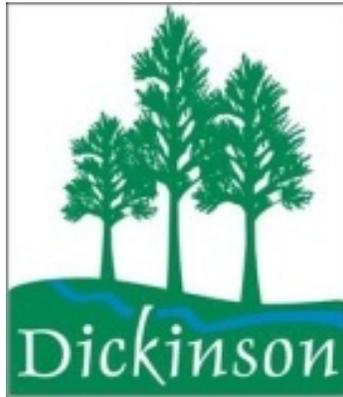


CITY OF DICKINSON, TEXAS



ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2009**

CITY OF DICKINSON, TEXAS
ANNUAL FINANCIAL REPORT
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ANNUAL FINANCIAL REPORT
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Introductory Section

CITY OF DICKINSON, TEXAS
PRINCIPAL OFFICIALS



Charles Suderman, Walter Wilson, Kerry Neves, Louis Decker, William King, III,
 Mary Dunbaugh, Mayor Julie Masters, City Administrator Julie Johnston

City Council

Julie Masters	Mayor
Charles Suderman	Position No. 1
Mary Dunbaugh	Position No. 2
Walter Wilson	Position No. 3
Kerry Neves	Position No. 4
Louis Decker	Position No. 5
William King, III	Position No. 6 (Mayor Pro Tem)

CITY OF DICKINSON, TEXAS

PRINCIPAL OFFICIALS (continued)

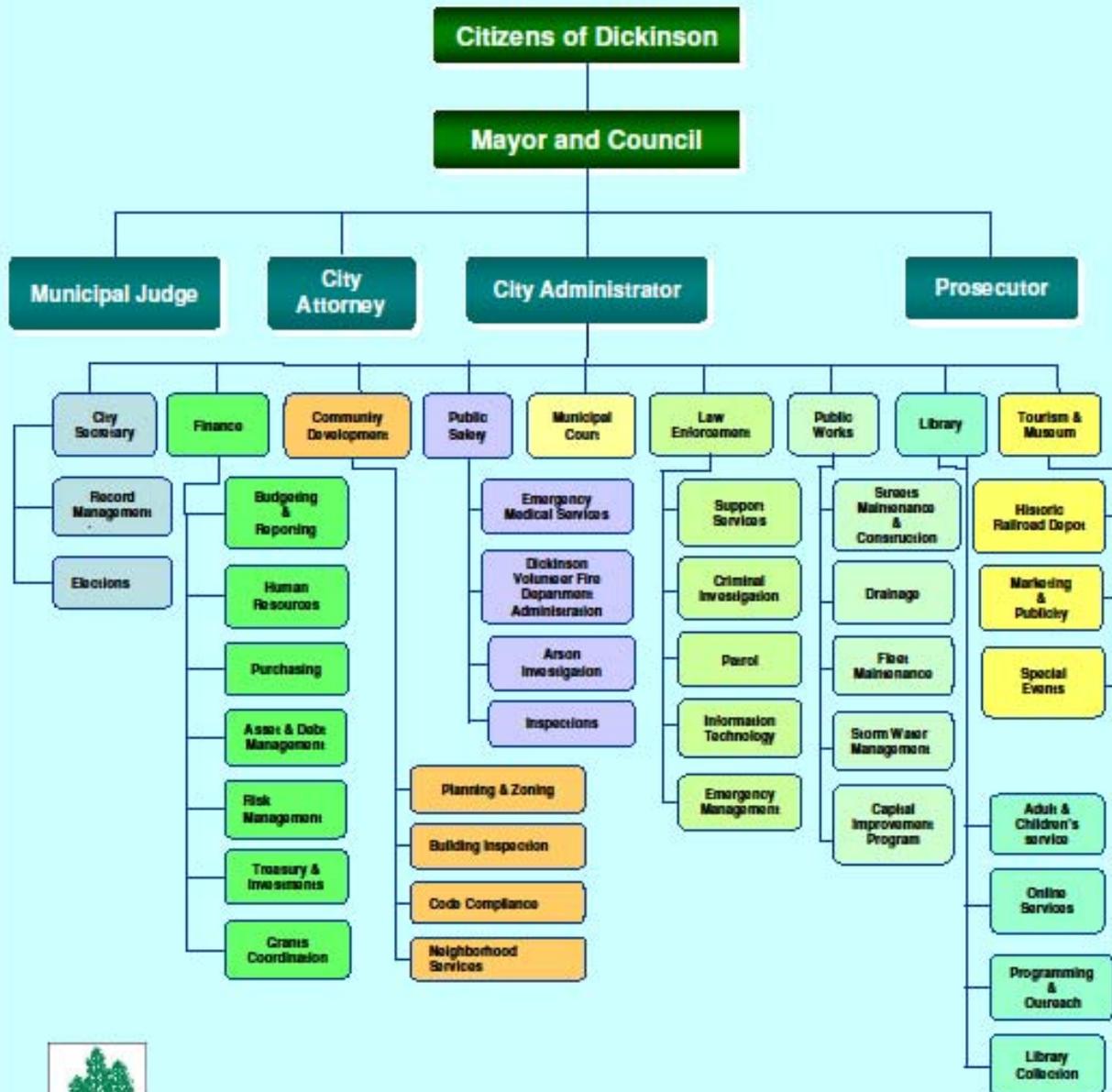
<u><i>Elected Officials</i></u>	<u><i>Position</i></u>	<u><i>Term Expires May</i></u>
Julie Masters	Mayor	2011
Charles Suderman	Council Member at Large - Position 1	2011
Mary Dunbaugh	Council Member at Large - Position 2	2010
Walter Wilson	Council Member at Large - Position 3	2011
Kerry Neves	Council Member at Large - Position 4	2010
Louis Decker	Council Member at Large - Position 5	2011
William King, III	Council Member at Large - Position 6 /Mayor Pro Tem	2010

<u><i>Appointed Officials</i></u>	<u><i>Position</i></u>
Julie M. Johnston	City Administrator
Loren Smith	City Attorney
Richard Cope	Municipal Court Judge

<u><i>City Management</i></u>	<u><i>Position</i></u>
Carol McLemore	City Secretary
Mary F. Young	Director of Finance
Norman Hicks	Fire Marshal
Kevin Byal	Chief Building Inspector
Irma Rivera	Municipal Court Administrator
Kellis George	Director of Public Works
Ron Morales	Chief of Police
Vickie McAllister	Library Director

City of Dickinson

Organization Chart



April, 2008

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Financial Section

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Independent Auditors' Report

To the Honorable Mayor and Members of
the City Council
City of Dickinson, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Dickinson, Texas, (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 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 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dickinson, Texas, 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 23, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions or laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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, which has been issued separately from this document, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and Required Pension System Supplementary Information as listed in the table of contents are not required parts of the basic financial statements but are 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 supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members of
the City Council
City of Dickinson, Texas
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dickinson, Texas' basic financial statements. The component unit fund financial statements and the Debt Service and Capital Projects Funds Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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.

The statistical section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

Null-Lairson, PC

Houston, Texas
March 23, 2010

Management's discussion and Analysis

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CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Dickinson, 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.

Financial Highlights

- The assets of the primary government of the City of Dickinson exceeded its liabilities as of September 30, 2009, by \$25.0 million (net assets). Of this amount, \$4.0 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets decreased by \$78,155.
- At the close of the current fiscal year, the City of Dickinson's governmental funds reported combined ending fund balances of \$8.4 million, a decrease of \$2.0 million in comparison with the prior year.
- As of September 30, 2009, the unreserved, undesignated fund balance for the General Fund was \$3.5 million or 39.1% of total General Fund expenditures.
- The City of Dickinson's General Obligation and Certificates of Obligation debt increased to \$11.9 million, a net increase of \$0.5 million over the previous year.

Overview of the Financial Statements

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

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

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 of Dickinson include general government, public safety, public works, community development and library services. The business-type activities of the City include emergency medical services.

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The government-wide financial statements include not only the City of Dickinson, itself (known as the primary government), but also two legally separate entities, the Dickinson Economic Development Corp. and the Bayou Lakes Public Improvement District No. 1 for which the City of Dickinson is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government, itself.

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 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 statement 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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, Debt Service, Capital Projects and other funds, which are considered to be major funds. In accordance with GASBS No. 34, major funds are those whose revenues, expenditures/expenses, assets, or liabilities are at least 10 percent of corresponding totals for all governmental *or* all enterprise funds and for which the same element is at least 5percent of the combined totals of the governmental and enterprise funds. In addition, any other fund that government officials believe has importance to financial statement users may be reported as a major fund. Nonmajor funds are reported in the aggregate in a separate column. Management considers all funds to be major.

The City of Dickinson adopts an annual appropriated budget for its general, special revenue, and debt service funds. In compliance with governmental accounting standards, budgetary comparison statements have been provided for the general and major special revenue funds to demonstrate compliance with the budget. These statements are included in required supplementary information.

Proprietary Funds - The City maintains one type of proprietary fund, an enterprise fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for its Emergency Medical Services fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements provide separate information for the Emergency Medical Services fund.

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Combining Component Unit Financial Statements - The City's two discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information for each of the discretely presented component units presented in the form of combining statements immediately following the fund financial statements of the primary government.

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 immediately following combining statements of the component units.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents other required supplementary information as well as combining and individual fund statements and schedules that further support the information in the financial statements. This information is presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$25.0 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (66 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative schedule of net assets present information for the City's governmental and business-type activities:

Comparative Schedule of Net Assets

September 30, 2009 and 2008

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 10,083	\$ 15,364	\$ 154	\$ 153	\$ 10,237	\$ 15,517
Capital assets	29,811	26,131	39	56	29,850	26,187
Total Assets	39,894	41,495	193	209	40,087	41,704
Other liabilities	1,441	4,629	41	31	1,481	4,660
Long-term liabilities outstanding	13,575	11,894		42	13,575	11,936
Total Liabilities	15,016	16,523	41	73	15,056	16,596
Net assets						
Invested in capital assets net of related debt	16,375	14,804	39	14	16,414	14,818
Restricted	4,634	7,024			4,634	7,024
Unrestricted	3,869	3,144	113	122	3,983	3,266
Total Net Assets	\$ 24,878	\$ 24,972	\$ 152	\$ 137	\$ 25,030	\$ 25,109

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

An additional portion of the City's net assets (19 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (16 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, 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 governmental and business-type activities.

The most significant changes in net assets occurred with a net increase in invested in capital assets net of related debt of \$1.6 million due primarily to the completion of the City Hall/Library complex and street construction on Tanglebriar and Sunset streets.

Following is a comparative schedule of changes in net assets for fiscal years 2009 and 2008:

Comparative Schedule of Changes in Net Assets

For the Years Ended September 30, 2009 and 2008

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 2,613	\$ 2,450	\$ 381	\$ 370	\$ 2,995	\$ 2,820
Operating grants and contributions	3,357	1,200	37		3,394	1,200
Property taxes	3,194	3,198			3,194	3,198
Sales taxes	2,499	3,243			2,499	3,243
Other taxes	124	91			124	91
Franchise fees	909	878			909	878
Investment earnings	102	483		37	102	520
Unrestricted contributions	843	1,087			843	1,087
Other	58	(9)			58	(9)
Total Revenues	13,699	12,621	418	407	14,118	13,028
Expenses						
General government	1,421	912			1,421	912
Public safety	7,015	5,131			7,015	5,131
Public works	2,466	2,331			2,466	2,331
Culture and recreation	295	293			295	293
Economic development	1,259	2,147			1,259	2,147
Community development	299	267			299	267
Interest expense	551	520			551	520
Emergency Medical Services			550	521	550	521
Total Expenses	13,307	11,601	550	521	13,857	12,122
Increase (decrease) in net assets before transfers and special items	393	1,020	(132)	(114)	261	906
Transfers in (out)	(148)	(119)	148	119		
Special item	(338)	(28)			(338)	(28)
Increase (decrease) in net assets	(93)	873	16	5	(77)	878
Net assets, beginning of year	24,971	24,099	136	132	25,107	24,231
Net assets, end of year	\$ 24,878	\$ 24,972	\$ 152	\$ 137	\$ 25,030	\$ 25,109

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

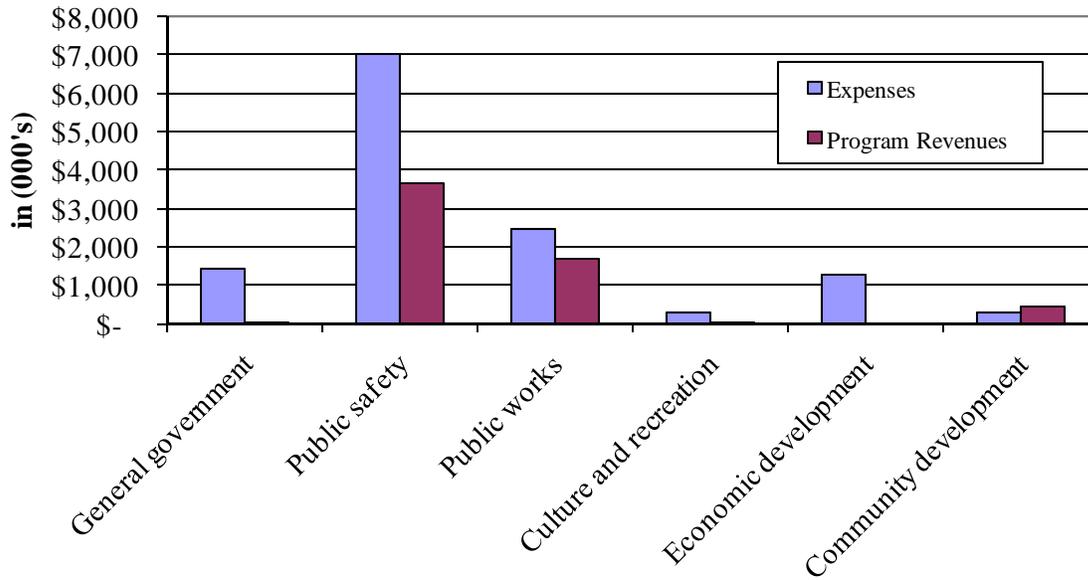
The government's net assets remained constant at \$25.0 million however, some of the individual components of assets and liabilities changed by significant amounts. Current assets and current liabilities (primarily cash/investments and accounts payable and current portions of long-term debt) decreased by \$5.2 and \$3.2, respectively. Cash was utilized to pay short-term liabilities as well as construct capital assets. Therefore, it follows that capital assets would show an increase, which amounted to \$3.7 million. Long-term liabilities increased by \$1.6 million due to the issuance of new debt in the amount of \$1.5 million as well as the refinancing of a portion of old debt.

Governmental Activities

Governmental activities decreased the City's net assets by \$93 thousand in 2009 compared to a increase of \$873 thousand in 2008. A primary factor in the current year decrease was the loss recognized on the demolition of buildings that were not fully depreciated in the amount of \$338 thousand.

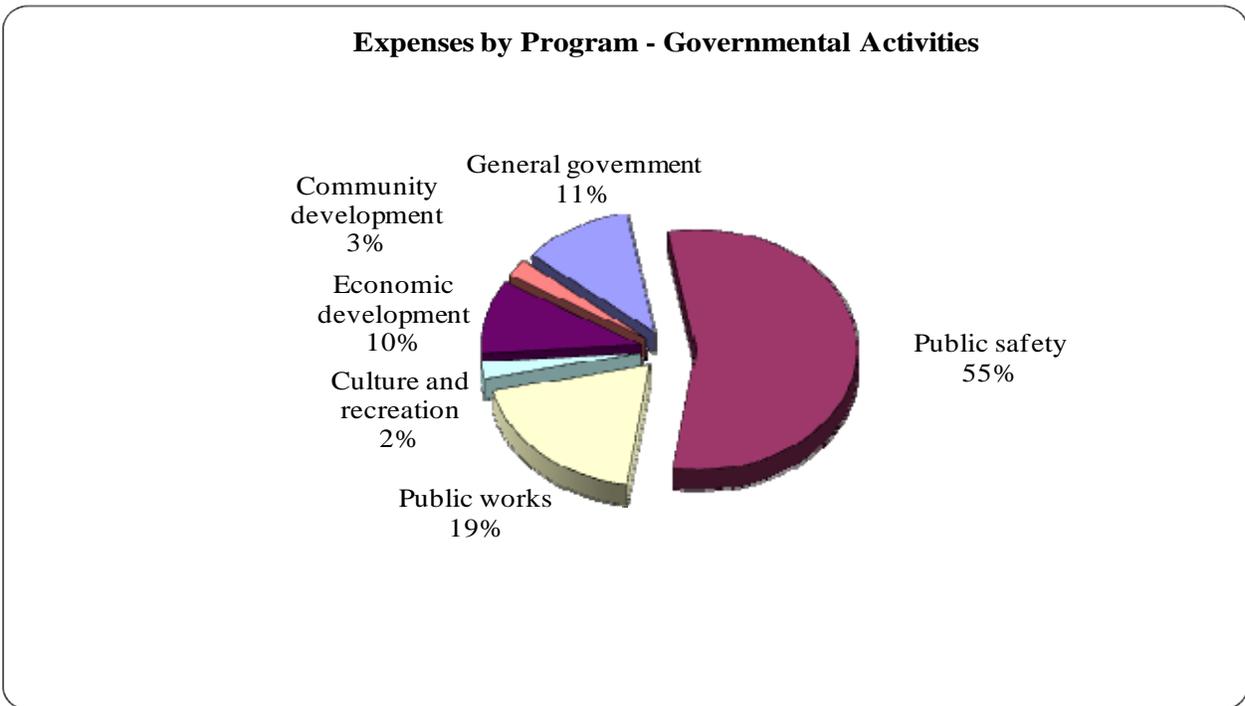
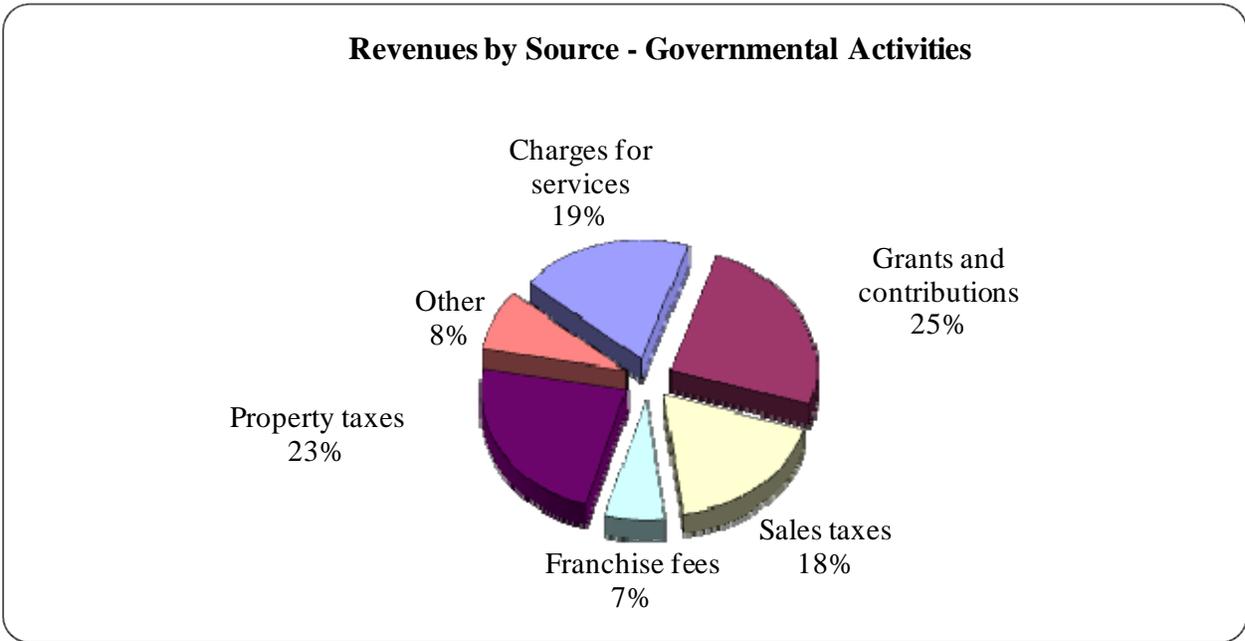
The following chart illustrates governmental activities expenditures and related program revenues:

Expenses and Program Revenues - Governmental Activities



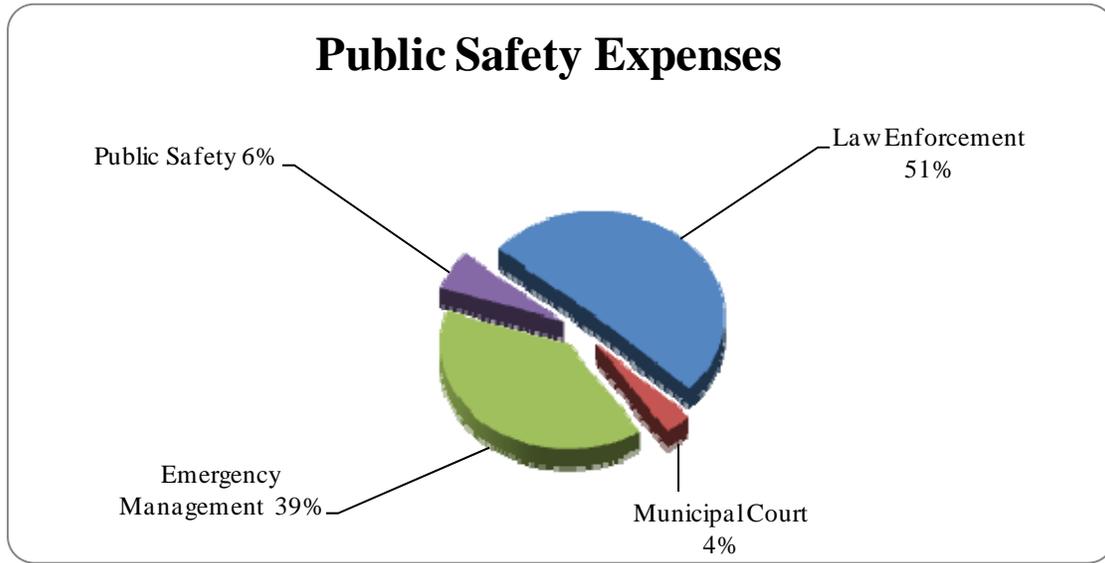
CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental activities revenues by source and expenses by program are illustrated in the following charts:



CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Public safety expenses by category are illustrated in the following chart:



Financial Analysis of the City's Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of 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 the City's net resources available for spending at the end of the fiscal year.

The City's governmental funds reflect a combined fund balance of \$8.4 million. Of this, \$3.9 million is unreserved and available for day-to-day operations of the City; \$4.5 million is reserved for debt service and various projects.

There was a decrease in the combined fund balance of \$2.0 million from the prior year. Individual components of the combined change are as follows:

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Fund balances:			
General fund	\$ 4.0	\$ 3.7	\$ 0.3
Special revenue funds	0.1	0.2	(0.0)
Debt service fund	1.8	1.8	0.0
Capital projects fund	2.5	4.8	(2.3)
Total fund balances	<u>\$ 8.4</u>	<u>\$ 10.5</u>	<u>\$ (2.0)</u>

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

During the year, the general fund budget was amended as needed. Appropriations decreased \$976,949 from the original to the final amended budget. Budget estimates for revenues and other sources decreased by \$915,249 for the year as well to reflect the decreases in revenues as projected during the 2009 budget process.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2009, the City's governmental activities and business-type activities had invested \$29.8 million and \$26.1 thousand, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$3.7 million over the end of last fiscal year for the governmental activities capital assets.

(in '000s)

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 673	\$ 673	\$	\$	\$ 673	\$ 673
Construction in progress		3,138				3,138
Infrastructure	15,805	15,772			15,805	15,772
Buildings and improvements	12,066	5,162			12,066	5,162
Vehicles	721	971			721	971
Machinery and equipment	546	417	39	56	585	473
Total Capital Assets	\$ 29,811	\$ 26,133	\$ 39	\$ 56	\$ 29,850	\$ 26,189

Long-Term Debt - At the end of the current fiscal year, the City had total bonds, certificates of obligation, and other obligations outstanding of \$13.6 million. The components of this debt are as follows:

(in '000s)

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 2,113	\$	\$	\$	\$ 2,113	\$
Certificates of obligation	9,780	11,415			9,780	11,415
Tax anticipation notes	1,500				1,500	
Capital leases payable		307		42		349
Compensated absences	194	172			194	172
	\$ 13,587	\$ 11,894	\$	\$ 42	\$ 13,587	\$ 11,936

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the Fiscal Year 2009-2010 budget and tax rates. One of those factors is the economy. Since approximately 25% of the City's operating budget revenue is derived from local property taxes, the local economy plays an important role in the preparation of the annual budget. The City's 2009 certified appraisal roll for Fiscal Year 2009-2010 is \$761,692,023, representing a slight decrease of approximately 2.7% over the previous year. Despite a decrease in assessed values, though, the City anticipates a slight increase in property tax revenues of 4.6% for operating expenses. This increase in property tax revenue is related to a slight increase in the M & O portion of the Fiscal Year 2009-2010 tax rate and a corresponding reduction in the I & S portion of the Fiscal Year 2009-2010 tax rate. Additionally, based on the City's actual collection rate, the collection rate was increased from 95% to 97% for Fiscal Year 2009-2010.

For Fiscal Year 2009-2010, the City faces several challenges. With the exception of one revenue source, existing revenue sources are anticipated to hold steady and therefore should be sufficient to meet the General Fund and EMS Enterprise Fund expenditures. Property tax valuations will decrease modestly but, as a result of the slight increase in the M & O portion of the tax rate, property tax revenues will slightly increase. Building and development-related revenue, interest income, and court revenue are anticipated to remain level as a result of the tough economy. For Fiscal Year 2009-2010, the City lost its long-time contract with Dickinson Independent School District for police services at a loss of \$160,793 in operating revenues.

Additionally, a unique situation existed as the Fiscal Year 2009-2010 budget was developed. During the budget preparation process, staff closely reviewed the debt service obligations of the City as well as the debt service levy required to meet those obligations. It became apparent that the debt service levy exceeded the debt service obligations for the coming year and that the excess levy had occurred for several years prior to Fiscal Year 2009-2010 resulting in a significant fund balance in the City's Debt Service Fund. Consequently, staff had discussions with the City's financial advisors and bond counsel concerning how to reduce the fund balance that has accumulated in the City's Debt Service Fund. Based on those discussions, staff developed numerous scenarios and how those scenarios would affect the City's 2009 Effective and Rollback Tax Rates. All but one of the scenarios would have resulted in exceeding the 2009 Rollback M&O tax rate and thus subjecting the City to the possibility of a rollback election even if the City adopted the recommended tax rate of \$0.4086 (which was the City's current tax rate).

Consequently, under the adopted Fiscal Year 2009-2010 Debt Service budget, the City will use approximately \$82,802 of the excess Debt Service Fund Balance to meet its Fiscal Year 2009-2010 debt service obligations and issue \$1.5 million in tax anticipation notes or tax notes ("TAN"). This action shifts a little over 2 cents from the I&S portion of the tax rate to the M&O portion of the tax rate while maintaining the current tax rate of \$0.4086 and without exceeding the 2009 Rollback M&O tax rate. In order to continue to draw down on this Fund Balance, the City will use an additional amount of the excess Debt Service Fund Balance each year to meet its debt obligations for the next 3-4 years until the Fund Balance is reduced – and this should occur without having to change the I&S portion of the tax rate.

Through the issuance of the TAN, the City was able to make the final lease payments on vehicles that had previously been included in the operating budget and purchase several needed vehicles and equipment without negatively impacting the operating budget.

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

After considering economic indicators and challenges in developing the budget, the City Council decided to maintain the current tax rate of \$0.4086 per \$100 valuation for Fiscal Year 2009-2010. The maintenance and operations tax rate is \$0.325646 (8.02% increase from Fiscal Year 2008-2009), and the debt service tax rate is \$0.082954 (22.58% less than Fiscal Year 2008-2009). The current debt service tax rate will be sufficient to meet the City's Fiscal Year 2009-2010 annual debt requirements of \$896,085. The City's adopted Fiscal Year 2009-2010 General Fund budget was \$9,868,962, representing a 2.5% decrease from the Fiscal Year 2008-2009 Amended General Fund Budget.

The Fiscal Year 2009-2010 General Fund Budget includes a reimbursement from Dickinson Management District Number 1 in the amount of \$71,774. However, this reimbursement represents a 79.2% reduction over the FY 2008-2009 reimbursement from Dickinson Management District Number 1. The City Council made a conscious decision to significantly reduce the reimbursement to the General Fund sought from Dickinson Management District Number 1 for recurring costs to the greatest extent possible to ensure that the City would not be dependent upon Dickinson Management District Number 1 for those costs in the future. Dickinson Management District Number 1 also assisted the City through its Vehicle Replacement Fund with the purchase of a new street sweeper and a new ambulance in the amount of \$246,325 for Fiscal Year 2009-2010.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator or Director of Finance at City of Dickinson, 4403 Highway 3, Dickinson, Texas 77539.

Basic Financial Statements

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CITY OF DICKINSON, TEXAS

STATEMENT OF NET ASSETS

September 30, 2009

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 7,396,799	\$ 150,239	\$ 7,547,038	\$ 2,338,734
Receivables, net of allowances for uncollectibles				
Property taxes receivable	267,007	3,500	270,507	
Sales tax receivable	407,178		407,178	203,589
Franchise fees receivable	273,694		273,694	
Due from other governments	1,167,940		1,167,940	
Other receivables	570,574		570,574	
Capital assets not being depreciated:				
Land and improvements	672,754		672,754	48,001
Capital assets net of depreciation:				
Buildings and improvements	12,065,601		12,065,601	
Vehicles	721,009	39,000	760,009	
Machinery and equipment	546,135		546,135	
Infrastructure	15,805,274		15,805,274	
Total capital assets	29,810,773	39,000	29,849,773	48,001
Total assets	39,893,965	192,739	40,086,704	2,590,324
Liabilities				
Accounts payable and accrued expenses	1,385,820	40,547	1,426,367	407,315
Accrued interest payable	54,762		54,762	
Funds held for others				
Due To Other Governments				7,069
Long-term liabilities:				
Due within one year				
Certificates of obligation	310,000		310,000	
General obligation	90,000		90,000	
Tax Anticipation notes payable	750,000		750,000	
Due in more than one year				
Certificates of obligation	9,470,000		9,470,000	
General obligation	2,010,750		2,010,750	
Tax Anticipation notes payable	750,000		750,000	
Compensated absences	194,472		194,472	
Total liabilities	15,015,804	40,547	15,056,351	414,384
Net Assets				
Invested in capital assets net of related debt	16,375,261	39,000	16,414,261	48,001
Restricted for:				
Construction projects	2,468,640		2,468,640	
Debt retirement	1,903,263		1,903,263	
Law enforcement	55,216		55,216	
Court programs	59,908		59,908	
Drilling reserve	104,792		104,792	
EMS reserve	41,748		41,748	
Economic development				2,127,939
Unrestricted	3,869,333	113,192	3,982,525	
Total net assets	\$ 24,878,161	\$ 152,192	\$ 25,030,353	\$ 2,175,940

See notes to financial statements.

CITY OF DICKINSON, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 1,420,878	\$ 3,875	\$	\$
Public safety	7,015,374	790,139	2,885,006	
Public works	2,465,773	1,346,583	319,074	
Culture and recreation	295,466	9,102	5,750	
Economic Development	1,259,251			
Community development	299,114	463,768		
Interest expense	550,798		146,855	
Total governmental activities	13,306,654	2,613,467	3,356,685	
Business-type activities				
Emergency Medical Services	550,382	381,121	37,122	
Total business-type activities	550,382	381,121	37,122	
Total primary government	\$ 13,857,036	\$ 2,994,588	\$ 3,393,807	\$
Component Units				
Dickinson Economic Development Corp.	\$ 1,101,018	\$ 1,892	\$	\$
Bayou Lakes Public Imp. Dist. No. 1	131,444	129,810		
Total component units	\$ 1,232,462	\$ 131,702	\$	\$

General revenues:

Taxes:

Property taxes

Sales and use taxes

Other taxes

Franchise fees

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Special item - gain (loss) on disposal of assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning, as originally stated

Prior period adjustments

Net assets - beginning, as restated

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,417,003)		\$ (1,417,003)	
(3,340,229)		(3,340,229)	
(800,116)		(800,116)	
(280,614)		(280,614)	
(1,259,251)		(1,259,251)	
164,654		164,654	
(403,943)		(403,943)	
<u>(7,336,502)</u>		<u>(7,336,502)</u>	
	(132,139)	(132,139)	
	<u>(132,139)</u>	<u>(132,139)</u>	
<u>(7,336,502)</u>	<u>(132,139)</u>	<u>(7,468,641)</u>	
			\$ (1,099,126)
			<u>(1,634)</u>
			<u>(1,100,760)</u>
3,194,372		3,194,372	
2,499,418		2,499,418	1,249,709
123,741		123,741	
908,894		908,894	
842,796		842,796	
101,702		101,702	7,329
58,283		58,283	488
(338,720)		(338,720)	
<u>(147,636)</u>	<u>147,636</u>		
<u>7,242,850</u>	<u>147,636</u>	<u>7,390,486</u>	<u>1,257,526</u>
<u>(93,652)</u>	<u>15,497</u>	<u>(78,155)</u>	<u>156,766</u>
24,971,813	136,695	25,108,508	2,024,942
			<u>(5,768)</u>
<u>24,971,813</u>	<u>136,695</u>	<u>25,108,508</u>	<u>2,019,174</u>
<u>\$ 24,878,161</u>	<u>\$ 152,192</u>	<u>\$ 25,030,353</u>	<u>\$ 2,175,940</u>

See notes to financial statements.

CITY OF DICKINSON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2009

	General Fund	FEMA - Hurricane IKE	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 3,385,218	\$	\$ 942,544	\$ 2,945,364	\$ 123,673	\$ 7,396,799
Property taxes receivable, net	199,851		67,156			267,007
Sales and use taxes receivable	407,178					407,178
Franchise fees receivable	273,694					273,694
Due from other funds	357,613		837,063			1,194,676
Due from other governments	713,956	383,293				1,097,249
Other receivables	565,643		75,000	622		641,265
Total assets	\$ 5,903,153	\$ 383,293	\$ 1,921,763	\$ 2,945,986	\$ 123,673	\$ 11,277,868
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 765,022	\$	\$ 18,500	\$ 477,346	\$ 8,549	\$ 1,269,417
Due to other funds	837,063	357,613				1,194,676
Deferred revenue	186,857		62,610			249,467
Accrued expenditures	116,403					116,403
Total liabilities	1,905,345	357,613	81,110	477,346	8,549	2,829,963
Fund balances:						
Reserved:						
Retirement of debt			1,840,653			1,840,653
Construction				2,468,640		2,468,640
Law enforcement					55,216	55,216
Court security					4,734	4,734
Court efficiency					5,600	5,600
Child safety					37,052	37,052
Other court programs					12,522	12,522
Drilling bonds	104,792					104,792
EMS reserve	41,748					41,748
Unreserved:						
Designated:						
Disaster Reserve	227,382					227,382
City Fest	2,851					2,851
Reserve - Tree Replacement Pgm	135,885					135,885
Vehicle replacement	30,216					30,216
Undesignated	3,454,934	25,680				3,480,614
Total fund balances	3,997,808	25,680	1,840,653	2,468,640	115,124	8,447,905
Total liabilities and fund balances	\$ 5,903,153	\$ 383,293	\$ 1,921,763	\$ 2,945,986	\$ 123,673	\$ 11,277,868

CITY OF DICKINSON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
September 30, 2009

Total fund balance, governmental funds \$ 8,447,905

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 29,810,773

Property taxes receivable are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 249,467

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

Bonds payable	(2,355,000)
Certificates of obligation	(9,780,000)
Tax anticipation notes	(1,500,000)
Deferred gain (loss) on refunding	16,874
Unamortized premium/discount on debt	6,060
Unamortized debt issue costs	231,316
Accrued interest payable	(54,762)
Compensated absences	(194,472)

Net Assets of Governmental Activities in the Statement of Net Assets \$ 24,878,161

CITY OF DICKINSON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	General Fund	FEMA - Hurricane IKE	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes for general purposes	\$ 2,323,407	\$	\$	\$	\$	\$ 2,323,407
Property taxes for specific purposes			824,400			824,400
General sales tax	2,499,418					2,499,418
Franchise fees	908,894					908,894
Other taxes	123,741					123,741
Licenses and permits	306,850					306,850
Intergovernmental	928,890	2,710,888	75,000	319,074	49,976	4,083,828
Charges for services	999,396					999,396
Drainage fees	347,436					347,436
Fines and fees	774,468				41,318	815,786
Investment earnings	49,955		171	50,769	807	101,702
Miscellaneous revenue	77,786		71,855	155,139	13,155	317,935
Total Revenues	9,340,241	2,710,888	971,426	524,982	105,256	13,652,793
Expenditures						
Current						
General government	929,698			484,040		1,413,738
Public safety	4,112,537	2,685,208		3,033	102,225	6,903,003
Public works	1,552,256			18,000		1,570,256
Culture and recreation	287,177				5,750	292,927
Community development	295,652					295,652
Economic development	1,259,251					1,259,251
Capital outlay	247,834			4,767,388		5,015,222
Debt service:						
Principal retirement	137,443		435,000	169,586		742,029
Interest and fiscal charges	10,215		508,577	11,351		530,143
Other debt service			101,767	48,658		150,425
Total Expenditures	8,832,063	2,685,208	1,045,344	5,502,056	107,975	18,172,646
Excess (deficiency) of revenues over expenditures	508,178	25,680	(73,918)	(4,977,074)	(2,719)	(4,519,853)
Other Financing Sources (Uses)						
Capital-related debt issued				2,555,000		2,555,000
Refunding bonds issued			2,355,000			2,355,000
Premium/discount on debt issuance				(6,342)		(6,342)
Payment to refunding escrow agent			(2,272,660)			(2,272,660)
Transfers in				151,000	10,517	161,517
Transfers out	(207,945)			(22,208)	(79,000)	(309,153)
Total other financing sources (uses)	(207,945)		82,340	2,677,450	(68,483)	2,483,362
Net change in fund balances	300,233	25,680	8,422	(2,299,624)	(71,202)	(2,036,491)
Fund balances - beginning	3,697,575		1,832,231	4,768,264	186,326	10,484,396
Fund balances - ending	\$ 3,997,808	\$ 25,680	\$ 1,840,653	\$ 2,468,640	\$ 115,124	\$ 8,447,905

CITY OF DICKINSON, TEXAS

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

For the Year Ended September 30, 2009

Net change in fund balances \$ (2,036,491)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay	5,015,222
Depreciation expense	(997,196)

Governmental funds report proceeds from disposal of assets because they provide current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. (338,720)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Deferred property taxes	46,565
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Principal retirement on debt	742,029
Proceeds from debt issuance	(2,630,998)
Debt issue costs	150,425

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected in Governmental funds	(14,130)
Amortization of bond issue costs, deferred loss on refunding, and discount on sale of bonds	(8,041)
Compensated absences	(22,317)

Change in net assets of governmental activities	<u>\$ (93,652)</u>
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CITY OF DICKINSON, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2009

	Emergency Medical Services Fund
Assets	
Current	
Cash and cash equivalents	\$ 150,239
Customer accounts receivable	3,500
Non-current assets	
Equipment and furniture	133,357
Less accumulated depreciation	(94,357)
Total Assets	<u>192,739</u>
Liabilities	
Current	
Accounts payable	27,753
Accrued wages payable	12,794
Total liabilities	<u>40,547</u>
Net Assets	
Unrestricted	152,192
Total net assets	<u><u>\$ 152,192</u></u>

CITY OF DICKINSON, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended September 30, 2009

	Emergency Medical Services Fund
Operating Revenues	
Charges for services	\$ 325,237
Misc. operating revenues	55,884
Operating grants and contributions	37,122
Total operating revenues	<u>418,243</u>
Operating Expenses	
Personnel services	393,777
Supplies and materials	24,786
Contractual and professional services	33,638
Repairs and maintenance	24,386
Other operating expenses	30,966
Insurance claims and expenses	5,250
Depreciation	36,021
Total operating expenses	<u>548,824</u>
Operating income (loss)	(130,581)
Non-operating revenue (expenses)	
Interest expense	(1,558)
Total non-operating revenue (expenses)	<u>(1,558)</u>
Income (loss) before transfers	(132,139)
Transfers in	147,636
Transfers out	
Change in net assets	15,497
Total net assets, beginning	<u>136,695</u>
Total net assets, ending	<u>\$ 152,192</u>

CITY OF DICKINSON, TEXAS**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS***For the Year Ended September 30, 2009*

	Emergency Medical Services Fund
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 422,667
Disbursed for personnel services	(385,281)
Disbursed for goods and services	(117,512)
Net cash provided (used) by operating activities	<u>(80,126)</u>
Cash Flows from Noncapital Financing Activities	
Transfers from other funds	128,865
Repayments to other funds	(21,021)
Net cash provided by (used by) noncapital financing activities	<u>107,844</u>
Cash Flows from Capital and Related Financing Activities	
Principal payments on debt	(41,985)
Interest paid	(1,558)
Net cash used by capital and related financing activities	<u>(43,543)</u>
Net increase (decrease) in cash and equivalents	(15,825)
Cash and equivalents, beginning of year	166,064
Cash and equivalents, end of year	<u>\$ 150,239</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ (130,581)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	36,021
(Increase) decrease in accounts receivable	4,424
Increase (decrease) in accounts payable	1,514
Increase (decrease) in salaries payable	8,496
Net cash provided by operating activities	<u>\$ (80,126)</u>

CITY OF DICKINSON, TEXAS**STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS****DISCRETELY PRESENTED COMPONENT UNITS***September 30, 2009*

	Dickinson Economic Development Corporation	Bayou Lakes Public Improvement District No. 1	Total Component Units
Assets			
Cash and Cash Equivalents	\$ 2,331,965	\$ 6,769	\$ 2,338,734
Sales and use taxes receivable	203,589		203,589
Capital assets	48,001		48,001
Total assets	<u>2,583,555</u>	<u>6,769</u>	<u>2,590,324</u>
Liabilities			
Accounts Payable	405,365	1,950	407,315
Due to Other Governments		7,069	7,069
Total liabilities	<u>405,365</u>	<u>9,019</u>	<u>414,384</u>
Net Assets			
Invested in capital assets, net of related debt	48,001		48,001
Component units	2,130,189	(2,250)	2,127,939
Total net assets	<u>\$ 2,178,190</u>	<u>\$ (2,250)</u>	<u>\$ 2,175,940</u>

CITY OF DICKINSON, TEXAS
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2009

	Dickinson Economic Development Corporation	Bayou Lakes Public Improvement District No. 1	Total Component Units
Revenues			
Special Sales Tax	\$ 1,249,709	\$	\$ 1,249,709
Investment Earnings	5,554	1,775	7,329
Miscellaneous Revenue	2,380	129,810	132,190
Total revenues	<u>1,257,643</u>	<u>131,585</u>	<u>1,389,228</u>
Expenses			
General Government		131,444	131,444
Economic Development	1,101,018		1,101,018
Total expenses	<u>1,101,018</u>	<u>131,444</u>	<u>1,232,462</u>
Change in net assets	156,625	141	156,766
Net assets - beginning, as originally stated	2,021,565	3,377	2,024,942
Prior period adjustment		(5,768)	(5,768)
Net assets - beginning, as restated	<u>2,021,565</u>	<u>(2,391)</u>	<u>2,019,174</u>
Net assets - ending	<u>\$ 2,178,190</u>	<u>\$ (2,250)</u>	<u>\$ 2,175,940</u>

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Village of Dickinson, Texas was incorporated by virtue of an election on August 13, 1977. The Village of Dickinson, Texas became the City of Dickinson, Texas, (the "City") on December 14, 1982. The City's charter, as amended, provides for a Council-Mayor form of government. The services authorized by charter include police and emergency medical, drainage, sanitation, building and code inspection, planning, zoning, street repair and maintenance, and general administrative services. Fire protection is provided through a volunteer department and supplemented with paid firefighters/paramedics. The City is governed by an elected mayor and six-member Council.

The Mayor and all members are elected at large. The Mayor is allowed to vote only in case of a tie vote. The Mayor and each Council member hold office for a period of three years and until his/her successor is elected and qualified. The City Administrator is appointed by Council and is responsible for implementation of Council policy, execution of the laws, and all day-to-day operations of the City.

A. Financial Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Discretely presented component units, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Dickinson Economic Development Corporation and the Bayou Lakes Public Improvement District No. 1. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are: that it has a separately elected Governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Units:

Dickinson Economic Development Corporation (DEDC)

The Dickinson Economic Development Corporation is a not-for-profit corporation established for the specific public purpose of economic development with the City through the use of dedicated sales tax revenues. The members of the DEDC are approved by City Council as is the annual budget.

Bayou Lakes Public Improvement District No. 1 (BLPID#1)

Bayou Lakes Public Improvement District #1 is a special district created by the City pursuant to a development agreement with an owner of land in the city limits of Dickinson, Texas, for the Bayou Lakes subdivision. It promotes the interests of the City of Dickinson that has undertaken an improvement project that confers a special benefit on a definable part of the City. This improvement project includes: Landscaping, lighting and signs, construction and improvement of water, wastewater & drainage.

The City reimburses the Developer for the costs of creating and operating the PID #1 from assessments collected from homeowners. The City charges the PID #1 a fee for administration and operating expenses and audit.

Complete financial statements of the individual component units can be obtained from the City's finance department.

Payments Between the City and Component Units

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenses.

Payments from component units are primarily subsidized funding for capital construction projects, administration and operating expenses. During the fiscal year 2009, payments were made from the DEDC to the City's general fund in the amount of \$324,727 for administration and operating costs; and \$474,213 to the City's capital projects fund to subsidize the construction of streets and other capital acquisitions. BLPID#1 made payments totaling \$17,766 for administrative costs.

Related Organizations

The City Council appoints the members of the Board of Directors of the Dickinson Management District No. 1 (DMD#1). The City is not financially accountable for the organization, nor does the City's accountability for this organization extend significantly beyond making the appointments. Accordingly, financial information for DMD#1 is excluded from the City's financial statements.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. 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 information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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 function or segment is 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 function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and all proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statements of net assets. Proprietary fund equity consists of retained earnings. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Furniture and equipment capitalized in the Proprietary Fund Types are valued at cost.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means 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. Revenues susceptible to accrual include property taxes, sales and use taxes, franchise fees, charges for services and interest on temporary investments. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, and franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, administrative services, public works, community development, library, and public safety.

The *FEMA – Hurricane Ike Special Revenue Fund* is used to account for amounts received in disaster aid from FEMA, and the expenditure of such funds.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other governmental long-term debt of the City. The primary source of revenue for debt service is local property taxes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from the sale of bonds and other debt instruments, operating transfers from the general fund that are approved at the discretion of City Council, and related interest earnings. The resources are used for capital improvement projects.

The City's Business type activities consist of the following fund:

The *Enterprise Fund* is used to account for the operations that provide emergency medical services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed 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. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position and cash flows. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel and depreciation. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenue includes 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 are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expense.

D. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and securities and disclosed as part of the City's investments.

E. Investments

Investments consist of deposits in money market mutual funds and local government investment pools. The City reports all investments at fair value based on quoted market prices at year-end date.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

G. Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed. These receivables and payables are classified as "due from other funds" or "due to other funds." Interfund receivables and payables which are not expected to be paid within 12 months are classified as loans from/loans to other funds.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

H. Capital Assets

Capital assets which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	40
Furniture & fixtures	3-20
Machinery & equipment	5-20
Vehicles	5
Streets & sidewalks	30

I. Compensated Absences

Employees earn vacation benefits based on years of service with the City. Employees are paid unused vacation time upon termination. The liability for compensated absences is recorded in the accompanying Statement of Net Assets unless such benefits related to employees who have terminated employment with the City, in which case the liability is recorded in the applicable fund basis statements.

J. Estimates

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

K. Budget

In compliance with governmental accounting principles, the City Council annually adopts appropriated budgets for the general, special revenue, debt service, and enterprise funds. The budget is amended during the year as needed.

L. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

M. Fund Equity

In the fund financial statements, the City reserves or designates all or portions of fund equity in the various governmental fund financial statements. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved net assets for proprietary funds represent the net assets available for future operations or distribution. Reserved net assets for proprietary funds represent the net assets that have been legally identified for specific purposes.

N. Post-employment Healthcare Benefits

In addition to the post-employment healthcare benefits mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City also provides supplemental death benefits through the Texas Municipal Retirement System, which are described in Note 10. The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs.

O. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period and are deferred and amortized in the government-wide statement of activities. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts and issuance costs are recorded as deferred charges.

Note 2 - Deposits and Investments

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as *to* investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The City Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the “PFIA”). The investments of the City are in compliance with the City’s investment policy, which complies with the PFIA. Authorized investments are as follows: U.S. agency obligations; certificates of deposit; fully collateralized direct repurchase agreements; money market mutual funds rated no lower than AAA; local investment pools rated no lower than AAA; and commercial paper with stated maturities of 270 day or fewer.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

Deposit and Investment Amounts

The City's cash and investments are classified as: cash and cash equivalents, investments, and restricted cash and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments, which have maturities at purchase of less than three months. The short-term investments consist mainly of certificates of deposit.

The deposit and investment policies for the City's component units are substantially the same as the City.

Investments are recorded at cost which approximates fair value. The City invests in TexPool and TexStar, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Lehman Brothers and Federated Investors manage the daily operations of TexPool under a contract with the Comptroller. First Southwest Asset Management, Inc. and JPMorgan Chase manage the daily operations of TexStar. The fair value of the City's position in the pools approximates the value of pool shares.

The following schedule shows the City's recorded cash and investments at year-end:

	Carrying Amount	
	Primary Government	Component Units
Cash deposits (including money market accounts)	\$ 1,382,169	\$ 854,667
Temporary Investments:		
Certificates of deposit	574,192	1,484,067
Public Funds Investment Pools:		
Texstar	626,604	
TexPool	4,963,467	
	<u>\$ 7,546,432</u>	<u>\$ 2,338,734</u>

As of September 30, 2009, the City's deposits were entirely covered by federal depository insurance or by collateral held by the pledging institution's agent in the City's name.

Quoted market prices are the basis of the fair value for municipal securities. The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income. There were no unrealized gains or losses recognized during the 2009 fiscal year. The amount of investment earnings for the current year was as follows:

	Primary Government	Component Units
Interest income	\$ 101,702	\$ 7,329
Unrealized gain (loss) on temporary investments		
Investment earnings	<u>\$ 101,702</u>	<u>\$ 7,329</u>

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

Investment Risks:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>
Temporary Investments:		
Certificates of deposit	\$ 574,192	120
Public Funds Investment Pools:		
Texstar	626,604	34
TexPool	<u>4,963,467</u>	42
	<u>\$ 6,164,263</u>	
Portfolio weighted average maturity		<u><u>48</u></u>

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City’s investment policy specifies a maximum weighted average maturity of 180 days or less based on the stated maturity date for each investment in the portfolio.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. With limited exceptions, the City does not directly invest in securities with a stated maturity date more than one year from date of purchase. The settlement date is considered the date of purchase.

Local Government Investment Pools

The City invests in two local government investment pools, TexSTAR and Texpool. The investment pools’ investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool - TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool.

TexSTAR - TexSTAR policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. The fund is rated AAAM by Standard and Poor’s and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective. JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexSTAR.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

The value of the City’s portions in TexSTAR and TexPool is the same as the value of the shares. These external pooled funds operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, as amended. The external pooled funds use amortized cost rather than market value to report net assets to compute share price, such funds have daily liquidity.

Concentration of Credit Risk

The City’s investment policy allows that investment risks are controlled through portfolio diversification. The following table represents the diversification as of September 30, 2009:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Percentage of Total Portfolio</u>
Certificates of deposit	\$ 574,192	9%
Authorized local government investment pools	5,590,071	91%
Total	<u>\$ 6,164,263</u>	<u>100%</u>

Credit Risk

Balances in TexPool and TexStar, privately managed public funds investment pools, were rated AAAM by Standard & Poor’s.

All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City’s investment policy. A public fund investment pool must be continuously rated no lower than AAA or AAAM or no lower than investment grade by at least one nationally recognized rating service and have a weighted average maturity no greater than 90 days. Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

Note 3 - Receivables

Receivables at September 30, 2009 consist of the following:

Governmental Funds:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Receivables				
Property taxes	\$ 226,625	\$ 71,814	\$	\$ 298,439
Sales and other taxes	407,178			407,178
Franchise fees	273,694			273,694
Other	565,643	75,000	622	641,265
Gross receivables	<u>1,473,140</u>	<u>146,814</u>	<u>622</u>	<u>1,620,576</u>
Allowance for uncollectibles	(26,774)	(4,658)		(31,432)
Net total receivables	<u>\$ 1,446,366</u>	<u>\$ 142,156</u>	<u>\$ 622</u>	<u>\$ 1,589,144</u>

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Receivables (continued)

Proprietary Funds:

	Emergency Medical Services	Total
Receivables		
Customer accounts	\$ 3,500	\$ 3,500
	<u>\$ 3,500</u>	<u>\$ 3,500</u>

Component Units:

	Dickinson Economic Development Corporation	Total
Receivables		
Sales and other taxes	\$ 203,589	\$ 203,589
Total	<u>\$ 203,589</u>	<u>\$ 203,589</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable - general fund	\$ 186,857	\$
Delinquent property taxes receivable - debt service fund	62,610	
Total Deferred Revenue for Governmental Funds	<u>\$ 249,467</u>	<u>\$</u>

Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Galveston Central Appraisal District establishes appraised values. Taxes are levied by the City Council based on the appraised values and operating needs of the City. The City contracts billing and collection of tax levies with the Galveston County Tax Assessor-Collector.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2009, follows:

	<u>Balance September 30, 2008</u>	<u>Primary Government</u>		<u>Balance September 30, 2009</u>
		<u>Increases</u>	<u>Reclassification/ (Decreases)</u>	
Governmental Activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 672,754	\$	\$	\$ 672,754
Construction In Progress	3,137,515	4,296,414	(7,433,929)	
Total capital assets not being depreciated	<u>3,810,269</u>	<u>4,296,414</u>	<u>(7,433,929)</u>	<u>672,754</u>
Other capital assets:				
Buildings and Improvements	6,009,419	7,433,929	(700,000)	12,743,348
Vehicles	2,002,744	7,196	(25,999)	1,983,941
Machinery and Equipment	656,063	160,075		816,138
Infrastructure	28,134,024	551,537		28,685,561
Total other capital assets	<u>36,802,250</u>	<u>8,152,737</u>	<u>(725,999)</u>	<u>44,228,988</u>
Less accumulated depreciation for:				
Buildings and Improvements	847,459	217,567	(387,279)	677,747
Vehicles	1,031,718	231,214		1,262,932
Machinery and Equipment	239,483	30,520		270,003
Infrastructure	12,362,392	517,895		12,880,287
Total accumulated depreciation	<u>14,481,052</u>	<u>997,196</u>	<u>(387,279)</u>	<u>15,090,969</u>
Other capital assets, net	<u>22,321,198</u>	<u>7,155,541</u>	<u>(338,720)</u>	<u>29,138,019</u>
Totals	<u><u>\$ 26,131,467</u></u>	<u><u>\$ 11,451,955</u></u>	<u><u>\$ (7,772,649)</u></u>	<u><u>\$ 29,810,773</u></u>
	<u>Balance September 30, 2008</u>	<u>Increases</u>	<u>Reclassification/ (Decreases)</u>	<u>Balance September 30, 2009</u>
Business-type Activities:				
Other capital assets:				
Vehicles	\$ 112,500	\$	\$ 20,857	\$ 133,357
Total other capital assets	<u>112,500</u>		<u>20,857</u>	<u>133,357</u>
Less accumulated depreciation for:				
Vehicles	56,250	36,021	2,086	94,357
Total accumulated depreciation	<u>56,250</u>	<u>36,021</u>	<u>2,086</u>	<u>94,357</u>
Totals	<u><u>\$ 56,250</u></u>	<u><u>\$ (36,021)</u></u>	<u><u>\$ 18,771</u></u>	<u><u>\$ 39,000</u></u>

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets (continued)

Depreciation was charged to programs as follows:

General government	\$ 7,140
Public safety	88,538
Public works	895,517
Community development	3,462
Culture & recreation	2,539
Total Governmental Activities	<u><u>\$ 997,196</u></u>
Emergency Medical Services	\$ 36,021
Total Business-Type Activity	<u><u>\$ 36,021</u></u>

Note 5 - Long-Term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2009.

	<u>Balance September 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2009</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$	\$ 2,355,000	\$	\$ 2,355,000	\$ 90,000
Certificates of obligation	11,415,000	1,055,000	2,690,000	9,780,000	310,000
Deferred amount for issuance costs	(87,864)	(150,425)	(6,973)	(231,316)	
Deferred amounts on refunding		(17,660)	(786)	(16,874)	
Discount (premium) on debt issuance		(6,342)	(282)	(6,060)	
Total bonds payable	<u>11,327,136</u>	<u>3,235,573</u>	<u>2,681,959</u>	<u>11,880,750</u>	<u>400,000</u>
Tax anticipation notes		1,500,000		1,500,000	750,000
Compensated absences	199,873	219,152	224,553	194,472	
Obligations under capital leases	307,029		307,029		
Total Governmental Activities	<u><u>\$ 11,834,038</u></u>	<u><u>\$ 4,954,725</u></u>	<u><u>\$ 3,213,541</u></u>	<u><u>\$ 13,575,222</u></u>	<u><u>\$ 1,150,000</u></u>

In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The full amount estimated to be required for debt service on general obligation debt is provided by (1) the debt service portion of the tax levy; (2) interest earned in the Debt Service Fund; and (3) operating transfers from the general fund that are approved at the discretion of City Council.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2009:

	<u>Balance September 30, 2008</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2009</u>	<u>Amounts Due Within One Year</u>
Business-type Activities:					
Obligations under capital leases	\$ 61,755	\$	\$ 61,755	\$	\$
Total Business-type Activities	<u>\$ 61,755</u>	<u>\$</u>	<u>\$ 61,755</u>	<u>\$</u>	<u>\$</u>

General Obligation Bonds and Certificates of Obligation

The City issues general obligation bonds and certificates of obligation for governmental activities. The general long-term bonds and certificates of obligation are paid through the debt service fund from tax revenues.

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A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2009, follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
General obligation bonds:				
Series 2009 Refunding	* \$ 2,370,000	2019	5.0-5.5%	<u>\$ 2,355,000</u>
Certificates of obligation:				
Series 2006	* 2,830,000	2027	3.9-5.0%	\$ 2,655,000
Series 2007	* 6,465,000	2027	3.75-5.25%	6,070,000
Series 2009	* 1,055,000	2030	4.7-4.9%	<u>1,055,000</u>
Total certificates of obligation				<u>\$ 9,780,000</u>

- * Callable at a price equal to principal to be redeemed plus accrued interest to redemption date. The Series 2006 certificates maturing March 1, 2018, 2021, 2024, and 2027 are term certificates and are subject to mandatory redemption beginning March 1, 2017, 2019, 2022, and 2025, respectively. The Series 2007 certificate maturing March 1, 2027 is a term certificate and is subject to mandatory redemption March 1, 2025. The 2009 certificate maturing March 1, 2024 is a term certificate and is subject to mandatory redemption over five years beginning March 1, 2020.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

Debt service requirements to maturity for governmental activity general obligation bonds and certificates of obligation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 400,000	\$ 496,086	\$ 896,086
2011	425,000	480,111	905,111
2012	440,000	463,361	903,361
2013	460,000	445,912	905,912
2014	485,000	425,642	910,642
2015-2019	2,750,000	1,798,929	4,548,929
2020-2024	3,030,000	1,224,605	4,254,605
2025-2029	3,410,000	567,332	3,977,332
2030-2034	735,000	18,008	753,008
	<u>\$ 12,135,000</u>	<u>\$ 5,919,986</u>	<u>\$ 18,054,986</u>

The certificates of obligation are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the City, without limitation as to rate or amount and are further payable from net revenues of the City's solid waste management system, not to exceed \$1,000.

A portion of the Series 2000 Certificates of Obligation is to be repaid by economic development sales taxes through the DEDC. During the fiscal year ending September 30, 2009, \$74,288 was remitted by the DEDC to the debt service fund.

Current year refunding of debt

On March 24, 2009, the City issued \$2,355,000 in general obligation refunding bonds with interest rates ranging between 3% and 4.9%. The bonds were issued to advance refund \$2,255,000 of outstanding series 2000 combination tax and revenue certificates of obligation with interest rates ranging from 5.0% to 5.5%. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2000 series obligation. As a result, that portion of the 2000 series certificates of obligation is considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$2,255,000 at September 30, 2009.

The advance refunding increased total debt service payments over the next 20 years by nearly \$0.6 million. This results in an economic loss (difference between the present values of the debt service payments on the old and new debt) approximating of \$18 thousand.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

Tax Anticipation Notes

In September 2009, the City issued Tax Anticipation Notes Series 2009 for the purpose of providing all or part of the funds to pay contractual obligations incurred or to be incurred for (i) the construction of public works, (ii) the purchase of materials, supplies, equipment, machinery, buildings, lands and right-of-way for authorized needs and purposes, and (iii) professional services, including the purchase of vehicles and equipment and construction of public works identified in the City's capital improvement plan.

The notes are payable in two yearly increments beginning September 1, 2010 at an adjustable rate of interest. The adjustable rate is a fluctuating rate of interest per annum equal to 65% of the prime rate; provided, however, that in no event will the adjustable rate be less the 3.5%. The notes are subject to redemption prior to maturity, at the option of the City, in whole or in part, on March 1, 2010, or any date thereafter, at par plus accrued interest to the date fixed for redemption.

The following is a summary of transactions for the year ended September 30, 2009:

Tax anticipation notes payable, beginning of year	\$	
Additions		1,500,000
Reductions		<u> </u>
Tax anticipation notes payable, end of year	<u>\$</u>	<u>1,500,000</u>

As of March 5, 2010, the \$1,500,000 outstanding was retired.

Capital Lease Obligations

During the year ending September 30, 2009, payments were made as scheduled on capital leases until September 2009 when all capital lease obligations outstanding were retired from the proceeds of Tax Anticipation Notes, Series 2009.

The following is a summary of capital lease transactions for the year ended September 30, 2009:

Capital leases payable, beginning of year	\$	349,013
Additions		
Reductions		<u>(349,013)</u>
Capital leases payable, end of year	<u>\$</u>	<u> </u>

Compensated Absences

A summary of changes in compensated absences follows:

Compensated absences payable, beginning of year	\$	199,874
Additions		219,152
Reductions		<u>(224,554)</u>
Compensated absences payable, end of year	<u>\$</u>	<u>194,472</u>

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Interfund Transactions

A summary of interfund transfers for the year ended September 30, 2009 is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 72,000	Transfer funds for capital projects costs
Special Revenue Fund	Capital Projects Fund	79,000	Transfer funds for capital projects costs
	Emergency Medical		
Capital Projects Fund	Services Fund	22,208	Transfer funds for retirement of debt
General Fund	Special Revenue Fund	10,517	Local grant match
	Emergency Medical		
General Fund	Services Fund	125,428	Transfer funds for operating costs
		<u>\$ 309,153</u>	

A summary of interfund receivables and payables at September 30, 2009 follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 837,063	Tax revenues not transferred
	FEMA - Ike Special		
General Fund	Revenue fund	357,613	Deficit cash position in pooled cash
		<u>\$ 1,194,676</u>	

Note 7 - Fund Equity / Net Assets

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

Note 8 - Deferred Compensation Plan

The City maintains, for its employees, a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan is available to all City employees; it permits them to defer a portion of their salary until future years. Participation in the plan is optional. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with generally accepted government accounting standards, the assets of the plan have not been included in the City's financial statements.

Note 9 - Employee Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees and qualified part-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.tmr.com.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

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

Deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting	10 years
Service retirement eligibility (expressed as age/years of service)	60/10,0/20
Updated service credit	100% repeating, transfers
Annuity increase (to retirees)	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that services as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual required contribution (ARC)	\$ 361,537
Interest on net pension obligation	
Adjustment to the ARC	
Annual pension cost (APC)	<u>361,537</u>
Contributions made	(361,537)
Increase (decrease) in net pension obligation	
Net pension obligation/(asset), beginning of year	<u> </u>
Net pension obligation/(asset), end of year	<u><u>\$</u></u>

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2007	\$ 343,890	\$ 343,890	100%	
2008	389,080	389,080	100%	
2009	361,537	361,537	100%	

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation date	12/31/2006	12/31/2007	12/31/2008
Actuarial cost method	Unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining amortization period	25 years; open period	25 years; closed period	24 years; closed period
Asset valuation method	Amortized cost	Amortized cost	Amortized cost
Actuarial assumptions:			
Investment rate of return*	7%	7%	7.5
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3%	3%	3%
Cost-of-living adjustments	NA	0.0%	0.0%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2008	\$ 5,449,947	\$ 6,512,232	83.7%	\$ 1,062,285	\$ 3,714,590	28.6%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 - Post-Employment Benefits

The City also 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, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

The City’s contributions to the TMRS SDBF for the year ended 2009 were less than \$1,000, and were \$0 for 2008, and 2007, which equaled the required contributions each year.

Schedule of Contribution Rates:			
(RETIREE-only portion of the rate)			
Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2007	0.00%	0.00%	100.0%
2008	0.00%	0.00%	100.0%
2009	0.01%	0.01%	100.0%

Note 11 - Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2009. The City and its legal counsel believe that any amounts, which the City might ultimately be required to pay, will not exceed underlying insurance coverage.

Arbitrage Rebate

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

Note 13 - Economic Development Contractual Expenditures

The City has entered into Economic Development Agreements with several large businesses. These contracts are authorized by Chapter 380 of the Texas Local Government Code. In these agreements, the business agreed to establish and maintain an office in the City that generates substantial taxable sales. The City remits back to the businesses 60% of the sales tax revenue collected by the City as a result of the businesses' sales on a monthly basis for five years. After five years, the rebated percentage is adjusted to 50%. The terms of the agreements are ten years, and shall be automatically extended for two additional ten year periods. During the current fiscal year, the City collected \$1,259,251 in sales taxes from the sales of these businesses and recorded expenditures of \$1,259,251.

Note 14 - Drainage System

On November 13, 2001, the City established a drainage utility system to provide drainage for all real property in the City. The drainage fees collected are to be used exclusively for the cost of service of the City in furnishing the drainage system and service. During the current fiscal year, the City recognized \$347,436 in drainage revenue and recorded expenditures of \$250,288 related to providing drainage services.

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Required Supplementary Information

CITY OF DICKINSON, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	
Revenues				
Property taxes for general purposes	\$ 2,386,733	\$ 2,386,733	\$ 2,323,407	\$ (63,326)
General sales tax	3,255,616	2,492,822	2,499,418	6,596
Franchise fees	903,412	785,360	908,894	123,534
Other taxes	93,556	113,556	123,741	10,185
Fines and fees	703,780	703,780	774,468	70,688
Licenses and permits	236,975	260,685	306,850	46,165
Intergovernmental	811,742	818,029	928,890	110,861
Charges for services	960,197	960,197	999,396	39,199
Drainage fees	325,000	325,000	347,436	22,436
Investment earnings	135,000	50,000	49,955	(45)
Miscellaneous revenue	20,250	20,850	77,786	56,936
Total Revenues	<u>9,832,261</u>	<u>8,917,012</u>	<u>9,340,241</u>	<u>423,229</u>
Expenditures				
Current Expenditures:				
General government:				
Administrative	453,370	407,187	463,275	(56,088)
Finance	296,469	313,574	269,915	43,659
Information technology	151,635	152,134	196,508	(44,374)
Total general government	<u>901,474</u>	<u>872,895</u>	<u>929,698</u>	<u>(56,803)</u>
Public safety:				
Law enforcement	3,416,996	3,388,763	3,413,762	(24,999)
Municipal court	262,326	262,326	243,835	18,491
Emergency management	67,594	68,594	42,232	26,362
Public safety	427,102	423,002	412,708	10,294
Total public safety	<u>4,174,018</u>	<u>4,142,685</u>	<u>4,112,537</u>	<u>30,148</u>
Public works:				
Public works	1,361,821	1,338,753	1,564,281	(225,528)
Drainage	275,491	265,991	228,413	37,578
Total public works	<u>1,637,312</u>	<u>1,604,744</u>	<u>1,792,694</u>	<u>(187,950)</u>

Continued on next page.

CITY OF DICKINSON, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	GAAP Basis	
Culture and recreation:				
Library	240,387	235,462	237,842	(2,380)
Tourism and museum	72,520	72,781	49,335	23,446
Total culture and recreation	<u>312,907</u>	<u>308,243</u>	<u>287,177</u>	<u>21,066</u>
Economic and community development:				
Community development	328,556	333,598	295,652	37,946
Economic development	2,098,696	1,205,124	1,259,251	(54,127)
Total economic and community development	<u>2,427,252</u>	<u>1,538,722</u>	<u>1,554,903</u>	<u>(16,181)</u>
Debt Service				
Principal	145,036	145,036	137,443	7,593
Interest and other charges	10,497	10,497	10,215	282
Total debt service	<u>155,533</u>	<u>155,533</u>	<u>147,658</u>	<u>7,875</u>
Capital Outlay	<u>76,500</u>	<u>85,225</u>	<u>7,396</u>	<u>77,829</u>
Total expenditures	<u>9,684,996</u>	<u>8,708,047</u>	<u>8,832,063</u>	<u>(124,016)</u>
Excess (deficiency) of revenues over expenditures	<u>147,265</u>	<u>208,965</u>	<u>508,178</u>	<u>299,213</u>
Other Financing Sources (Uses)				
Transfers out	(165,465)	(227,165)	(207,945)	19,220
Total other financing sources (uses)	<u>(165,465)</u>	<u>(227,165)</u>	<u>(207,945)</u>	<u>19,220</u>
Net change in fund balance	<u>(18,200)</u>	<u>(18,200)</u>	<u>300,233</u>	<u>318,433</u>
Fund balance - beginning	<u>3,697,575</u>	<u>3,697,575</u>	<u>3,697,575</u>	
Fund balance - ending	<u>\$ 3,679,375</u>	<u>\$ 3,679,375</u>	<u>\$ 3,997,808</u>	<u>\$ 318,433</u>

Note: the City budgets capital outlay and debt service expenditures within each department's budget; therefore, total budgeted expenditures agree with the amounts presented above however individual departmental budgets do not agree to the budget document by those amounts.

CITY OF DICKINSON, TEXAS
MAJOR SPECIAL REVENUE FUND - FEMA-HURRICANE IKE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	
Revenues				
Intergovernmental	\$	\$	\$ 2,710,888	\$ 2,710,888
Total Revenues			<u>2,710,888</u>	<u>2,710,888</u>
Expenditures				
Current Expenditures:				
Public safety			<u>2,685,208</u>	<u>(2,685,208)</u>
Total expenditures			<u>2,685,208</u>	<u>(2,685,208)</u>
Net change in fund balance			<u>25,680</u>	<u>25,680</u>
Fund balance - beginning				
Fund balance - ending	<u>\$</u>	<u>\$</u>	<u>\$ 25,680</u>	<u>\$ 25,680</u>

CITY OF DICKINSON, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Year Ended September 30, 2009

Budgetary Compliance

Annual appropriated budgets are adopted for the General, Special Revenue, Debt Service, and Enterprise Funds, using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal year end. Project length budgets are adopted for the Capital Project Funds. City Council approves the annual budget for the Dickinson Economic Development Corporation, which is included in the City's financial reporting entity.

Expenditures may not legally exceed budgeted appropriations at the fund level (i.e. General Fund, Debt Service Fund, etc.). Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Because City Council adopts the budget at the fund level, management has the authority to transfer available funds allocated by the budget from one function/department or activity to another function or activity within the same department. In cooperation with the department heads of the City, the Mayor, City Administrator and the Director of Finance prepare an annual budget for the General Fund, Special Revenue Fund, Debt Service Fund, and the Enterprise Fund for the ensuing fiscal year, in a form and style as deemed desirable by the Mayor. The Mayor shall submit to the Council, for its review, consideration, and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, between 60 (sixty) and 90 (ninety) days prior to the beginning of the fiscal year. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by bond covenants.

Amounts reported in the accompanying financial statements represent the amended budgeted amount plus all supplemental appropriations.

Significant actual expenditures in excess of budget were as follows:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General government	\$ 872,895	\$ 929,698	\$ (56,803)
Public works	1,604,744	1,792,694	(187,950)

Expenditures greater than appropriations in general government were due to unanticipated legal fees and the overage in public works was a result of street construction that was not budgeted.

CITY OF DICKINSON, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
Year Ended September 30, 2009

Texas Municipal Retirement System (Unaudited)
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3) (1)/(2)	(4) (2)-(1)	(5)	(6) (4)/(5)
12/31/2004	\$ 3,131,846	\$ 3,826,690	81.8%	\$ 694,844	\$ 2,599,860	26.7%
12/31/2005	\$ 3,743,961	\$ 4,508,787	83.0%	\$ 764,826	\$ 2,693,162	28.4%
12/31/2006	\$ 4,337,298	\$ 5,009,117	86.6%	\$ 671,819	\$ 2,823,615	23.8%
12/31/2007	\$ 4,985,075	\$ 5,773,023	86.4%	\$ 787,948	\$ 3,291,315	23.9%
12/31/2008	\$ 5,449,947	\$ 6,512,232	83.7%	\$ 1,062,285	\$ 3,714,590	28.6%

**Discretely Presented Component Units
Fund Based Financial Statements**

CITY OF DICKINSON, TEXAS

BALANCE SHEETS - GOVERNMENTAL FUNDS (FUND BASIS)

DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2009

	Dickinson Economic Development Corporation	Bayou Lakes Public Improvement District No. 1	Total Component Units
Assets			
Cash and Cash Equivalents	\$ 2,331,965	\$ 6,769	\$ 2,338,734
Sales and use taxes receivable	203,589		203,589
Total assets	\$ 2,535,554	\$ 6,769	\$ 2,542,323
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 405,365	\$ 1,950	\$ 407,315
Due to Other Governments		7,069	7,069
Total liabilities	405,365	9,019	414,384
Fund balances			
Unreserved, reported in			
Component units	2,130,189	(2,250)	2,127,939
Total fund balances	2,130,189	(2,250)	2,127,939
Total liabilities and fund balances	\$ 2,535,554	\$ 6,769	\$ 2,542,323
Reconciliation from fund balance to net assets			
Fund balance	\$ 2,130,189	\$ (2,250)	\$ 2,127,939
Plus capital assets	48,001		48,001
Net assets	\$ 2,178,190	\$ (2,250)	\$ 2,175,940

CITY OF DICKINSON, TEXAS

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - GOVERNMENTAL FUNDS (FUND BASIS)

DISCRETELY PRESENTED COMPONENT UNITS

For the Year Ended September 30, 2009

	Dickinson Economic Development Corporation	Bayou Lakes Public Improvement District No. 1	Total Component Units
Revenues			
Special Sales Tax	\$ 1,249,709	\$	\$ 1,249,709
Investment Earnings	5,554	1,775	7,329
Miscellaneous Revenue	2,380	129,810	132,190
Total Revenues	1,257,643	131,585	1,389,228
Expenditures			
Current			
General Government		131,444	131,444
Economic Development	1,149,019		1,149,019
Total Expenditures	1,149,019	131,444	1,280,463
Net change in fund balances	108,624	141	108,765
Fund balances - beginning, as originally stated			
	2,021,565	3,377	2,024,942
Prior period adjustment		(5,768)	(5,768)
Fund balances - beginning, as restated	2,021,565	(2,391)	2,019,174
Fund balances - ending	\$ 2,130,189	\$ (2,250)	\$ 2,127,939
Reconciliation from changes in fund balance to changes in net assets			
Change in fund balance	\$ 108,624	\$ 141	\$ 108,765
Add capital outlay	48,001		48,001
Net assets	\$ 156,625	\$ 141	\$ 156,766

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Unaudited Statistical Section

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CITY OF DICKINSON, TEXAS

NET ASSETS BY COMPONENT

*Last Six Fiscal Years**

Amounts in (000's)

(Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities						
Invested in capital assets, net of related debt	\$ 12,437	\$ 15,355	\$ 16,692	\$ 17,277	\$ 14,804	\$ 16,375
Restricted		1,422	1,870	2,735	7,024	4,636
Unrestricted		2,623	2,758	3,746	3,144	3,869
Total governmental activities net assets	<u>\$ 12,437</u>	<u>\$ 19,400</u>	<u>\$ 21,320</u>	<u>\$ 23,758</u>	<u>\$ 24,972</u>	<u>\$ 24,880</u>
Business-type activities						
Invested in capital assets, net of related debt	\$	\$	\$ 20	\$ 17	\$ 14	\$ 39
Restricted						
Unrestricted			114	115	123	113
Total business-type activities net assets	<u>\$</u>	<u>\$</u>	<u>\$ 134</u>	<u>\$ 132</u>	<u>\$ 137</u>	<u>\$ 152</u>
Primary government						
Invested in capital assets	\$ 12,437	\$ 15,355	\$ 16,712	\$ 17,294	\$ 14,818	\$ 16,414
Restricted		1,422	1,870	2,735	7,024	3,869
Unrestricted		2,623	2,872	3,861	3,267	4,749
Total primary government net assets	<u>\$ 12,437</u>	<u>\$ 19,400</u>	<u>\$ 21,454</u>	<u>\$ 23,890</u>	<u>\$ 25,109</u>	<u>\$ 25,032</u>

*GASB 34 was implemented in fiscal 2004, therefore 10 years of data is unavailable.

CITY OF DICKINSON, TEXAS

CHANGES IN NET ASSETS

*Last Six Fiscal Years**

Amounts in (000's)

(Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses						
Governmental activities:						
General government	\$ 967	\$ 884	\$ 801	\$ 861	\$ 912	\$ 1,421
Public safety	3,326	3,550	3,839	3,684	5,131	7,015
Public works	2,138	2,374	2,279	2,153	2,331	2,466
Culture and recreation	460	244	253	256	293	295
Economic and community development	1,791	2,117	2,713	2,315	2,414	1,558
Interest on long-term debt	175	173	155	334	520	551
Total governmental activities expenses	<u>8,857</u>	<u>9,342</u>	<u>10,040</u>	<u>9,603</u>	<u>11,601</u>	<u>13,306</u>
Business-type activities:						
Emergency Medical Services			363	472	521	550
Total business-type activities			<u>363</u>	<u>472</u>	<u>521</u>	<u>550</u>
Total primary government expenses	<u>\$ 8,857</u>	<u>\$ 9,342</u>	<u>\$ 10,403</u>	<u>\$ 10,075</u>	<u>\$ 12,122</u>	<u>\$ 13,856</u>

CITY OF DICKINSON, TEXAS

CHANGES IN NET ASSETS

*Last Six Fiscal Years**

Amounts in (000's)

(Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Program Revenue						
Governmental activities:						
Charges for services:						
General government	\$	\$	\$	\$	\$ 3	\$ 3
Public safety	933	1,122	770	1,179	724	790
Public works	1,478	1,945	1,320	946	1,294	1,347
Culture and recreation	32	56	60	30	40	9
Economic and community development	548	270	448	342	388	464
Operating grants and contributions:						
Public safety					1,037	2,885
Public works						319
Culture and recreation						6
Interest on long-term debt					163	147
Total governmental activities program revenues	<u>2,991</u>	<u>3,393</u>	<u>2,598</u>	<u>2,497</u>	<u>3,649</u>	<u>5,970</u>
Business-type activities:						
Charges for services:						
Emergency Medical Services			229	458	370	381
Operating grants and contributions:						
Emergency Medical Services					37	37
Total business-type activities program revenues			<u>229</u>	<u>458</u>	<u>407</u>	<u>418</u>
Total primary government program revenues	<u>\$ 2,991</u>	<u>\$ 3,393</u>	<u>\$ 2,827</u>	<u>\$ 2,955</u>	<u>\$ 4,056</u>	<u>\$ 6,388</u>

CITY OF DICKINSON, TEXAS

CHANGES IN NET ASSETS

*Last Six Fiscal Years**

Amounts in (000's)

(Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expense)/Revenue						
Governmental activities	\$ (5,866)	\$ (5,949)	\$ (7,442)	\$ (7,106)	\$ (7,952)	\$ (7,336)
Business-type activities			(134)	(14)	(114)	(132)
Total primary government net expense	<u>\$ (5,866)</u>	<u>\$ (5,949)</u>	<u>\$ (7,576)</u>	<u>\$ (7,120)</u>	<u>\$ (8,066)</u>	<u>\$ (7,468)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Property taxes	\$ 2,280	\$ 2,540	\$ 2,750	\$ 2,830	\$ 3,198	\$ 3,194
Sales and use taxes	2,706	3,086	3,378	3,216	3,243	2,499
Franchise fees	968	953	936	917	878	909
Unrestricted grants and contributions					1,087	843
Investment earnings		160	335	650	484	102
Miscellaneous	586	5,832	2,028	1,965	81	182
Gain (loss) on disposal of assets	(8)				(28)	(339)
Transfers	76	73	(191)	113	(119)	(148)
Total governmental activities	<u>6,608</u>	<u>12,644</u>	<u>9,236</u>	<u>9,691</u>	<u>8,824</u>	<u>7,242</u>
Business-type activities:						
Unrestricted grants and contributions:						
Transfers					118	148
Total business-type activities					<u>118</u>	<u>148</u>
Total primary government	<u>\$ 6,608</u>	<u>\$ 12,644</u>	<u>\$ 9,236</u>	<u>\$ 9,691</u>	<u>\$ 8,942</u>	<u>\$ 7,390</u>
Change in Net Assets						
Governmental activities	\$ 742	\$ 6,695	\$ 1,794	\$ 2,585	\$ 872	\$ (94)
Business-type activities			(134)	(14)	4	16
Total primary government	<u>\$ 742</u>	<u>\$ 6,695</u>	<u>\$ 1,660</u>	<u>\$ 2,571</u>	<u>\$ 876</u>	<u>\$ (78)</u>

*GASB 34 was implemented in fiscal 2004, therefore 10 years of data is unavailable.

CITY OF DICKINSON, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

	<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 fund										
Reserved	\$ 39	\$ 62	\$ 130	\$	\$ 105	\$ 105	\$ 105	\$ 254	\$ 229	\$ 147
Unreserved	1,341	1,389	1,517	2,033	2,169	2,802	2,841	3,503	3,469	3,851
Total General Fund	<u>\$ 1,380</u>	<u>\$ 1,451</u>	<u>\$ 1,647</u>	<u>\$ 2,033</u>	<u>\$ 2,274</u>	<u>\$ 2,907</u>	<u>\$ 2,946</u>	<u>\$ 3,757</u>	<u>\$ 3,698</u>	<u>\$ 3,998</u>
All other governmental funds										
Reserved for debt service	\$ 202	\$ 208	\$ 554	\$ 663	\$ 774	\$ 1,039	\$ 1,373	\$ 1,832	\$ 1,832	\$ 1,841
Reserved for construction	1,619	630	373	145	35	68	160	6,686	4,768	2,469
Reserved for special revenue funds	49	11	46	82	116	185	182	170	186	140
Total other Governmental Funds	<u>\$ 1,870</u>	<u>\$ 849</u>	<u>\$ 973</u>	<u>\$ 890</u>	<u>\$ 925</u>	<u>\$ 1,292</u>	<u>\$ 1,715</u>	<u>\$ 8,688</u>	<u>\$ 6,786</u>	<u>\$ 4,450</u>

CITY OF DICKINSON, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues				
Property taxes	\$ 1,617	\$ 1,671	\$ 1,968	\$ 2,054
Sales and use taxes(*includes Franchise until 2003)	1,433	1,566	1,869	2,151
Franchise fees				783
Other taxes				
Licenses and permits	179	216	194	205
Intergovernmental	153	286	508	295
Charges for services	675	878	773	797
Drainage Fees				244
Fines and forfeitures	368	374	532	697
Investment earnings	125	216	84	55
Other	33	67	178	102
Total Revenues	<u>4,583</u>	<u>5,274</u>	<u>6,106</u>	<u>7,383</u>
Expenditures				
General government	553	602	702	680
Public safety	3,124	3,688	3,839	4,060
Public works	848	964	863	1,398
Culture and recreation	119	126	125	142
Economic development			211	1,181
Community development				178
Debt service	153	350	376	328
Capital outlay	390	1,444	520	520
Total Expenditures	<u>5,187</u>	<u>7,174</u>	<u>6,636</u>	<u>8,487</u>
Excess of revenues over (under) expenditures	(604)	(1,900)	(530)	(1,104)
Other Financing Sources (Uses)				
Transfers in	134	77	32	109
Transfers out	(134)		(78)	
Proceeds from debt issuance	2,113	271	135	329
Proceeds from sale of assets				
Developer contributions				
Total other financing sources (uses)	<u>2,113</u>	<u>348</u>	<u>89</u>	<u>438</u>
Net change in fund balances	<u>\$ 1,509</u>	<u>\$ (1,552)</u>	<u>\$ (441)</u>	<u>\$ (666)</u>
Debt service as a percentage of noncapital expenditures	3.2%	6.1%	6.1%	4.1%

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 2,280	\$ 2,546	\$ 2,722	\$ 2,835	\$ 2,995	\$ 3,147
2,706	3,086	3,378	3,216	3,243	2,499
968	953	936	917	878	909
	30	29	29	91	124
227	270	448	373	252	307
854	1,096	1,374	1,593	2,456	4,084
777	799	849	907	951	999
321	327	338	341	343	347
772	829	725	790	748	816
1	160	335	650	484	102
221	209	618	55	(8)	318
<u>9,127</u>	<u>10,305</u>	<u>11,752</u>	<u>11,706</u>	<u>12,433</u>	<u>13,652</u>
895	813	738	783	906	1,414
3,993	4,305	4,434	4,400	4,849	6,903
1,538	1,628	1,523	1,669	1,718	1,570
460	244	254	256	286	293
1,569	1,927	2,519	2,100	2,147	296
222	190	194	215	267	1,259
415	467	422	586	1,164	1,422
951	1,075	1,773	4,194	4,116	5,015
<u>10,043</u>	<u>10,649</u>	<u>11,857</u>	<u>14,203</u>	<u>15,453</u>	<u>18,172</u>
(916)	(344)	(105)	(2,497)	(3,020)	(4,520)
	73			656	162
(76)		(159)	(11)	(775)	(309)
	174	142	9,295	457	2,631
242					
	56	101			
<u>166</u>	<u>303</u>	<u>84</u>	<u>9,284</u>	<u>338</u>	<u>2,484</u>
<u>\$ (750)</u>	<u>\$ (41)</u>	<u>\$ (21)</u>	<u>\$ 6,787</u>	<u>\$ (2,682)</u>	<u>\$ (2,036)</u>
4.6%	4.9%	4.2%	5.9%	10.3%	10.8%

CITY OF DICKINSON, TEXAS**PRINCIPAL PROPERTY TAX PAYERS***Current Year And Nine Years Ago*

Taxpayer	2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Calumet Penreco LLC	\$ 12,598,620	1	17.04%
Conoco Specialty Products Inc	10,839,470	2	14.66%
GTE Southwest, Inc.	6,429,020	3	8.69%
Texas-New Mexico Power Co	4,825,330	4	6.52%
McRee Ford Inc	4,434,220	5	6.00%
SW Kirkwood LP	3,650,000	6	4.94%
Dixie Partners II LP	3,635,660	7	4.92%
Corsair Investments, Inc.	2,802,080	8	3.78%
Pine Forest Apartments Inc	2,749,990	9	3.72%
Insite Dickinson Storage LP	2,567,330	10	3.47%
Gay Pontiac GMC & Subaru Inc	2,511,150	11	3.40%
Gay Pontiac & GMC Inc	2,335,430	12	3.16%
Walgreens	2,051,489	13	2.76%
Comcast of Houston LLC	1,962,590	14	2.65%
Speights, Michael	1,823,670	15	2.47%
Green River Apartment Association	1,795,940	16	2.43%
Bay Colony Business Park, LTD	1,789,130	17	2.42%
Wentwood Investment Partnership	1,759,730	18	2.38%
Kroger Company #241	1,723,157	19	2.33%
2006 Bentwood LP	1,668,910	20	2.26%
Total	\$ 73,952,916		100.00%

Taxpayer	2000		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	
Penreco	\$ 17,761,200	1	3.33%
GTE Southwest, Inc.	8,908,100	2	1.67%
McRee Ford, Inc.	6,911,790	3	1.30%
Gay Pontiac GMC & Subaru	5,311,520	5	1.00%
Texas-New Mexico Power	4,943,810	4	0.93%
WRI Dickinson Ven	2,737,340	6	0.51%
Dickinson Plaza Shopping Center	2,725,690	7	0.51%
Pine Forest Apartments, Inc.	2,624,970	8	0.49%
Gay Pontiac & GMC INC	1,931,910	9	0.36%
Village High Inc.	1,831,070	10	0.34%
Citizens State Bank	1,793,500	11	0.34%
Green River Apart Association	1,719,940	12	0.32%
Dickinson Oaks Apartments,	1,659,010	13	0.31%
GTE Southwest, Inc.	1,569,140	14	0.29%
Wentwood Investments	1,542,440	15	0.29%
Sussan Inc.	1,365,985	16	0.26%
Dickinson Torrey Pines Apt	1,234,060	17	0.23%
McRee Ford, Inc.	1,201,715	18	0.23%
Aris Food Service, Inc.	1,183,970	19	0.22%
Bay Colony Business Park, LTD	1,085,620 #	20	0.20%
	\$ 70,042,780		13.13%

CITY OF DICKINSON, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities:										
Administration	2.15	2.15	2.15	3.00	2.50	2.00	1.80	1.80	2.00	2.00
Finance	3.00	1.50	2.00	2.00	2.50	2.75	2.90	2.90	3.00	3.00
Community Development	2.50	2.00	2.50	3.25	3.50	3.50	3.45	2.00	2.00	1.80
Municipal Court	3.50	3.50	3.40	3.15	3.15	3.47	3.45	3.45	4.00	4.00
Law Enforcement	34.25	33.00	39.65	42.65	43.65	47.65	43.35	44.50	45.75	46.25
Code Enforcement	1.00	1.00	2.25	2.75	3.25	3.25	3.80	3.80	2.80	2.80
Emergency Management	1.25	1.25	0.70	0.70	0.70	0.70	1.06	1.10	1.50	1.50
Streets(drainage combined until 2001)	10.20	11.20	10.15	10.95	8.00	10.00	7.70	7.70	7.75	7.75
IT	n/a	0.25	0.25	0.25	0.25	0.25	0.20	0.16	0.25	0.33
Drainage	3.65	3.65	4.60	4.45	5.50	5.50	4.90	4.85	4.85	4.90
Library	n/a	n/a	n/a	n/a	4.15	4.15	5.00	5.00	5.00	5.00
Historical Society	n/a	n/a	0.50	0.50	0.50	0.50	0.94	2.00	0.00	0.00
Public Safety	1.00	0.25	1.15	1.15					1.75	1.75
Business Type Activities:										
EMS	n/a	n/a	n/a	n/a	2	4	4	4	3.00	3.00
Component Unit:										
Economic Development	n/a	n/a	0.65	0.65	0.65	0.65	0.68	1.07	1.50	1.75
Total	62.50	59.75	69.95	75.45	80.30	88.37	83.23	84.33	85.15	85.83