (expenses)	<u>(14,601)</u>	<u>(11,534)</u>
Income (loss) before contributions and transfers	<u>(312,866)</u>	<u>(181,315)</u>
Transfers in	353,902	100,001
Transfers out	<u>(10,605)</u>	<u>(12,380)</u>
Change in net assets	30,431	<u>(93,694)</u>
Net assets at beginning of year	<u>7,470,870</u>	<u>7,564,564</u>
Net assets at end of year	<u>\$ 7,501,301</u>	<u>\$ 7,470,870</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,892,856	\$ 1,846,403
Payments from (to) other funds	(304,575)	
Payments to suppliers	(945,457)	(909,413)
Payments to employees	(827,375)	(764,790)
Net cash provided (used) by operating activities	<u>(184,551)</u>	<u>172,200</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers in	353,902	100,001
Transfers out	(10,605)	(12,380)
Net cash provided (used) by non-capital financing activities	<u>343,297</u>	<u>87,621</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(51,102)	
Principal paid on capital debt	(137,369)	(137,404)
Interest and fiscal charges paid on capital debt	(14,601)	(17,064)
Net cash provided (used) by capital and related financing activities	<u>(203,072)</u>	<u>(154,468)</u>
Cash Flows from Investing Activities:		
Interest received	<u>5,530</u>	<u>5,530</u>
Net cash provided (used) by investing activities	<u>-0-</u>	<u>5,530</u>
Net increase (decrease) in cash and cash equivalents	(44,326)	110,883
Cash and cash equivalents at the beginning of year	<u>334,437</u>	<u>223,554</u>
Cash and cash equivalents at the end of year	<u>\$ 290,111</u>	<u>\$ 334,437</u>

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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, 2009
With Comparative Actual Totals for 2008

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Course and ground	\$ 1,020,210	\$ 1,020,210
Cart	289,043	289,043
Pro shop	118,133	118,133
Range	87,756	87,756
Food and beverage	187,764	187,764
Other		
Total operating revenues	<u>1,702,906</u>	<u>1,702,906</u>
Operating Expenses:		
Cost of Sales:		
Pro shop	113,394	113,394
Food and beverage	45,974	45,974
Payroll and related benefits	820,800	820,800
Other expenses	556,869	556,869
Management fee	84,000	84,000
Depreciation		
Total operating expenses	<u>1,621,037</u>	<u>1,621,037</u>
Operating income (loss)	<u>81,869</u>	<u>81,869</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	81,869	81,869
Transfers in		
Transfers out	<u>(12,384)</u>	<u>(12,384)</u>
Change in net assets	69,485	69,485
Fund balances - beginning	<u>7,470,870</u>	<u>7,470,870</u>
Fund balances - ending	<u>\$ 7,540,355</u>	<u>\$ 7,540,355</u>

2009			2008	
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)	Actual GAAP Basis
\$ 1,011,830	\$	\$ 1,011,830	\$(8,380)	\$ 937,167
269,234		269,234	(19,809)	279,759
249,374		249,374	131,241	289,999
73,721		73,721	(14,035)	68,987
260,991		260,991	73,227	256,044
4,581		4,581	4,581	15,462
<u>1,869,731</u>	<u>-0-</u>	<u>1,869,731</u>	<u>166,825</u>	<u>1,847,418</u>
160,767		160,767	(47,373)	198,398
106,899		106,899	(60,925)	99,704
836,542	(9,167)	827,375	(6,575)	761,786
587,128		587,128	(30,259)	531,868
83,496		83,496	504	80,939
<u>393,164</u>	<u>(393,164)</u>	<u></u>	<u></u>	<u>344,504</u>
<u>2,167,996</u>	<u>(402,331)</u>	<u>1,765,665</u>	<u>(144,628)</u>	<u>2,017,199</u>
<u>(298,265)</u>	<u>402,331</u>	<u>104,066</u>	<u>22,197</u>	<u>(169,781)</u>
<u>(14,601)</u>	<u></u>	<u>(14,601)</u>	<u>(14,601)</u>	<u>(17,064)</u>
<u>(14,601)</u>	<u>-0-</u>	<u>(14,601)</u>	<u>(14,601)</u>	<u>(11,534)</u>
<u>(312,866)</u>	<u>402,331</u>	<u>89,465</u>	<u>7,596</u>	<u>(181,315)</u>
<u>353,902</u>	<u></u>	<u>353,902</u>	<u>353,902</u>	<u>100,001</u>
<u>(10,605)</u>	<u></u>	<u>(10,605)</u>	<u>1,779</u>	<u>(12,380)</u>
<u>30,431</u>	<u>402,331</u>	<u>432,762</u>	<u>363,277</u>	<u>(93,694)</u>
<u>7,470,870</u>	<u></u>	<u>7,470,870</u>	<u>-0-</u>	<u>7,564,564</u>
<u>\$ 7,501,301</u>	<u>\$ 402,331</u>	<u>\$ 7,903,632</u>	<u>\$ 363,277</u>	<u>\$ 7,470,870</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Governmental Funds Capital Assets:		
Land	\$ 2,359,934	\$ 2,359,934
Buildings	26,202,247	26,202,247
Improvements other than buildings	11,284,826	10,737,054
Machinery and equipment	10,678,063	9,696,190
Infrastructure	71,168,497	71,036,842
Construction in progress	<u>5,823,556</u>	<u>1,868,980</u>
Total governmental funds capital assets	<u>\$ 127,517,122</u>	<u>\$ 121,901,247</u>
Investments in Governmental Funds Capital Assets by Source:		
General fund	\$ 10,492,177	\$ 9,396,126
Special revenue fund	3,170,647	2,645,023
Capital projects fund	90,670,959	86,676,759
Contributed	<u>23,183,339</u>	<u>23,183,339</u>
Total governmental funds capital assets	<u>\$ 127,517,122</u>	<u>\$ 121,901,247</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, 2009

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government	\$ 1,057,663	\$ 2,071,442	\$ 1,055,727
Public safety		7,316,573	500,585
Public works		1,877,845	118,306
Culture and recreation	<u>1,302,271</u>	<u>14,936,387</u>	<u>9,610,208</u>
Total governmental funds capital assets	<u>\$ 2,359,934</u>	<u>\$ 26,202,247</u>	<u>\$ 11,284,826</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>
\$ 1,176,564	\$	\$ 1,245,150	\$ 6,606,546
5,384,554			13,201,712
2,377,119	71,168,497	3,918,177	79,459,944
<u>1,739,825</u>	<u></u>	<u>660,229</u>	<u>28,248,920</u>
<u>\$ 10,678,062</u>	<u>\$ 71,168,497</u>	<u>\$ 5,823,556</u>	<u>\$ 127,517,122</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, 2009

<u>Function</u>	<u>Governmental Funds Capital Assets 10/01/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 09/30/09</u>
General government	\$ 5,616,011	\$ 1,007,062	\$ 16,527	\$ 6,606,546
Public safety	12,620,524	750,851	169,663	13,201,712
Public works	76,191,198	3,473,973	205,227	79,459,944
Culture and recreation	<u>27,473,514</u>	<u>775,406</u>	<u> </u>	<u>28,248,920</u>
Total governmental funds capital assets	<u>\$ 121,901,247</u>	<u>\$ 6,007,292</u>	<u>\$ 391,417</u>	<u>\$ 127,517,122</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, 2009

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 7,100	\$ 9,172,480	\$	\$
Receivables (Net of Allowance for Uncollectibles):				
Taxes	35,650			
Customer accounts	45,080			
Sales tax	743,318			
Franchise tax	195,045			
Grants	443,258			
Due from clearing fund	5,504,425		124,101	1,109,413
Due from other funds		10,605		
Investments		399,000		
Inventories:				
Resale items	43,250			
Supplies	<u>55,098</u>			
 Total assets	 <u>\$ 7,072,224</u>	 <u>\$ 9,582,085</u>	 <u>\$ 124,101</u>	 <u>\$ 1,109,413</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 625,068	\$	\$ 119,101	\$
Cash bonds and taxes	289,968			
Accrued wages	277,252			
Deferred revenue	94,771			
Due to other funds		<u>9,582,085</u>		
 Total liabilities	 <u>1,287,059</u>	 <u>9,582,085</u>	 <u>119,101</u>	 <u>-0-</u>
<u>Fund Balances:</u>				
Reserved:				
Inventory	98,348			
Encumbrances				
Unreserved:				
Designated:				
Unemployment insurance				
Noncurrent liabilities				1,109,413
Equipment replacement				
Special events				
Undesignated	<u>5,686,817</u>		<u>5,000</u>	
 Total fund balances	 <u>5,785,165</u>	 <u>-0-</u>	 <u>5,000</u>	 <u>1,109,413</u>
 Total liabilities and fund balances	 <u>\$ 7,072,224</u>	 <u>\$ 9,582,085</u>	 <u>\$ 124,101</u>	 <u>\$ 1,109,413</u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Red Light Camera</u>	<u>Consolidation</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 9,179,580
					35,650
			11,894		56,974
					743,318
					195,045
					443,258
2,538,791	222,210	45	83,100	(9,582,085)	-0-
					10,605
					399,000
					43,250
					55,098
<u>\$ 2,538,791</u>	<u>\$ 222,210</u>	<u>\$ 45</u>	<u>\$ 94,994</u>	<u>\$(9,582,085)</u>	<u>\$ 11,161,778</u>
\$ 101,864	\$	\$	\$ 32,085	\$	\$ 878,118
					289,968
					277,252
					94,771
				(9,582,085)	-0-
<u>101,864</u>	<u>-0-</u>	<u>-0-</u>	<u>32,085</u>	<u>(9,582,085)</u>	<u>1,540,109</u>
					98,348
233,086					233,086
	222,210				222,210
					1,109,413
2,203,841					2,203,841
		45			45
			62,909		5,754,726
<u>2,436,927</u>	<u>222,210</u>	<u>45</u>	<u>62,909</u>	<u>-0-</u>	<u>9,621,669</u>
<u>\$ 2,538,791</u>	<u>\$ 222,210</u>	<u>\$ 45</u>	<u>\$ 94,994</u>	<u>\$(9,582,085)</u>	<u>\$ 11,161,778</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, 2009

	General	Clearing	Payroll	General Contingencies
Revenues:				
Taxes:				
Property	\$ 3,393,969	\$	\$	\$
Sales	4,634,553			
Franchise	1,586,698			
Other	129,904			
Industrial district	3,962,165			
Recreation	931,477			
Fines and fees	382,012			
Licenses and permits	186,017			
Interest	49,064			10,254
Miscellaneous	95,532			
Intergovernmental	1,198,886			
Total revenues	16,550,277	-0-	-0-	10,254
Expenditures:				
General Government and Administration:				
General administration	1,177,770			
Finance	793,953			
Elections	4,581			
Legal	141,181			
Municipal court	270,861			
Engineering	391,734			
Public Safety:				
Police	4,103,170			
Fire	447,561			
EMS department	374,212			
Humane	249,509			
Public works:				
Garage	583,840			
Street	789,258			
Drainage	697,058			
Building inspection	539,323			
Sanitation				
Wastewater				
Hurricane Ike	716,063			
Culture and recreation:				
Parks	1,040,928			
Recreation	1,843,650			
Civic Center & Jasmine Hall	532,685			
Commissions and Boards	324,076			
Special Events	81,425			
Capital outlay	531,757			
Total expenditures	15,634,595	-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>
\$	\$	\$	\$	\$	\$ 3,393,969
					4,634,553
					1,586,698
					129,904
					3,962,165
					931,477
			43,734		425,746
					186,017
22,869	2,284				84,471
4,000		14,487			114,019
<u>26,869</u>	<u>2,284</u>	<u>14,487</u>	<u>43,734</u>	<u>-0-</u>	<u>1,198,886</u>
50,246	6,195				1,234,211
20,901					814,854
					4,581
					141,181
10,444					281,305
1,423					393,157
13,273					4,116,443
2,214					449,775
					374,212
					249,509
					583,840
					789,258
					697,058
2,214					541,537
29,246					29,246
20,036					20,036
					716,063
			6,270		1,047,198
5,257					1,848,907
					532,685
					324,076
		61,631			143,056
<u>955,712</u>	<u>6,195</u>	<u>61,631</u>	<u>6,270</u>	<u>-0-</u>	<u>1,487,469</u>
<u>1,110,966</u>	<u>6,195</u>	<u>61,631</u>	<u>6,270</u>	<u>-0-</u>	<u>16,819,657</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, 2009

	<u>General</u>	<u>Clearing</u>	<u>Payroll</u>	<u>General Contingencies</u>
Excess of revenues over (under) expenditures	\$ <u>915,682</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>10,254</u>
Other Financing Sources (Uses):				
Transfers in	1,198,389			330,000
Transfers out	(1,479,041)			(308,000)
Proceeds from sale of capital assets	<u>276,821</u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>(3,831)</u>	<u>-0-</u>	<u>-0-</u>	<u>22,000</u>
Excess of revenues and other sources Over (under) expenditures and other uses	911,851	-0-	-0-	32,254
Fund balances, October 1 (restated)	<u>4,973,314</u>	<u> </u>	<u>5,000</u>	<u>1,077,159</u>
Fund balances, September 30	<u><u>\$ 5,785,165</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 1,109,413</u></u>

<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Special Events</u>	<u>Red Light Camera</u>	<u>Consolidation</u>	<u>Total</u>
<u>\$(1,084,097)</u>	<u>\$(3,911)</u>	<u>\$(47,144)</u>	<u>\$ 37,464</u>	<u>\$ -0-</u>	<u>\$(171,752)</u>
1,541,178		46,550		(1,584,241)	1,531,876
(246,721)				1,584,241	(449,521)
<u>76,720</u>					<u>353,541</u>
<u>1,371,177</u>	<u>-0-</u>	<u>46,550</u>	<u>-0-</u>	<u>-0-</u>	<u>1,435,896</u>
287,080	(3,911)	(594)	37,464	-0-	1,264,144
<u>2,149,847</u>	<u>226,121</u>	<u>639</u>	<u>25,445</u>		<u>8,357,525</u>
<u>\$ 2,436,927</u>	<u>\$ 222,210</u>	<u>\$ 45</u>	<u>\$ 62,909</u>	<u>\$ -0-</u>	<u>\$ 9,621,669</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2009

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
<u>Assets</u>			
Current Assets:			
Cash and temporary investments	\$ 2,495,568	\$ 340,451	\$
Receivables (Net of Allowance for Uncollectibles):			
Accounts	<u>672,278</u>	<u> </u>	<u> </u>
	<u>3,167,846</u>	<u>340,451</u>	<u>-0-</u>
Current Restricted Assets:			
Cash and temporary investments	557,106		663,880
Due from other governments	<u> </u>	<u> </u>	<u> </u>
Total restricted current assets	<u>557,106</u>	<u>-0-</u>	<u>663,880</u>
Total current assets	<u>3,724,952</u>	<u>340,451</u>	<u>663,880</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents:			
Revenue bond covenant accounts	<u> </u>	<u> </u>	<u>286,720</u>
Total noncurrent restricted assets	<u>-0-</u>	<u>-0-</u>	<u>286,720</u>
Deferred charges	<u> </u>	<u> </u>	<u>245,576</u>
Capital Assets:			
Property, plant and equipment	56,441,341		
Construction in progress	<u> </u>	<u> </u>	<u> </u>
Less accumulated depreciation	<u>(25,031,459)</u>	<u> </u>	<u> </u>
Total capital assets (net of accumulated depreciation)	<u>31,409,882</u>	<u>-0-</u>	<u>-0-</u>
Total noncurrent assets	<u>31,409,882</u>	<u>-0-</u>	<u>532,296</u>
Total assets	<u>35,134,834</u>	<u>340,451</u>	<u>1,196,176</u>

(Continued)

<u>Utility Construction</u>	<u>1996 Utility Bond</u>	<u>Wastewater Treatment Bond Reserve</u>	<u>2007 Utility Bond</u>	<u>Total</u>
\$ 391,303	\$	\$	\$	\$ 3,227,322
				<u>672,278</u>
<u>391,303</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,899,600</u>
	226,209		1,644,046	3,091,241
			5,318	<u>5,318</u>
<u>-0-</u>	<u>226,209</u>	<u>-0-</u>	<u>1,649,364</u>	<u>3,096,559</u>
<u>391,303</u>	<u>226,209</u>	<u>-0-</u>	<u>1,649,364</u>	<u>6,996,159</u>
		1,197,200		<u>1,483,920</u>
<u>-0-</u>	<u>-0-</u>	<u>1,197,200</u>	<u>-0-</u>	<u>1,483,920</u>
	13,214		45,261	<u>304,051</u>
542,013			383,770	56,441,341
				925,783
				<u>(25,031,459)</u>
<u>542,013</u>	<u>-0-</u>	<u>-0-</u>	<u>383,770</u>	<u>32,335,665</u>
<u>542,013</u>	<u>13,214</u>	<u>1,197,200</u>	<u>429,031</u>	<u>34,123,636</u>
<u>933,316</u>	<u>239,423</u>	<u>1,197,200</u>	<u>2,078,395</u>	<u>41,119,795</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2009

	<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	\$ 443,241	\$	\$
Accrued wages	74,741		
Accrued compensated absences	122,076		
Revenue bonds payable	<u>624,167</u>		
	<u>1,264,225</u>	<u>-0-</u>	<u>-0-</u>
Current Liabilities Payable from Restricted Assets:			
Accounts payable			
Accrued interest			240,825
Customer deposits	557,106		
Revenue bonds payable			<u>445,833</u>
Total current liabilities payable from restricted assets	<u>557,106</u>	<u>-0-</u>	<u>686,658</u>
Total current liabilities	1,821,331	-0-	686,658
Noncurrent Liabilities:			
Revenue bonds payable	<u>11,320,000</u>		
Total liabilities	<u>13,141,331</u>	<u>-0-</u>	<u>686,658</u>
Net Assets:			
Invested in capital assets, net of related debt	19,465,715		(200,257)
Restricted For:			
Revenue bond retirement			709,775
Construction			
Unrestricted	<u>2,527,788</u>	<u>340,451</u>	
Total net assets	<u>\$ 21,993,503</u>	<u>\$ 340,451</u>	<u>\$ 509,518</u>

<u>Utility Construction</u>	<u>1996 Utility Bond</u>	<u>Wastewater Treatment Bond Reserve</u>	<u>2007 Utility Bond</u>	<u>Total</u>
\$	\$	\$	\$	\$ 443,241
				74,741
				122,076
				<u>624,167</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,264,225</u>
			20,503	20,503
				240,825
				557,106
				<u>445,833</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,503</u>	<u>1,264,267</u>
			20,503	2,528,492
				<u>11,320,000</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,503</u>	<u>13,848,492</u>
542,013	13,214		429,031	20,249,716
		1,197,200		1,906,975
	226,209		1,628,861	1,855,070
<u>391,303</u>				<u>3,259,542</u>
<u>\$ 933,316</u>	<u>\$ 239,423</u>	<u>\$ 1,197,200</u>	<u>\$ 2,057,892</u>	<u>\$ 27,271,303</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, 2009

	<u>Utility</u>	<u>Utility Contingency</u>	<u>Utility Revenue Bond Interest and Sinking</u>
Operating Revenues:			
Water service	\$ 3,306,523	\$	\$
Sewer service	3,405,033		
Garbage fees	3,038,754		
Tapping and connection fees	213,410		
Grant revenue			
Other	<u>78,798</u>		
Total operating revenues	<u>10,042,518</u>	<u>-0-</u>	<u>-0-</u>
Operating Expenses:			
Utility administration	371,551		
Water production and treatment	2,318,046		
Sewer collection	2,002,435		
Sanitation	2,347,918		
Depreciation	<u>1,964,021</u>		
Total operating expenses	<u>9,003,971</u>	<u>-0-</u>	<u>-0-</u>
Operating income (loss)	<u>1,038,547</u>	<u>-0-</u>	<u>-0-</u>
Non-Operating Revenues (Expenses):			
Interest revenue	26,578	4,170	21,778
Gain on sale/retirement of capital assets	(34,045)		
Interest expense and fiscal charges			<u>(575,105)</u>
Total non-operating revenues (expenses)	<u>(7,467)</u>	<u>4,170</u>	<u>(553,327)</u>
Income (loss) before contributions and transfers	1,031,080	4,170	(553,327)
Capital contributions	41,851		
Transfers In (Out):			
Transfers in	256,823		
Transfers out	(1,115,326)		
Intrafund transfers	<u>48,674</u>	<u>(85,500)</u>	<u>533,592</u>
Change in net assets	223,102	(81,330)	(19,735)
Net assets at beginning of year	<u>21,770,401</u>	<u>421,781</u>	<u>529,253</u>
Net assets at end of year	<u>\$ 21,993,503</u>	<u>\$ 340,451</u>	<u>\$ 509,518</u>

Utility Construction	1996 Utility Bond	Wastewater Treatment Bond Reserve	2007 Utility Bond	Total
\$	\$	\$	\$	\$ 3,306,523
				3,405,033
				3,038,754
				213,410
			53,182	53,182
				78,798
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>53,182</u>	<u>10,095,700</u>
				371,551
				2,318,046
				2,002,435
				2,347,918
				1,964,021
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,003,971</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>53,182</u>	<u>1,091,729</u>
4,383	3,501		14,211	74,621
	(1,887)		(2,568)	(34,045)
<u>4,383</u>	<u>1,614</u>	<u>-0-</u>	<u>11,643</u>	<u>(538,984)</u>
4,383	1,614	-0-	64,825	552,745
				41,851
				256,823
(118,950)	(347,816)	(30,000)		(1,155,326)
				-0-
(114,567)	(346,202)	(30,000)	64,825	(303,907)
<u>1,047,883</u>	<u>585,625</u>	<u>1,227,200</u>	<u>1,993,067</u>	<u>27,575,210</u>
<u>\$ 933,316</u>	<u>\$ 239,423</u>	<u>\$ 1,197,200</u>	<u>\$ 2,057,892</u>	<u>\$ 27,271,303</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

CONSOLIDATED SCHEDULE OF CASH FLOWS ENTERPRISE FUND - SUB-FUNDS

For the Year Ended September 30, 2009

	Utility	Utility Contingency	Utility Revenue Bond Interest and Sinking
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 10,411,941	\$	\$
Payments to customers and suppliers	(4,094,990)		(19,132)
Payments to employees	(2,841,561)		
Net cash provided (used) by operating activities	3,475,390	-0-	(19,132)
Cash Flows from Non-Capital Financing Activities:			
Transfers in	256,823		
Transfers out	(1,155,326)		
Intrafund transfers	(545,349)	(85,500)	533,592
Net cash provided (used) by non-capital financing activities	(1,443,852)	(85,500)	533,592
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(264,976)		
Principal paid on capital debt	(1,070,000)		
Interest and fiscal charges paid on capital debt	(294,002)		(551,338)
Net cash provided (used) by capital and related financing activities	(1,628,978)	-0-	(551,338)
Cash Flows from Investing Activities:			
Interest on investments	26,578	4,170	21,778
Net cash provided by investing activities	26,578	4,170	21,778
Net increase (decrease) in cash and cash equivalents	429,138	(81,330)	(15,100)
Cash and cash equivalents at the beginning of year	2,623,536	421,781	965,700
Cash and cash equivalents at the end of year	\$ 3,052,674	\$ 340,451	\$ 950,600
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:			
Operating income (loss)	\$ 1,038,547	\$	\$
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,964,021		
(Increase) decrease in accounts receivable	72,274		
Increase (decrease) in accounts payable	65,685		(19,132)
Increase (decrease) in accrued wages payable	32,961		
Increase (decrease) in accrued compensated absences	4,753		
Increase (decrease) in customer deposits	297,149		
Total adjustments	2,436,843	-0-	(19,132)
Net cash provided (used) by operating activities	\$ 3,475,390	\$ -0-	\$(19,132)
Non-cash Investing, Capital, and Financing Activities:			
Contributions of capital assets from government	\$ 41,851	\$	\$
Net effect of non-cash transactions	\$ 41,851	\$ -0-	\$ -0-

Utility Construction	1996 Utility Bond	Wastewater Treatment Bond Reserve	2007 Utility Bond	Total
\$	\$	\$	\$ 47,864	\$ 10,459,805
	(117)		20,503	(4,093,736)
				(2,841,561)
<u>-0-</u>	<u>(117)</u>	<u>-0-</u>	<u>68,367</u>	<u>3,524,508</u>
				256,823
				(1,155,326)
<u>449,173</u>	<u>(321,916)</u>	<u>(30,000)</u>		<u>-0-</u>
<u>449,173</u>	<u>(321,916)</u>	<u>(30,000)</u>	<u>-0-</u>	<u>(898,503)</u>
(542,013)			(351,270)	(1,158,259)
				(1,070,000)
				(845,340)
<u>(542,013)</u>	<u>-0-</u>	<u>-0-</u>	<u>(351,270)</u>	<u>(3,073,599)</u>
<u>4,383</u>	<u>3,501</u>		<u>14,211</u>	<u>74,621</u>
<u>4,383</u>	<u>3,501</u>	<u>-0-</u>	<u>14,211</u>	<u>74,621</u>
(88,457)	(318,532)	(30,000)	(268,692)	(372,973)
<u>479,760</u>	<u>544,741</u>	<u>1,227,200</u>	<u>1,912,738</u>	<u>8,175,456</u>
<u>\$ 391,303</u>	<u>\$ 226,209</u>	<u>\$ 1,197,200</u>	<u>\$ 1,644,046</u>	<u>\$ 7,802,483</u>
\$	\$	\$	\$ 53,182	\$ 1,091,729
				1,964,021
			(5,318)	66,956
	(117)		20,503	66,939
				32,961
				4,753
				297,149
<u>-0-</u>	<u>(117)</u>	<u>-0-</u>	<u>15,185</u>	<u>2,432,779</u>
<u>\$ -0-</u>	<u>\$(117)</u>	<u>\$ -0-</u>	<u>\$ 68,367</u>	<u>\$ 3,524,508</u>
\$	\$	\$	\$	\$ 41,851
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

**GENERAL OBLIGATION BONDS
DEBT SERVICE SCHEDULE**

September 30, 2009

Year Ending 09/30	Series 2001		Series 2002	
	Principal	Interest	Principal	Interest
2010	\$ 180,000	\$ 98,640	\$ 245,000	\$ 215,300
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				
TOTAL	\$ 2,160,000	\$ 632,385	\$ 4,705,000	\$ 1,769,225

(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	\$ 96,075	\$ 280,000	\$ 20,802	\$ 60,000	\$ 32,355
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>\$ 2,340,000</u>	<u>\$ 644,625</u>	<u>\$ 760,000</u>	<u>\$ 45,289</u>	<u>\$ 840,000</u>	<u>\$ 247,305</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2009

Year Ending 09/30	Series 2004		Series 2007	
	Principal	Interest	Principal	Interest
2010	\$ 180,000	\$ 95,580	\$ 315,000	\$ 185,972
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				
TOTAL	\$ 2,700,000	\$ 777,195	\$ 4,820,000	\$ 1,717,506

(Continued)

Series 2009		Series 2009 Refunding		Totals		
Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 120,000	\$ 100,800	\$ 970,000	\$ 194,250	\$ 2,530,000	\$ 1,039,774	\$ 3,569,774
120,000	94,500	955,000	165,375	2,365,000	951,643	3,316,643
120,000	88,200	945,000	136,875	2,360,000	865,805	3,225,805
120,000	82,200	930,000	108,750	2,350,000	780,078	3,130,078
120,000	76,500	690,000	84,450	1,965,000	700,245	2,665,245
120,000	70,800	680,000	63,900	1,970,000	625,881	2,595,881
120,000	65,550	670,000	43,650	1,975,000	551,118	2,526,118
120,000	60,750	660,000	22,875	1,980,000	474,841	2,454,841
120,000	56,025	285,000	7,162	1,620,000	402,292	2,022,292
120,000	51,450	60,000	1,088	1,415,000	337,658	1,752,658
120,000	46,950			1,375,000	276,045	1,651,045
120,000	42,450			1,395,000	214,335	1,609,335
120,000	37,800			1,235,000	155,975	1,390,975
120,000	33,000			1,075,000	104,610	1,179,610
120,000	28,200			565,000	69,080	634,080
120,000	23,220			385,000	49,720	434,720
120,000	18,060			385,000	33,960	418,960
120,000	12,900			385,000	18,200	403,200
120,000	7,740			120,000	7,740	127,740
120,000	2,580			120,000	2,580	122,580
<u>\$ 2,400,000</u>	<u>\$ 999,675</u>	<u>\$ 6,845,000</u>	<u>\$ 828,375</u>	<u>\$ 27,570,000</u>	<u>\$ 7,661,580</u>	<u>\$ 35,231,580</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

September 30, 2009

Year Ending 09/30	Series 1993		Series 1996	
	Principal	Interest	Principal	Interest
2010	\$ 70,000	\$ 15,520	\$ 100,000	\$ 35,000
2011	70,000	11,810	100,000	30,000
2012	70,000	8,065	100,000	25,000
2013	80,000	4,320	100,000	20,000
2014			100,000	15,000
2015			100,000	10,000
2016			100,000	5,000
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
TOTAL	\$ 290,000	\$ 39,715	\$ 700,000	\$ 140,000

Series 2000		Series 2007		Totals		
Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 800,000	\$ 397,200	\$ 100,000	\$ 73,000	\$ 1,070,000	\$ 520,720	\$ 1,590,720
800,000	366,800	100,000	68,000	1,070,000	476,610	1,546,610
800,000	336,000	100,000	63,000	1,070,000	432,065	1,502,065
800,000	304,400	100,000	58,250	1,080,000	386,970	1,466,970
800,000	272,400	100,000	54,000	1,000,000	341,400	1,341,400
800,000	240,000	100,000	50,000	1,000,000	300,000	1,300,000
800,000	206,800	100,000	46,000	1,000,000	257,800	1,257,800
800,000	173,200	100,000	42,000	900,000	215,200	1,115,200
800,000	139,200	100,000	38,000	900,000	177,200	1,077,200
800,000	104,800	100,000	34,000	900,000	138,800	1,038,800
800,000	70,000	100,000	30,000	900,000	100,000	1,000,000
800,000	35,200	100,000	26,000	900,000	61,200	961,200
		100,000	22,000	100,000	22,000	122,000
		100,000	18,000	100,000	18,000	118,000
		100,000	14,000	100,000	14,000	114,000
		100,000	10,000	100,000	10,000	110,000
		100,000	6,000	100,000	6,000	106,000
		100,000	2,000	100,000	2,000	102,000
<u>\$ 9,600,000</u>	<u>\$ 2,646,000</u>	<u>\$ 1,800,000</u>	<u>\$ 654,250</u>	<u>\$ 12,390,000</u>	<u>\$ 3,479,965</u>	<u>\$ 15,869,965</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

INSURANCE COVERAGE

September 30, 2009

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Texas Municipal League:		
General and Auto Liability: Bodily injury Property damage	\$ 5,000,000	10/01/09
Other Liability: Law enforcement liability	5,000,000	10/01/09
Errors and omissions	2,000,000	10/01/09
Property coverage	43,660,800	10/01/09
Mobil equipment	1,807,796	10/01/09
Boiler and machinery	8,000,000	10/01/09
American Governmental Risk and Insurance Programs:		
Windstorm and hail coverage on property, buildings and contents	37,114,280	01/26/10
Pollution liability insurance	2,000,000	10/01/09

STATISTICAL SECTION

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

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

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

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

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

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

CITY OF LAKE JACKSON
Lake Jackson, Texas

Table 1
Net Assets by Component - Last Eight 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>
\$ 20,767,169	\$ 22,531,131	\$ 24,720,024
7,165,037	6,127,672	5,539,740
<u>12,535,286</u>	<u>12,901,474</u>	<u>13,589,900</u>
<u>\$ 40,467,492</u>	<u>\$ 41,560,277</u>	<u>\$ 43,849,664</u>
\$ 26,931,575	\$ 27,384,565	\$ 27,423,694
4,403,071	4,433,305	3,762,045
<u>3,862,779</u>	<u>3,228,210</u>	<u>3,586,865</u>
<u>\$ 35,197,425</u>	<u>\$ 35,046,080</u>	<u>\$ 34,772,604</u>
\$ 47,698,744	\$ 49,915,696	\$ 52,143,718
11,568,108	10,560,977	9,301,785
<u>16,398,065</u>	<u>16,129,684</u>	<u>17,176,765</u>
<u>\$ 75,664,917</u>	<u>\$ 76,606,357</u>	<u>\$ 78,622,268</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 2
Changes in Net Assets - Last Eight 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>
\$ 2,933,681	\$ 2,894,285	\$ 3,075,201
5,238,784	5,464,662	5,739,091
5,346,890	5,925,876	5,758,443
4,621,273	4,977,391	4,885,568
<u>1,225,583</u>	<u>1,260,296</u>	<u>1,180,102</u>
<u>19,366,211</u>	<u>20,522,510</u>	<u>20,638,405</u>
6,407,376	6,614,955	6,913,963
2,629,561	2,573,279	2,718,214
<u>1,868,965</u>	<u>2,017,199</u>	<u>2,167,996</u>
<u>10,905,902</u>	<u>11,205,433</u>	<u>11,800,173</u>
<u>\$ 30,272,113</u>	<u>\$ 31,727,943</u>	<u>\$ 32,438,578</u>
\$ 442,892	\$ 451,580	\$ 447,112
244,049	239,063	186,017
974,310	986,604	931,477
25,000	744,892	1,566,242
<u>856,100</u>	<u> </u>	<u> </u>
<u>2,542,351</u>	<u>2,422,139</u>	<u>3,130,848</u>
5,614,724	6,678,843	7,003,764
2,823,869	2,970,992	3,038,754
1,637,741	1,847,418	1,869,731
		53,182
<u> </u>	<u> </u>	<u> </u>
<u>10,076,334</u>	<u>11,497,253</u>	<u>11,965,431</u>
<u>\$ 12,618,685</u>	<u>\$ 13,919,392</u>	<u>\$ 15,096,279</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 2 - Continued
Changes in Net Assets - Last Eight 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>
\$(16,823,860)	\$(18,100,371)	\$(17,507,557)
<u>(829,568)</u>	<u> 291,820</u>	<u> 165,258</u>
<u>(17,653,428)</u>	<u>(17,808,551)</u>	<u>(17,342,299)</u>
5,020,245	5,366,631	5,685,508
6,972,467	6,890,894	7,043,241
272,624	272,703	218,277
1,596,697	1,525,195	1,586,698
3,220,061	3,422,770	3,962,165
59,590	145,269	130,559
819,379	656,899	193,207
103,123	182,791	138,624
56,533	22,498	325,310
<u>(53,112)</u>	<u> 707,506</u>	<u> 513,355</u>
<u>18,067,607</u>	<u>19,193,156</u>	<u>19,796,944</u>
443,132	264,341	74,621
16,000		
<u> 53,112</u>	<u>(707,506)</u>	<u>(513,353)</u>
<u>512,244</u>	<u>(443,165)</u>	<u>(438,734)</u>
<u>18,579,851</u>	<u>18,749,991</u>	<u>19,358,210</u>
1,243,747	1,092,785	2,289,387
<u>(317,324)</u>	<u>(151,345)</u>	<u>(273,476)</u>
<u>\$ 926,423</u>	<u>\$ 941,440</u>	<u>\$ 2,015,911</u>

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund:					
Reserved for other*	\$ 39,269	\$ 59,973	\$ 63,746	\$ 57,388	\$ 67,614
Unreserved	<u>6,158,381</u>	<u>6,508,038</u>	<u>6,524,769</u>	<u>7,387,749</u>	<u>7,741,804</u>
Total general fund	<u>\$ 6,197,650</u>	<u>\$ 6,568,011</u>	<u>\$ 6,588,515</u>	<u>\$ 7,445,137</u>	<u>\$ 7,809,418</u>
All Other Governmental Funds Reserved For:					
Reserved For:					
Debt service	\$ 1,013,592	\$ 897,419	\$ 784,047	\$ 795,592	\$ 768,321
Capital projects	2,290,145	4,656,643	8,986,602	7,071,280	5,978,847
Unreserved, Reported In:					
Special Revenue	2,369,068	2,559,616	4,372,503	3,241,768	1,694,660
Capital projects	<u>2,176,415</u>	<u>2,018,357</u>	<u>-0-</u>	<u>423,844</u>	<u>1,616,002</u>
Total all other governmental funds	<u>\$ 7,849,220</u>	<u>\$ 10,132,035</u>	<u>\$ 14,143,152</u>	<u>\$ 11,532,484</u>	<u>\$ 10,057,830</u>

Note: *Includes encumbrances and prepaid items

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 538,565	\$ 199,512	\$ 125,301	\$ 442,782	\$ 331,434
<u>7,242,862</u>	<u>7,504,971</u>	<u>9,010,029</u>	<u>7,914,743</u>	<u>9,290,235</u>
<u>\$ 7,781,427</u>	<u>\$ 7,704,483</u>	<u>\$ 9,135,330</u>	<u>\$ 8,357,525</u>	<u>\$ 9,621,669</u>
\$ 604,045	\$ 550,663	\$ 534,831	\$ 527,608	\$ 719,637
3,998,032	1,706,433	6,344,497	5,648,872	4,838,804
1,551,229	1,593,812	1,843,390	2,432,834	2,578,102
<u>1,989,716</u>	<u>1,515,074</u>	<u>1,132,586</u>	<u>2,299,863</u>	<u>1,612,184</u>
<u>\$ 8,143,022</u>	<u>\$ 5,365,982</u>	<u>\$ 9,855,304</u>	<u>\$ 10,909,177</u>	<u>\$ 9,748,727</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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues:					
Taxes	\$ 12,093,169	\$ 13,073,884	\$ 13,742,689	\$ 13,991,874	\$ 14,341,593
Intergovernmental	236,279	58,817	272,471	326,496	103,345
Charges for services	759,611	997,106	994,180	958,594	889,460
Fines and fees	318,983	297,281	353,082	325,470	304,200
Licenses and permits	126,362	119,542	208,169	211,309	315,555
Special assessment	14,660	4,453	4,098	3,736	3,597
Investment earnings	939,023	799,174	387,668	290,464	218,164
Contributions				550,000	23,065
Miscellaneous	<u>148,186</u>	<u>157,680</u>	<u>85,193</u>	<u>61,506</u>	<u>90,884</u>
Total revenues	<u>14,636,273</u>	<u>15,507,937</u>	<u>16,047,550</u>	<u>16,719,449</u>	<u>16,289,863</u>
Expenditures:					
General government administration	2,217,451	2,356,954	1,978,733	2,111,361	2,047,348
Public safety	3,306,638	3,645,476	4,190,707	4,113,458	4,135,938
Public works	1,992,649	2,114,596	2,159,844	2,237,529	2,184,224
Culture and recreation	2,416,598	2,764,346	3,418,071	3,577,880	3,502,390
Capital outlay	5,549,145	3,523,620	3,867,639	8,904,603	6,380,274
Debt Service:					
Principal	1,550,000	1,625,000	1,580,000	1,855,000	2,110,000
Interest and fiscal charges	<u>1,157,593</u>	<u>1,118,653</u>	<u>1,213,076</u>	<u>1,470,118</u>	<u>1,374,354</u>
Total expenditures	<u>18,190,074</u>	<u>17,148,645</u>	<u>18,408,070</u>	<u>24,269,949</u>	<u>21,734,528</u>
Excess of revenues over (under) expenditures	<u>(3,553,801)</u>	<u>(1,640,708)</u>	<u>(2,360,520)</u>	<u>(7,550,500)</u>	<u>(5,444,665)</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
Payment to bond refunding escrow agent				(2,549,996)	
Transfers in	3,436,290	3,348,985	3,662,513	3,423,562	3,492,943
Transfers out	<u>(2,818,889)</u>	<u>(2,654,578)</u>	<u>(3,286,250)</u>	<u>(2,964,424)</u>	<u>(2,895,709)</u>
Total other financing sources (uses)	<u>617,401</u>	<u>4,294,407</u>	<u>6,387,495</u>	<u>5,374,092</u>	<u>4,334,292</u>
Net change in fund balances	<u>\$(2,936,400)</u>	<u>\$ 2,653,699</u>	<u>\$ 4,026,975</u>	<u>\$(2,176,408)</u>	<u>\$(1,110,373)</u>
Debt Service as a percentage of noncapital Expenditures	21.4%	20.1%	19.2%	21.6%	22.7%

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 14,808,784	\$ 16,102,183	\$ 17,130,142	\$ 17,628,611	\$ 18,612,438
221,208	724,144	646,100	744,892	1,566,242
900,630	877,552	974,310	986,604	931,477
327,720	306,426	442,892	429,564	425,746
187,044	213,750	244,049	239,063	186,017
		3,246	100	655
467,505	687,327	819,379	656,900	191,524
600	1,025	2,020	515	
<u>71,698</u>	<u>124,902</u>	<u>97,857</u>	<u>182,275</u>	<u>140,307</u>
<u>16,985,189</u>	<u>19,037,309</u>	<u>20,359,995</u>	<u>20,868,524</u>	<u>22,054,406</u>
2,181,307	2,404,638	2,737,126	2,707,090	2,874,769
4,323,056	4,585,013	4,663,457	4,949,286	5,189,939
2,267,855	2,640,909	2,298,989	3,882,411	3,679,429
3,728,855	3,900,092	3,863,375	4,227,705	4,102,208
2,817,025	5,478,274	2,568,700	2,393,437	6,007,292
2,285,000	2,285,000	2,345,000	2,580,000	2,260,000
<u>1,338,466</u>	<u>1,232,899</u>	<u>1,267,213</u>	<u>1,238,338</u>	<u>1,273,840</u>
<u>18,941,564</u>	<u>22,526,825</u>	<u>19,743,860</u>	<u>21,978,267</u>	<u>25,387,477</u>
<u>(1,956,375)</u>	<u>(3,489,516)</u>	<u>616,135</u>	<u>(1,109,743)</u>	<u>(3,333,071)</u>
		5,300,000		9,245,000
		613		
				144,553
71,558	9,250	56,533	54,638	386,858
				(6,894,852)
4,659,251	3,815,160	3,107,252	5,217,473	3,608,298
<u>(4,717,233)</u>	<u>(3,320,128)</u>	<u>(3,160,364)</u>	<u>(4,509,967)</u>	<u>(3,053,092)</u>
<u>13,576</u>	<u>504,282</u>	<u>5,304,034</u>	<u>762,144</u>	<u>3,436,765</u>
<u>\$(1,942,799)</u>	<u>\$(2,985,234)</u>	<u>\$ 5,920,169</u>	<u>\$(347,599)</u>	<u>\$ 103,694</u>
22.5%	20.6%	21.0%	19.5%	18.2%

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			
2000	\$ 974,177,450	\$ 99,415,470	\$ 137,872,623	\$ 935,720,297	\$ 0.35000
2001	1,062,786,530	102,242,250	165,963,334	999,065,446	0.35000
2002	1,140,783,950	104,976,810	177,158,100	1,068,602,660	0.35000
2003	1,208,631,980	103,229,290	194,432,481	1,117,428,789	0.37500
2004	1,289,587,900	100,857,740	203,374,329	1,187,071,311	0.37030
2005	1,340,800,620	106,550,060	212,386,376	1,234,964,304	0.37000
2006	1,414,404,750	112,102,800	252,573,630	1,273,933,920	0.38000
2007	1,497,758,792	114,426,600	265,668,634	1,346,516,758	0.37000
2008	1,548,589,780	117,138,400	274,123,140	1,391,605,040	0.38500
2009	1,566,412,827	121,221,910	280,572,592	1,407,062,145	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
2000	\$ 0.2253	\$ 0.1247	\$ 0.3500	\$ 0.3575	\$ 1.3728	\$ 0.0784	\$ 0.0763	\$ 0.0690
2001	0.2359	0.1141	0.3500	0.3995	1.3728	0.0725	0.0850	0.0690
2002	0.2371	0.1129	0.3500	0.3995	1.4228	0.0725	0.0850	0.0714
2003	0.2292	0.1458	0.3750	0.4195	1.4228	0.0721	0.0850	0.7137
2004	0.2351	0.1352	0.3703	0.3595	1.4728	0.0700	0.1050	0.0739
2005	0.2369	0.1331	0.3700	0.3620	1.5228	0.0675	0.1140	0.0762
2006	0.2493	0.1307	0.3800	0.3480	1.5728	0.0650	0.1190	0.0821
2007	0.2390	0.1310	0.3700	0.3217	1.4237	0.0597	0.1220	0.0821
2008	0.2332	0.1518	0.3850	0.3114	1.1339	0.0560	0.1210	0.0821
2009	0.2332	0.1568	0.3900	0.3300	1.1922	0.0535	0.1565	0.0821

Source: Brazoria County Appraisal District

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

2009			2000		
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)	\$ 24,074,630	1.71%	Southwest Mall	\$ 27,007,050	2.89%
Wal-Mart Stores Inc.	15,920,980	1.13%	Wal-Mart Stores Inc.	16,280,660	1.74%
Edgewater Apts.	11,174,120	0.79%	Dow Chemical Company	14,325,190	1.53%
Fazio Peter & Shari (Lowe's)	10,942,780	0.78%	Houston Lighting & Power	7,910,620	0.93%
Home Depot	10,489,930	0.75%	Dayton Hudson Corporation	6,868,810	0.81%
Dow Chemical Company	9,671,350	0.69%	Southwestern Bell Telephone	6,152,790	0.73%
Texas Dow Employees C.U.	9,244,780	0.66%	Petula Associates LTD (Lowe's)	5,547,160	0.65%
Centerpoint Energy Inc.	9,120,310	0.65%	Don Davis Buick Pontiac	5,321,920	0.63%
Ling Villages of Lake Jackson	8,365,940	0.59%	Northland SW Two LTD Ptnshp	4,240,350	0.50%
Buc-ee's LTD	<u>6,644,340</u>	<u>0.47%</u>	Carriage Inn - Lake Jackson LTD	<u>4,167,870</u>	<u>0.49%</u>
Total	<u>\$ 115,649,160</u>	<u>8.22%</u>	Total	<u>\$ 97,822,420</u>	<u>10.90%</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
2000	\$ 3,281,742	\$ 3,240,879	98.8%	\$ 37,778	\$ 3,278,657	99.9%
2001	3,528,142	3,465,580	98.2%	61,383	3,526,963	100.0%
2002	3,772,184	3,720,173	98.6%	50,348	3,770,520	100.0%
2003	4,223,923	4,164,483	98.6%	54,543	4,219,026	99.9%
2004	4,424,996	4,368,949	98.7%	52,555	4,421,504	99.9%
2005	4,608,300	4,563,655	99.0%	40,945	4,604,600	99.9%
2006	4,855,234	4,818,745	99.2%	32,892	4,851,637	99.9%
2007	4,979,910	4,940,579	99.2%	31,057	4,971,637	99.8%
2008	5,346,412	5,294,887	98.0%	34,837	5,329,724	98.7%
2009	5,636,881	5,582,960	99.0%		5,582,960	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
2000	\$ 3,601,981	\$ 1,800,991	\$ 5,402,972	4.1%	36.9%	204.43
2001	3,673,682	1,896,742	5,570,524	3.1%	35.9%	209.76
2002	3,778,512	1,889,256	5,667,768	1.7%	35.3%	210.85
2003	3,726,533	1,863,267	5,589,800	(1.4%)	33.4%	207.52
2004	3,810,459	1,905,229	5,715,688	2.3%	35.1%	211.55
2005	3,914,130	1,957,066	5,871,196	2.7%	34.6%	214.46
2006	4,261,667	2,130,834	6,392,501	8.9%	33.6%	231.49
2007	4,618,469	2,353,998	6,972,467	9.1%	34.2%	252.50
2008	4,553,842	2,337,052	6,890,894	(1.2%)	33.0%	249.54
2009	4,634,553	2,408,688	7,043,241	2.2%	31.9%	255.06

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			
2000	\$ 9,495,000	\$ 11,205,000	\$ 18,520,000	\$ -0-	\$ 39,220,000	5.68%	1,484
2001	12,310,000	10,365,000	18,350,000	-0-	41,025,000	5.91%	1,545
2002	17,570,000	9,525,000	17,380,000	-0-	44,475,000	6.33%	1,655
2003	20,250,000	9,885,000	16,410,000	-0-	46,545,000	6.61%	1,728
2004	22,640,000	8,985,000	15,440,000	546,742	47,611,742	6.74%	1,762
2005	21,255,000	8,085,000	14,470,000	437,964	44,247,964	6.18%	1,616
2006	19,895,000	7,160,000	13,500,000	298,684	40,853,684	5.66%	1,479
2007	23,775,000	6,235,000	14,530,000	326,074	44,866,074	6.22%	1,625
2008	22,120,000	5,310,000	13,460,000	653,017	41,543,017	5.76%	1,504
2009	22,895,368	4,674,632	12,390,000	542,143	40,502,143	5.61%	1,467

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
2000	\$ 20,700,000	\$ 1,013,592	\$ 11,205,000	\$ 35,981	\$ 8,445,427	2.21%	783
2001	22,675,000	897,419	10,365,000	31,356	11,381,225	2.27%	854
2002	27,095,000	784,047	9,525,000	26,733	16,759,220	2.54%	1,008
2003	30,135,000	795,592	9,885,000	-0-	19,454,408	2.70%	1,119
2004	31,625,000	768,321	14,790,000	-0-	16,066,679	2.66%	1,171
2005	29,340,000	603,990	13,690,000	-0-	15,046,010	2.38%	1,072
2006	27,055,000	550,608	12,555,000	-0-	13,949,392	2.12%	980
2007	30,010,000	534,776	11,410,000	-0-	18,065,224	2.23%	1,087
2008	27,430,000	527,553	10,255,000	-0-	16,647,447	1.97%	993
2009	27,570,000	719,582	9,379,632	-0-	17,470,786	1.96%	998

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

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

³ See Table 5 for property value data.

⁴ See Table 14 for population data.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table 12
Direct and Overlapping Governmental Activities Debt
As of September 30, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>As of</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:				
Velasco Drainage District	\$ --		16.86%	\$ --
Brazosport I.S.D.	143,174,288	* 11/30/09	17.65%	25,270,262
Brazosport Jr. College	28,125,000	* 11/30/09	17.65%	4,964,063
Port Freeport	7,985,635	09/30/08	13.51%	1,078,859
Brazoria County	50,786,410	09/30/08	6.91%	3,509,341
Angleton Drainage District	--	09/30/09	3.44%	--
Angleton/Danbury Hospital District	17,540,000	* 11/30/09	0.60%	105,240
Columbia-Brazoria I.S.D.	39,727,385	08/31/08	0.71%	282,064
Angleton I.S.D.	81,245,000	* 11/30/09	0.40%	<u>324,980</u>
Subtotal, overlapping debt				35,534,809
City of Lack Jackson (direct debt)	27,570,000	* 09/30/09	100.00%	<u>27,570,000</u>
Total direct and overlapping debt				<u>\$ 63,104,809</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
2000	\$ 6,536,318	\$ 3,540,953	\$ 2,995,365	\$ 225,146	13.30	\$ 394,830	7.59
2001	6,383,480	3,857,399	2,526,081	1,307,890	1.93	311,740	8.10
2002	6,384,672	3,881,134	2,503,538	1,285,888	1.95	1,725,920	1.45
2003	5,794,570	3,849,608	1,944,962	1,263,482	1.54	1,689,195	1.15
2004	5,676,717	3,768,023	1,908,694	1,240,652	1.54	1,651,600	1.16
2005	6,063,698	3,908,603	2,155,095	1,217,347	1.77	1,613,535	1.34
2006	6,242,509	4,150,183	2,092,326	1,193,530	1.75	1,574,600	1.33
2007	6,052,858	4,425,545	1,627,313	959,150	1.70	1,678,355	0.97
2008	6,937,654	4,417,633	2,520,021	921,297	2.74	1,634,680	1.54
2009	7,078,385	4,692,032	2,386,353	881,665	2.71	1,590,720	1.50

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
2000	26,430	\$ 690,695,190	\$ 26,133	34.5	6,431	4.1%	13,806
2001	26,557	694,014,081	26,133	--	6,424	4.0%	13,974
2002	26,881	702,481,173	26,133	--	6,445	5.1%	14,526
2003	26,936	703,918,488	26,133	--	6,536	5.0%	14,951
2004	27,018	706,061,394	26,133	--	6,476	5.3%	14,960
2005	27,377	715,443,141	26,133	--	6,409	4.7%	14,180
2006	27,614	721,636,662	26,133	--	6,472	3.6%	14,467
2007	27,614	721,636,662	26,133	--	6,921	3.8%	14,439
2008	27,614	721,636,662	26,133	--	6,422	5.8%	14,266
2009	27,614	721,636,662	26,133	--	6,422	7.1%	13,735

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

2009			2000		
Employer	Employees	Percentage of Total City Employment	Employer	Estimated Employees	Percentage of Total City Employment
Brazosport Memorial Hospital	680	4.71%	Wal Mart Stores Inc.	550	4.00%
Wal-Mart	475	3.29%	Brazosport Memorial Hospital	486	3.54%
Brazosport I.S.D.	390	2.70%	Brazosport I.S.D.	405	2.95%
Dow Credit Union	210	1.46%	City of Lake Jackson	192	1.40%
City of Lake Jackson	206	1.43%	Dow Credit Union	190	1.38%
Target	155	1.07%	Lowes	120	0.87%
Lowes	130	0.90%	Target	130	0.95%
Home Depot	92	0.64%	Home Depot	89	0.65%
Ryan's Steakhouse	70	0.49%	Ryan's Steakhouse	60	0.44%
Randall's	60	0.42%	Albertson's	48	0.35%
Jerry's Food King	40	0.28%	Stanley Supermarket	48	0.35%
Total	<u>2,508</u>	<u>17.39%</u>	Total	<u>2,318</u>	<u>16.88%</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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government and Administration	29	30	31	31	32	31	31	31	35	35
Public Safety:										
Police	53	57	57	57	57	57	58	58	59	59
Fire	2	2	2	2	2	1	1	1	1	1
Humane	3	3	3	3	3	3	3	3	3	3
Culture and Recreation	26	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	6	8	8
Garbage	9	9	9	9	9	9	9	9	9	9
Water and Sewer	40	41	41	40	38	38	37	37	37	37
Sanitation	<u>25</u>									
	<u>215</u>	<u>222</u>	<u>223</u>	<u>222</u>	<u>221</u>	<u>219</u>	<u>219</u>	<u>219</u>	<u>226</u>	<u>226</u>

Source: City Budget

CITY OF LAKE JACKSON
Lake Jackson, Texas

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	Est. 2009
Public Safety:										
Police:										
% Criminal Offenses Cleared	41%	52%	79%	73%	64%	52%	55%	54%	55%	70%
Traffic contacts	10,238	12,586	15,955	15,822	17,119	16,406	18,039	18,296	14,406	18,000
Fire:										
Fire calls	406	422	455	455	469	486	519	537	532	550
EMS calls	1,452	1,367	1,488	1,468	1,514	1,629	1,891	2,183	2,197	2,400
Inspections	371	228	330	n/a	226	253	243	408	319	320
Public Works:										
Streets:										
Potholes repaired	1,625	671	598	559	486	481	314	363	235	255
Gutter sweeping (cu yd)	2,000	1,759	1,137	1,293	1,176	1,676	1,430	1,300	1,707	1,800
Culture and Recreation:										
Recreation Center members	5,454	5,769	5,415	5,091	5,586	4,937	5,864	5,800	6,204	5,738
Recreation Center Attendance	185,598	201,959	246,631	251,638	241,350	168,967	142,234	190,000	240,600	238,000
Water and Sewer:										
Number of sewer leaks Repaired	111	62	107	16	45	133	3	5	3	25
Linear feet of sewer mains cleaned	99,525	8,900	60,150	11,100	39,085	122,216	47,735	108,464	45,215	75,000
Sanitation:										
Refuse Collected:¹										
Residential garbage (cu yd)	23,036	18,550	23,851	23,237	25,000	27,060	27,031	27,200	28,000	28,000
Commercial garbage (cu yd)	25,518	34,450	34,934	35,934	37,000	26,698	40,459	40,800	42,000	42,000

Source: City Departments

¹ Does not include non-compacted refuse collection.

CITY OF LAKE JACKSON

Lake Jackson, Texas

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	1,296	1,306	1,306	1,306
Parks	23	23	23	23	23	23	23	23	23	23
Baseball/softball fields ²	23	23	23	23	23	23	23	23	23	23
Soccer fields ²	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	875	916	917	917	917	917	917	917	917	917
Wastewater³										
Maximum daily treatment capacity (thousands of gallons)	2,150	2,150	2,150	2,150	2,150	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 In 2000 the Youth Sportsplex was completed. The Sportsplex provides 6 softball fields, 7 soccer fields and 2 baseball fields.

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

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FEDERAL AWARDS SECTION

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KENNEMER, MASTERS & LUNSFORD

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Independent Auditor's Report

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

March 3, 2010

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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To the Honorable Mayor and
Members of Council
City of Lake Jackson
March 3, 2010
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, 2009, no instances of noncompliance were found.

We noted certain matters that we reported to management of the City, in a separate letter dated March 3, 2010.

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 & Huntington, LLC

KENNEMER, MASTERS & LUNSFORD

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Limited Liability Company

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Independent Auditor's Report

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

March 3, 2010

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

Compliance

We have audited the compliance of the City of Lake Jackson (the "City"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. 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, 2009.

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To the Honorable Mayor and
Members of Council
City of Lake Jackson
March 3, 2010
Page 2

Internal Control Over Compliance

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

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

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

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

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

Kennemer, Masters & Hurdford, LLC

CITY OF LAKE JACKSON

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2009*

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
97.036 Public Assistance Grant - Hurricane Ike.
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000.
9. Low risk auditee: Yes.

II. Findings related to the financial statements

None.

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

None.

CITY OF LAKE JACKSON
SCHEDULE OF STATUS OF PRIOR FINDING
YEAR ENDED SEPTEMBER 30, 2009

None.

CITY OF LAKE JACKSON
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2009

None.

CITY OF LAKE JACKSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2009

<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	\$ 242,455
Emergency Watershed Protection EWP Program	10.923	69-7442-9-875	<u>124,901</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u><u>367,356</u></u>
<u>U.S. Department of Justice</u>			
Direct:			
Bulletproof Vest Partnership (BVP)	16.607	15-040-0-1-754	\$ <u>1,306</u>
TOTAL DEPARTMENT OF JUSTICE			\$ <u><u>1,306</u></u>
<u>U.S. Department of Homeland Security</u>			
Passed Through the Federal Emergency Management Agency:			
Public Assistance Grants (Hurricane Ike)	97.036	FEMA TX 1791	\$ <u>1,250,762</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ <u><u>1,250,762</u></u>
TOTAL FEDERAL ASSISTANCE			\$ <u><u>1,619,424</u></u>

See notes to supplement Schedule of Expenditures of Federal Awards.

CITY OF LAKE JACKSON

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2009

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 01/31/10

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	\$ 2,160,000
2002A Limited Tax General Obligation Bonds	2,340,000
2002 Limited Tax General Obligation Bonds	4,705,000
2003 Limited Tax Refunding Bonds	760,000
2003 Combination Tax and Revenue Certificates of Obligations	840,000
2004 Limited Tax Bonds	2,700,000
2007 Limited Tax Bonds	4,820,000
2009 Limited Tax Bonds	2,400,000
2009 Limited Tax Refunding Bonds	6,845,000
2009 Certificates of Obligation	<u>5,000,000</u>
Total Ad Valorem Tax Secured Debt Outstanding	\$ <u>32,570,000</u>

While the 2002 Limited Tax G.O. Bonds, the 2003 and 2009 Certificates of Obligation, and \$ 3,834,632 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

2000 Waterworks and Sewer System Bonds	\$ 9,600,000
2007 Waterworks and Sewer System Bonds	1,800,000
2009 Waterworks and Sewer System Refunding Bonds	860,000
2009 Waterworks and Sewer System Bonds	<u>1,690,000</u>
Total Waterworks and Sewer System Debt Outstanding	\$ <u>13,950,000</u>

General Obligation Bonds Authorized but not Issued as of 01/31/10

None.

Waterworks and Sewer System Bonds Authorized but not Issued as of 01/31/10

None.

CITY OF LAKE JACKSON

Lake Jackson, Texas

Table CD-2 Financial Information (As of 1/31/1009)

2009 Assessed Valuation (100% of Actual) ¹	\$ <u>1,456,655,358</u>
<u>General Obligation Bonds Outstanding</u>²	
Presently outstanding (01/31/10)	\$ 32,570,000
Other Bonds issued to date	<u>-0-</u>
Gross debt	32,570,000
Less: Debt Service Cash Balance	<u>2,528,106</u>
Net Debt	\$ <u>30,041,894</u>
Ratio of Net Debt to 2009 Assessed Valuation	2.06%
2010 Estimated Population	28,000
2009 Assessed Valuation per Capita	\$ 52,023.41
Net Debt per Capita	\$ 1,072.92
Area of the City	18 square miles

¹ Net of exemptions in the amount of \$ 295,147,652.

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.	\$ 81,245,000	11/30/09	0.40%	\$ 324,980
Angleton-Danbury Hospital District	17,540,000	11/30/09	0.60%	105,240
Angleton Drainage District	-0-	09/30/09	3.44%	-0-
Brazoria County	50,786,410	09/30/09	6.91%	3,509,341
Brazosport I.S.D.	143,174,288	11/30/09	17.65%	25,270,262
Port Freeport	7,985,635	09/30/08	13.51%	1,078,859
Brazosport Jr. College	28,125,000	11/30/09	17.65%	4,964,063
Columbia-Brazoria I.S.D.	39,727,385	08/31/08	0.71%	282,064
Velasco Drainage District	-0-	09/30/09	16.86%	<u>-0-</u>
Total Overlapping Debt				35,534,809
City of Lake Jackson				<u>30,041,894</u>
Total Direct and Overlapping Debt				<u>\$ 65,576,703</u>
Ratio of Total Direct and Overlapping Debt to 2009 Assessed Valuation				4.50%
Per Capital Total Direct and Overlapping Debt				<u>\$ 2,342</u>
Assessed Valuation per Capita				<u>\$ 52,023</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>
2010	\$ 2,530,000	\$ 1,205,399	\$ 3,735,399
2011	2,615,000	1,144,143	3,759,143
2012	2,610,000	1,047,055	3,657,055
2013	2,600,000	951,953	3,551,953
2014	2,215,000	863,370	3,078,370
2015	2,220,000	780,256	3,000,256
2016	2,225,000	696,743	2,921,743
2017	2,230,000	611,716	2,841,716
2018	1,870,000	529,792	2,399,792
2019	1,665,000	455,158	2,120,158
2020	1,625,000	383,545	2,008,545
2021	1,645,000	311,835	1,956,835
2022	1,485,000	243,475	1,728,475
2023	1,325,000	182,110	1,507,110
2024	815,000	136,580	951,580
2025	635,000	107,220	742,220
2026	635,000	81,335	716,335
2027	635,000	55,263	690,263
2028	370,000	34,365	404,365
2029	370,000	18,643	388,643
2030	<u>250,000</u>	<u>5,375</u>	<u>255,375</u>
	<u>\$ 32,570,000</u>	<u>\$ 9,845,331</u>	<u>\$ 42,415,331</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>
2010	\$ 900,000	\$ 506,752	\$ 1,406,752
2011	1,175,000	522,525	1,697,525
2012	1,170,000	479,525	1,649,525
2013	1,175,000	436,075	1,611,075
2014	1,085,000	392,625	1,477,625
2015	1,085,000	350,575	1,435,575
2016	1,080,000	307,475	1,387,475
2017	985,000	264,050	1,249,050
2018	985,000	223,075	1,208,075
2019	985,000	181,700	1,166,700
2020	985,000	139,500	1,124,500
2021	985,000	97,300	1,082,300
2022	185,000	54,700	239,700
2023	185,000	47,300	232,300
2024	185,000	39,688	224,688
2025	185,000	32,075	217,075
2026	185,000	24,463	209,463
2027	185,000	16,850	201,850
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>\$ 13,950,000</u>	<u>\$ 4,138,078</u>	<u>\$ 18,088,078</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 9/30/10, the debt service on the 2003 & 2009 Certificates of Obligation, the 2002 Golf Course General Obligation bonds, and \$ 4,282,173 (principal and interest) of the 2009 Limited tax Refunding Bonds. (These are to be repaid from the half cent sales tax).

	<u>Average Requirements (2010-2030)</u>	<u>Maximum Requirement 2010</u>
General Obligation Debt Service Requirements	\$ 1,113,709	\$ 2,292,223
Debt Service Fund tax rate required on 2009 Assessed Taxable Valuation of \$ 1,456,655,358 @ 98% collection	\$ 0.078	\$ 0.161

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 (2010-2030)</u>	<u>Maximum Requirement 2010</u>
General Obligation Debt Service Requirements	\$ 2,019,778	\$ 3,735,399
Debt Service Fund tax rate required on 2009 Assessed Taxable Valuation of \$ 1,456,655,358 @ 98% collection	\$ 0.141	\$ 0.262

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	
1999	\$ 983,861,770	0.3500	98.0%	99.8%	09/30/00
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	78.6%	78.9%	thru 1/31/10

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	2009	2008	2007	2006	2005
General Fund	\$ 0.2340	\$ 0.2332	\$ 0.2329	\$ 0.2390	\$ 0.2493
Debt Service Fund	<u>0.1560</u>	<u>0.1568</u>	<u>0.1521</u>	<u>0.1310</u>	<u>0.1307</u>
Total Tax Rate	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>	<u>\$ 0.3850</u>	<u>\$ 0.3700</u>	<u>\$ 0.3800</u>

CITY OF LAKE JACKSON

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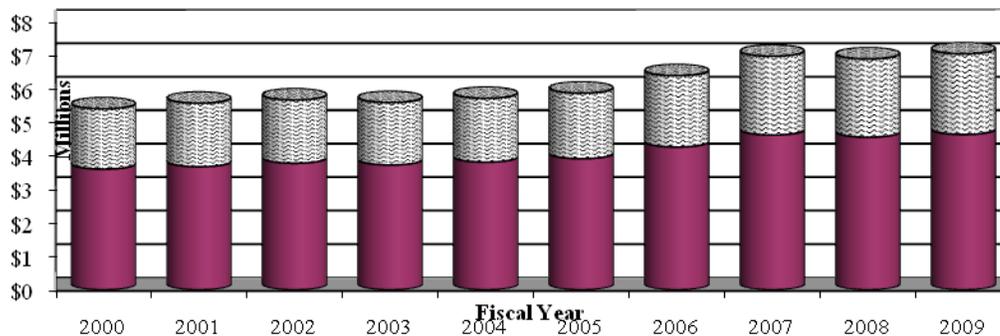
Table CD-8
Sales Tax Collection History

City Sales Tax Collection

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

Sales Tax Collection History

Fiscal Year	One Cent Sales Tax	Optional Half Cent Sales Tax ¹
2000	\$ 3,601,981	\$ 1,800,991
2001	3,673,682	1,896,841
2002	3,778,512	1,889,256
2003	3,726,533	1,863,267
2004	3,810,459	1,905,229
2005	3,914,130	1,957,065
2006	4,261,667	2,130,834
2007	4,618,469	2,353,998
2008	4,553,842	2,337,052
2009	4,634,553	2,408,688



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

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Table CD-9
Economic Development Fund

<u>Resources</u>	<u>ACTUAL 2007-08</u>	<u>BUDGET 2008-09</u>	<u>ACTUAL 2008-09</u>	<u>ADOPTED 2009-10</u>
Fund Balance	\$ <u>1,682,604</u>	\$ <u>1,971,188</u>	\$ <u>1,971,188</u>	\$ <u>2,134,945</u>
Revenues:				
Half Cent Sales Tax	2,337,052	2,481,395	2,408,688	2,413,223
Interest income	<u>53,064</u>	<u>50,185</u>	<u>20,500</u>	<u>23,598</u>
	<u>2,390,116</u>	<u>2,531,580</u>	<u>2,429,188</u>	<u>2,436,821</u>
 Total Resources	 \$ <u>4,072,720</u>	 \$ <u>4,502,768</u>	 \$ <u>4,400,376</u>	 \$ <u>4,571,766</u>
<u>Expenditures</u>	<u>ACTUAL 2007-08</u>	<u>BUDGET 2008-09</u>	<u>ACTUAL 2008-09</u>	<u>ADOPTED 2009-10</u>
Transfer to Economic Development Debt Service	\$ 1,102,957	\$ 794,239	\$ 784,174	\$ 977,396
Downtown Street Masterplan	-0-	600,000	482,031	30,000
Transfer to Golf Course Debt Service	548,575	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>2,101,532</u>	 \$ <u>2,394,239</u>	 \$ <u>2,265,430</u>	 \$ <u>2,007,396</u>
 Ending Fund Balance	 \$ <u>1,971,188</u>	 \$ <u>2,108,529</u>	 \$ <u>2,134,946</u>	 \$ <u>2,564,370</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.

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Table CD-10
Debt Service Fund Management Index

General Debt Service Fund

Debt Service Fund Balance as of 9/30/09	\$	719,637
Debt Service Tax Levy of \$.156038 per \$ 100 of Assessed Valuation on 2009 Assessed Valuation of \$ 1,456,655,358 at 98% collection		2,227,477
Interest Earnings on Debt Service Fund		<u>12,000</u>
Total Available for 2010 Debt Service		2,959,114
Less: 2010 Debt Service Requirements		<u>2,292,225</u>
Projected Debt Service Fund Balance at 9/30/10	\$	<u><u>666,889</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 2002 Golf Course CO's, and 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 9/30/09	\$ -0-	\$ -0-
Transfer from Golf Course Operations	4,030	
Transfer from Economic Development Fund (Sales Tax Revenue)	<u>550,000</u>	<u>977,396</u>
Total Available for 2010 Debt Service	554,030	977,396
Less: 2010 Debt Service Requirements	<u>554,030</u>	<u>977,396</u>
Projected Debt Service Fund Balance at 9/30/10	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

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Table CD-11
Utility Debt Service Fund Management Index

Utility Revenue Interest and Sinking Fund (Including Reserve Balance)

Debt Service Fund Balance as of 9/30/09	\$ 950,600
Transfer from Utility Operating Fund (as budgeted)	1,755,940
Transfer from Debt Service Reserve (as budgeted)	30,400
2010 Projected Interest Earnings	<u>20,000</u>
Total Available for 2009 Debt Service	2,756,940
Less: 2010 Debt Service Requirements (including agent fees)	<u>1,712,770</u>
Projected Debt Service Fund Balance at 9/30/10	\$ <u><u>1,044,170</u></u>

The above fund accounts for the interest and sinking portion for all Utility bonds. It also represents the reserve portion for all outstanding bonds, except the 2000 \$ 16 million issue. It is reflected below.

Utility Debt Service Fund Reserve

Debt Service Reserve Fund Balance as of 9/30/09	\$ 1,197,200
Transfers as budgeted:	
from Wastewater Treatment Construction Fund	-0-
from Utility Contingency	-0-
Less: 2010 Transfer to Debt Service	<u>30,400</u>
Projected Reserve Fund Balance at 9/30/10	\$ <u><u>1,166,800</u></u>

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

	Fiscal Year	
	2009	2008
Revenues:		
Taxes	\$ 18,612,438	\$ 17,628,611
Intergovernmental	1,566,242	744,892
Charges for services	931,477	986,604
Fines and fees	425,746	429,564
Licenses and permits	186,017	239,063
Special assessment	655	100
Investment earnings	191,524	656,900
Contributions		515
Miscellaneous	140,307	182,275
Total revenues	22,054,406	20,868,524
Expenditures:		
General government and administration	2,874,769	2,707,090
Public safety	5,189,939	4,949,286
Public works	3,679,429	3,882,411
Culture and recreation	4,102,208	4,227,705
Capital Outlay	6,007,292	2,393,439
Debt Service:		
Principal	2,260,000	2,580,000
Interest and fiscal charges	1,273,840	1,238,338
Total expenditures	25,387,477	21,978,269
Excess of revenues over (under) expenditures	(3,333,071)	(1,109,745)
Other Financing Sources (Uses):		
Bonds issued	9,245,000	
Premium on bonds issued	144,553	
Sale of capital assets	386,858	54,638
Payment to bond refunding escrow agent	(6,894,852)	
Transfers in	3,608,298	5,217,473
Transfers out	(3,053,092)	(4,509,967)
Total other financing sources (uses)	3,436,765	762,144
Net change in fund balances	\$ 103,694	\$(347,601)

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

The following schedule presents a summary of the Proprietary Funds for the fiscal year ended September 30, 2009 and 2008.

	2009	2008
Revenues:		
Water and sewer services	\$ 6,711,556	\$ 6,366,234
Sanitation service	3,038,754	2,970,992
Tapping and connection fees	213,410	251,625
Golf course fees and charges	1,865,150	1,831,956
Other	136,561	76,446
	11,965,431	11,497,253
Operating Expenses:		
Utility administration	371,551	323,852
Reimbursed administrative	438,389	438,389
Water and sewer	4,320,481	4,093,781
Golf course	1,774,832	1,672,695
Sanitation	2,347,918	2,227,242
	9,253,171	8,755,959
Net revenues as described by Bond ordinance	2,712,260	2,741,294
Nonoperating Revenues (Expenses):		
Depreciation	(2,357,185)	(2,246,618)
Interest earnings	74,621	264,341
Gain (loss) on disposition of capital assets	(34,045)	(6,000)
Interest expense and fiscal charges	(594,161)	(635,245)
Capital Contributions	41,851	
Transfers:		
for franchise fee	(102,000)	(102,000)
for equipment replacement	(614,937)	(574,669)
for Golf Course debt service	(10,605)	(12,380)
Assets purchased by general fund	610,725	419,932
	(2,985,736)	(2,892,639)
Net income	\$(273,476)	\$(151,345)
Coverage of average annual debt service requirements	2.71X	2.74X
Customer count (residential & commercial)	8,790	8,790

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Table CD-14
Water and Sewer Information

Water and Sewer Rates

Current water and sewer rates became effective October 1, 2009.

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 (2,837 units); 490 Commercial businesses and 8,300 residences utilizing the City’s water and sewer services.

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Table CD-15
Top Ten Utility Customers

<u>Name of Business</u>	<u>Type of Business</u>	<u>FY 2009 Consumption in 1000's</u>	<u>Total Percent of Water Consumed</u>
Brazosport Hospital	Hospital	21,739	2.04%
Star Bright Market	Gas Station/Car Wash	14,868	1.40%
Oyster Creek Apartments	Apartment	12,210	1.15%
Woodhollow Apartments	Apartment	12,052	1.13%
Buc-ee's #29	Gas Station/Car Wash	9,773	0.92%
Gateway Apartments	Apartment	9,019	0.85%
Jackson Square #1	Apartment	8,938	0.84%
Raamco Raintree LP	Apartment	8,714	0.82%
Veard-Lake Jackson Ltd.	Apartment	8,517	0.80%
TAJ Properties LLC	Apartment	<u>8,479</u>	<u>0.80%</u>
		<u>114,309</u>	<u>10.75%</u>

Total water consumption for the period October 1, 2008 to September 30, 2009 in thousands of gallons was 1,063,894.

CITY OF LAKE JACKSON

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Table CD-16
Principal Taxpayers and Assessed Valuation

Principal Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Tax Year 2009 Assessed Taxable Valuation</u>	<u>Percent of Assessed Valuation</u>
Brazos Outlets Center LLC	Retail	\$ 17,354,580	1.19%
Wal-Mart Stores Inc.	Retail	16,702,550	1.15%
Edgewater Associates LTD	Apartments	13,637,440	0.94%
Fazio Peter & Shari (Lowe's)	Home Improvement	11,567,492	0.79%
Texas Dow Employees Credit Union	Financial Institution	10,078,120	0.69%
Home Depot	Retail	9,719,418	0.67%
Dow Chemical Company	Various property	9,583,100	0.66%
Centerpoint Energy, Inc.	Utility	8,723,150	0.60%
Ling Villages of Lake Jackson	Apartments	6,840,210	0.47%
Buc-ee's Ltd.	Retail	6,667,070	0.46%
Dillard Texas Operating LTD	Retail	5,362,550	0.37%
Windcrest/Lake Jackson LTD	Apartments	5,350,000	0.37%
Kohl's Illinois, Inc.	Retail	5,186,160	0.36%
Dayton Hudson Corp (Target)	Retail	5,144,640	0.35%
Lake Jackson Crossing Ltd Prt.	Retail	5,081,040	0.35%
Leo Martin Chevrolet Inc.	Dealership	5,047,970	0.35%
Raamco Raintree LP	Apartments	4,803,700	0.33%
Carriage Inn - Lake Jackson LTD	Assisted living	4,710,000	0.32%
Southwestern Bell Telephone Co.	Utility	4,503,710	0.31%
JRK-Oyster Creek LLC	Apartments	4,500,000	0.31%
		<u>\$ 160,563,900</u>	<u>11.02%</u>

Assessed Valuation by Classification

<u>Classification</u>	<u>2009 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$ 1,092,645,098	75.01%
Real, Vacant Platted Lots/Tracts	18,962,600	1.30%
Commercial & Industrial	309,659,340	21.26%
Real Acreage (Land Only)	12,193,830	0.84%
Utilities and Pipelines	17,586,080	1.21%
Special Inventory and other	5,608,410	0.39%
	<u>\$ 1,451,257,205</u>	<u>100.00%</u>

CITY OF LAKE JACKSON

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Table CD-17
General Fund - Budget Summary

On September 2, 2009 the 2009-10 budget was adopted by the City Council. The following General Fund Operating Budget is presented on a budget basis presentation.

	2007-08 Actual	2008-09 Actual	2009-10 Adopted Budget
Revenues:			
Property tax	\$ 3,259,202	\$ 3,393,969	\$ 3,417,451
Sales tax	4,553,842	4,634,553	4,600,000
Franchise fees	1,627,195	1,688,698	1,630,000
Industrial district	3,422,770	3,962,165	3,822,450
Licenses and permits	239,063	186,017	154,600
Fines and fees	404,119	382,012	385,900
Civic Center fees	286,417	238,158	241,700
Recreation Center fees	700,188	693,318	648,700
Intergovernmental *	930,808	1,345,879	-0-
Interest and other	321,394	404,327	327,207
Utility Administrative fee	438,389	438,389	438,389
Transfer from Economic Development	350,000	350,000	350,000
Transfer from General Contingency	350,000	308,000	260,000
Total revenues	\$ 16,533,387	\$ 18,025,485	\$ 16,276,397
Expenditures:			
General government services	\$ 1,787,273	\$ 1,782,306	\$ 1,579,055
Financial services	1,031,298	1,099,054	1,147,075
Legal services	132,443	141,181	144,146
Public safety services	5,435,498	5,756,332	6,020,820
Engineering services	390,442	412,639	412,795
Public works services	4,154,986	3,962,482	3,026,383
Parks & recreation services	2,949,037	3,554,140	3,630,598
Miscellaneous services	284,829	405,501	315,525
FY 2007 Budget-saving transfers	2,370,339		
Total expenditures	\$ 18,536,145	\$ 17,113,635	\$ 16,276,397

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

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Table CD-18
Utility Fund - Budget Summary

On September 2, 2009 the 2009-10 budget was adopted by the City Council. The following Utility Fund Operating Budget is presented on a budget basis presentation.

	<u>2007-08</u> Actual	<u>2008-09</u> Actual	<u>2009-10</u> Adopted Budget
Revenues:			
Plumbing fees	\$ 21,241	\$ 9,722	\$ 8,500
FEMA Hurricane reimbursement	-0-	-0-	-0-
Tap fees	42,900	14,585	11,500
Administrative fees	187,483	188,335	193,733
Water sales	3,248,770	3,442,892	3,642,206
Sewer sales	3,251,097	3,402,633	3,441,483
Senior discount	(133,633)	(139,130)	(158,658)
Sanitation sales	2,970,992	3,037,318	3,060,090
Other revenues	60,018	77,769	72,625
Interest & sales tax discount	83,070	27,599	37,975
Transfer from General Contingency	<u> </u>	<u>85,500</u>	<u>70,000</u>
Total revenues	<u>\$ 9,731,938</u>	<u>\$ 10,147,223</u>	<u>\$ 10,379,454</u>
Expenditures:			
Utility administration	\$ 349,400	\$ 399,103	\$ 414,845
Water	2,307,352	2,437,401	2,507,968
Wastewater	1,933,936	2,168,157	2,307,674
Sanitation	2,627,242	2,785,634	2,782,637
Non-departmental	<u>2,242,846</u>	<u>2,148,026</u>	<u>2,366,330</u>
Total expenditures	<u>\$ 9,460,772</u>	<u>\$ 9,938,321</u>	<u>\$ 10,379,454</u>