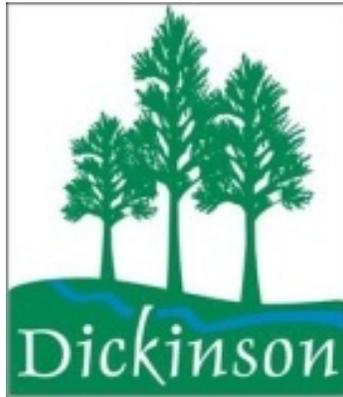


CITY OF DICKINSON, TEXAS



ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2011**

CITY OF DICKINSON, TEXAS
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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 (Mayor Pro Tem)
Kerry Neves	Position No. 4
Louis Decker	Position No. 5
William King, III	Position No. 6

CITY OF DICKINSON, TEXAS

PRINCIPAL OFFICIALS (continued)

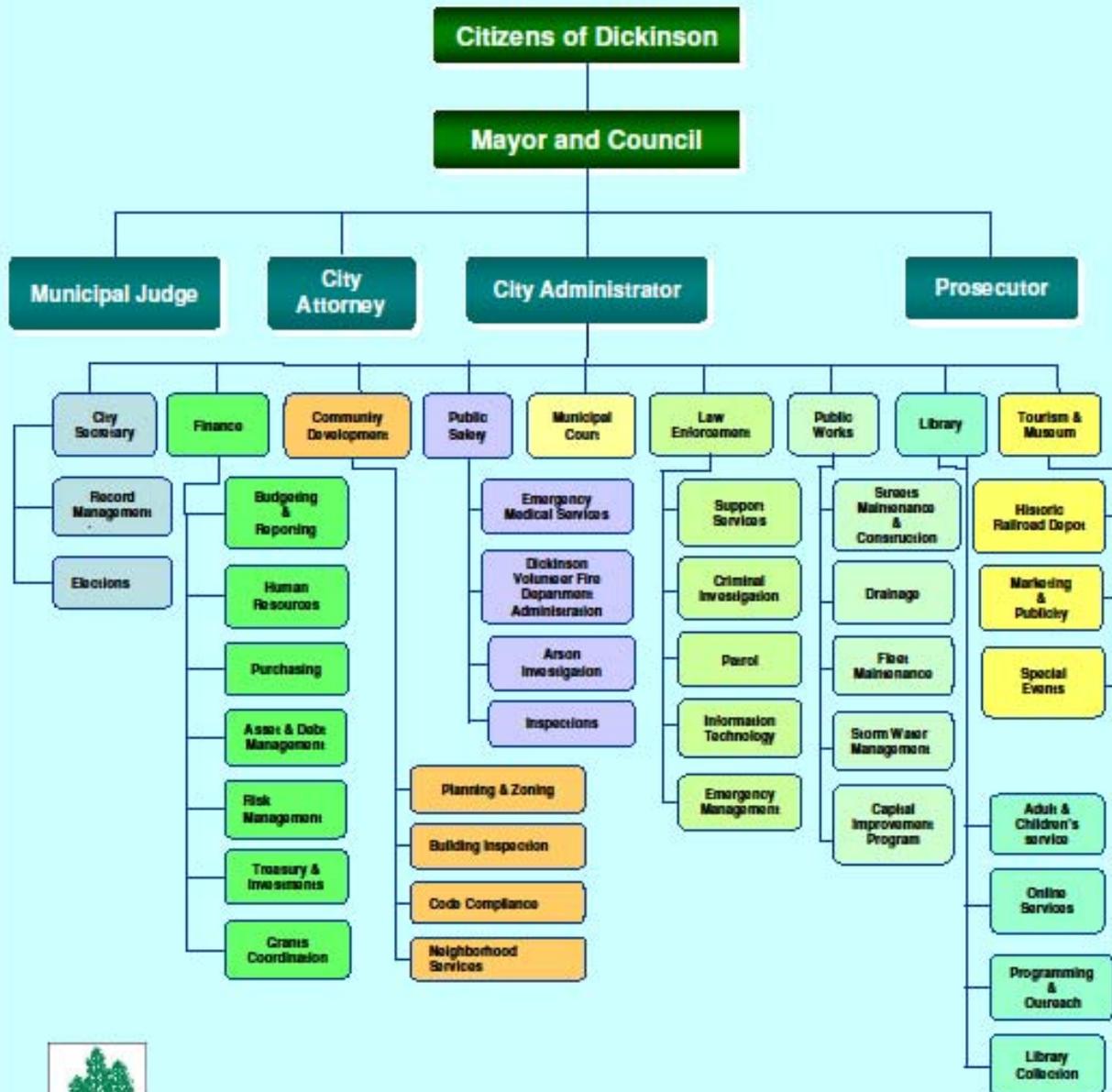
<u><i>Elected Officials</i></u>	<u><i>Position</i></u>	<u><i>Term Expires May</i></u>
Julie Masters	Mayor	2014
Charles Suderman	Council Member at Large - Position 1	2014
Mary Dunbaugh	Council Member at Large - Position 2	2013
Walter Wilson	Council Member at Large - Position 3 /Mayor Pro Tem	2014
Kerry Neves	Council Member at Large - Position 4	2013
Louis Decker	Council Member at Large - Position 5	2014
William King, III	Council Member at Large - Position 6	2013

<u><i>Appointed Officials</i></u>	<u><i>Position</i></u>
Julie M. Johnston	City Administrator
Olson and Olson	City Attorney
Richard Cope	Municipal Court Judge
Ellis Ortgeo	Prosecuting Attorney
Ron Morales	Chief of Police
Carolyn E Anderson	City Secretary

<u><i>City Management</i></u>	<u><i>Position</i></u>
Mary F. Young	Director of Finance
Norman Hicks	Fire Marshal
Kevin Byal	Building Official
Irma Rivera	Court Administrator
Kellis George	Director of Public Works
Vicki McAllister	Library Director

City of Dickinson

Organization Chart



April, 2008

Financial Section



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, 2011, 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, 2011, 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 2, 2012, 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, 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.

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

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison information and pension system supplementary information on pages 5 through 13 and 53 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Other Supplementary Information which includes Combining and Individual Fund Statements and Schedules, Discretely Presented Component Unit Fund Based Financial Statements and the Vehicle Replacement Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Null-Harrison, P.C.

Houston, Texas
March 2, 2012

Management's discussion and Analysis

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

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, 2011.

Financial Highlights

- The assets of the primary government of the City of Dickinson exceeded its liabilities as of September 30, 2011, by \$24.0 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 \$512 thousand.
- At the close of the current fiscal year, the City of Dickinson's governmental funds reported combined ending fund balances of \$5.4 million, a decrease of \$1.1 million in comparison with the prior year.
- As of September 30, 2011, the unassigned fund balance for the General Fund was \$3.3 million or 26.6% of total General Fund expenditures.
- The City of Dickinson's General Obligation and Certificates of Obligation debt decreased to \$11.3 million, a net decrease of \$0.4 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.

The government-wide financial statements include not only the City of Dickinson, itself (known as the primary government), but also three legally separate entities, the Dickinson Economic Development Corp., Dickinson Management District 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.

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

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 5 percent 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 and Municipal Drainage Utility funds.

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 and Municipal Drainage Utility funds.

Combining Component Unit Financial Statements - The City's three 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.

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

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 \$24.0 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (83 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, 2011 and 2010

Amounts in (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 7,814	\$ 7,856	\$ 414	\$ 499	\$ 8,228	\$ 8,355
Capital assets	29,288	31,072	158	102	29,446	31,174
Total Assets	<u>37,102</u>	<u>38,928</u>	<u>572</u>	<u>601</u>	<u>37,674</u>	<u>39,529</u>
Other liabilities	13,439	1,362	72	51	13,511	1,413
Long-term liabilities outstanding		11,446				11,446
Total Liabilities	<u>13,439</u>	<u>12,808</u>	<u>72</u>	<u>51</u>	<u>13,511</u>	<u>12,859</u>
Net assets						
Invested in capital assets net of related debt	19,655	21,851	158	102	19,813	21,953
Restricted	247	496			247	496
Unrestricted	3,760	3,773	216	448	3,976	4,221
Total Net Assets	<u>\$ 23,663</u>	<u>\$ 26,120</u>	<u>\$ 374</u>	<u>\$ 550</u>	<u>\$ 24,037</u>	<u>\$ 26,670</u>

An additional portion of the City's net assets (1 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.

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

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 decrease in invested in capital assets net of related debt of \$2.1 million due primarily to the prior period adjustment to the beginning capital asset balance for the change in estimated useful lives for streets and right-a-ways from forty and fifty years to thirty years for depreciation purposes, totaling \$1.9 million.

Following is a comparative schedule of changes in net assets for fiscal years 2011 and 2010:

Comparative Schedule of Changes in Net Assets

For the Years Ended September 30, 2011 and 2010

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 2,212	\$ 2,477	\$ 948	\$ 930	\$ 3,160	\$ 3,407
Operating grants and contributions	1,788	786	100	32	1,888	818
Capital grants and contributions		509				509
Property taxes	3,260	3,220			3,260	3,220
Sales taxes	2,577	2,285			2,577	2,285
Other taxes	94	99			94	99
Franchise fees	897	944			897	944
Investment earnings	42	54			42	54
Unrestricted contributions	462	866			462	866
Other	94	(1)	8	6	102	5
Total Revenues	<u>11,426</u>	<u>11,239</u>	<u>1,056</u>	<u>968</u>	<u>12,482</u>	<u>12,207</u>
Expenses						
General government	1,210	1,296			1,210	1,296
Public safety	4,857	5,172			4,857	5,172
Public works	275	2,246			275	2,246
Culture and recreation	491	498			491	498
Economic development	2,583	2,268			2,583	2,268
Community development	346	358			346	358
Interest expense	503	513			503	513
Emergency Medical Services			1,014	650	1,014	650
Drainage Utility Fund			391	275	391	275
Total Expenses	<u>10,265</u>	<u>12,351</u>	<u>1,405</u>	<u>925</u>	<u>11,670</u>	<u>13,276</u>
Increase (decrease) in net assets before transfers and special items	1,161	(1,112)	(349)	43	812	(1,069)
Transfers in (out)	(159)	(225)	159	225		
Special item	(1,379)	13			(1,379)	13
Increase (decrease) in net assets	(377)	(1,324)	(190)	268	(567)	(1,056)
Net assets, beginning of year - restated	<u>24,039</u>	<u>27,444</u>	<u>564</u>	<u>282</u>	<u>24,603</u>	<u>27,726</u>
Net assets, end of year	<u>\$ 23,662</u>	<u>\$ 26,120</u>	<u>\$ 374</u>	<u>\$ 550</u>	<u>\$ 24,036</u>	<u>\$ 26,670</u>

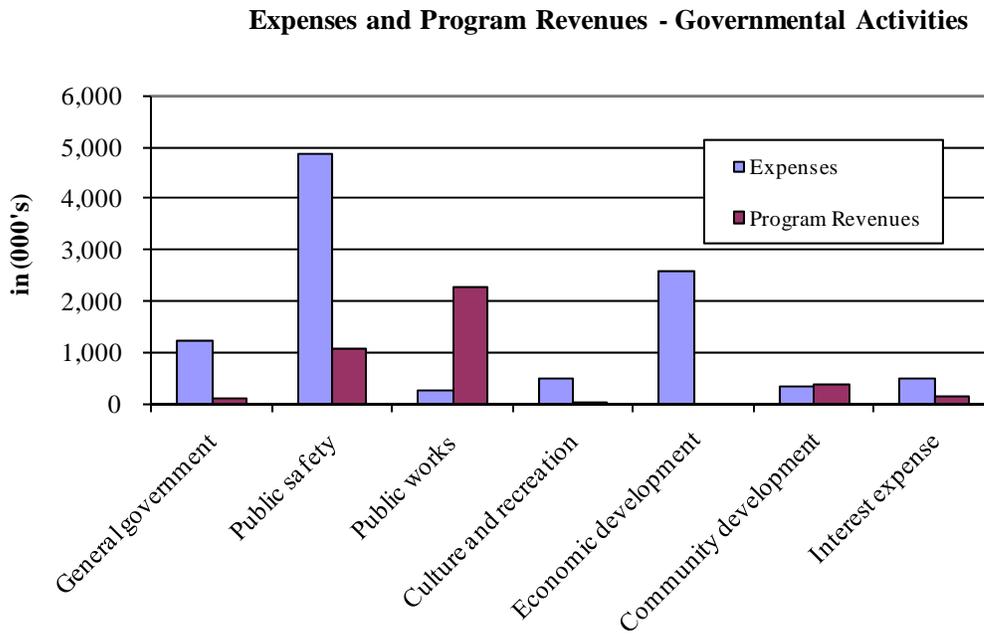
CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The government's total net assets decreased to \$24.0 million. Current assets and current liabilities (primarily cash/investments and accounts payable) increased by \$0.1 and \$1.9 million, respectively. Cash was utilized to fund capital projects, primarily for streets and roads. Long-term liabilities decreased by \$11.4 million which included only the regularly scheduled debt payments.

Governmental Activities

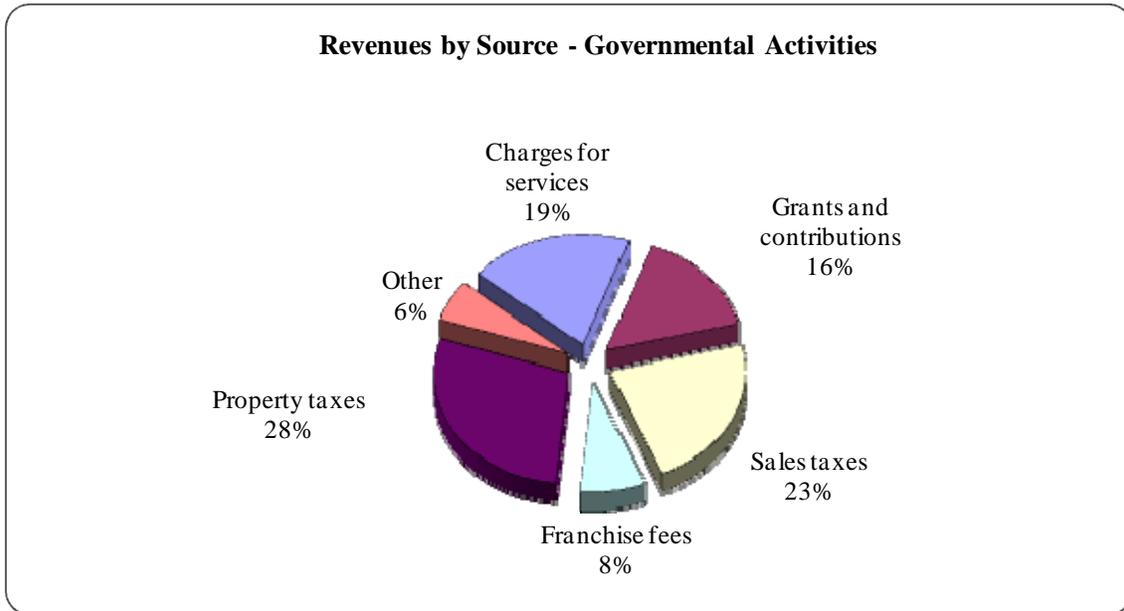
Governmental activities decreased the City's net assets by \$0.4million in 2011 compared to a decrease of \$1.32 million in 2010. A primary factor in the current year decrease was due to a change in valuation method for infrastructure assets of \$1.8 million offset by a subsequent increase of \$1.1 million in a variety of capital assets and infrastructure projects.

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



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

Governmental activities revenues by source is 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 \$5.4 million. Of this, \$3.3 million is unassigned and available for day-to-day operations of the City; \$1.7 million is restricted for debt service and various projects.

There was a decrease in the combined fund balance of \$1.1 million from the prior year. Individual components of the combined change are as follows (in \$000's):

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Fund balances:			
General Fund	\$ 3,703	\$ 3,832	\$ (129)
Debt Service Fund	9	138	(129)
Capital Projects Fund	1,469	2,282	(813)
Other Governmental Funds	233	244	(11)
Total fund balances	<u>\$ 5,414</u>	<u>\$ 6,496</u>	<u>\$ (1,083)</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 \$619,227 from the original to the final amended budget. Budget estimates for revenues and other sources increased by \$252,558 for the year as well to reflect the increases in revenues as projected during the 2011 budget process.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2011 and 2010, the City's governmental activities and business-type activities had invested \$29.4 million and \$31.2 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net decrease of \$1.7 million over the end of last fiscal year for the governmental activities capital assets.

	<i>(in '000s)</i>					
	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,549	\$ 673	\$	\$	\$ 1,549	\$ 673
Construction in progress	1,228	210			1,228	210
Infrastructure	13,597	18,641			13,597	18,641
Buildings and improvements	11,508	11,747			11,508	11,747
Vehicles	948	1,101	158	102	1,106	1,203
Furniture and fixtures	457	510			457	510
Total Capital Assets	\$ 29,287	\$ 32,882	\$ 158	\$ 102	\$ 29,445	\$ 32,984

Long-Term Debt - At the end of the current fiscal year, the City had total bonds, certificates of obligation, and other obligations outstanding of \$11.5 million. The components of this debt are as follows:

	<i>(in '000s)</i>					
	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 2,165	\$ 2,265	\$	\$	\$ 2,165	\$ 2,265
Certificates of obligation	9,145	9,470			9,145	9,470
Tax anticipation notes						
Compensated absences	215	212			215	212
	\$ 11,525	\$ 11,947	\$	\$	\$ 11,525	\$ 11,947

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 2011-2012 budget and tax rates. One of those factors is the economy. Since approximately 30% 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 2011 certified appraisal roll for Fiscal Year 2011-2012 is \$787,362,233, representing a 0.01% decrease over the previous year. With such a slight decrease in assessed values, the City anticipates collecting the same dollar amount in property tax revenues for operating expenses. This stability in property tax revenue is related to a slight increase in the M & O portion of the Fiscal Year 2011-2012 tax rate and a corresponding reduction in the I & S portion of the Fiscal Year 2011-2012 tax rate. Additionally, based on the City's actual collection rate, the collection rate will remain at the historical 97% rate for Fiscal Year 2011-2012.

For Fiscal Year 2011-2012, the City continues to face challenges as a result of the economic climate despite signs that the economy is beginning to recover. Existing revenue sources are anticipated to hold steady or grow slightly and therefore should be sufficient to meet the General Fund, EMS Enterprise Fund, and Municipal Drainage Utility Fund expenditures. As a result of the slight increase in the M & O portion of the tax rate, property tax revenues will slightly increase. Sales tax revenues are anticipated to decrease by approximately 2.97% from the FY 2010-2011 Amended Budget. Building and development-related revenue and court revenue are anticipated to remain level as a result of the slowly-rebounding economy. Additionally, the Adopted FY 2011-2012 Budget includes new revenue line items that utilize former Drilling Bond funds, Tree Replacement Fund revenues, and Indigent Defense Fund revenues for authorized expenditures, and a new line item for CDBG Personnel Reimbursement to account for reimbursements to the City for staff time expended in administering and managing the various Disaster Recovery CDBG Program projects.

With the approval of the reallocation of the ½ cent sales tax for economic development into a ¼ cent sales tax for economic development and a ¼ cent sales tax for street maintenance by the voters on May 14, 2011, the FY 2011-2012 budget includes a budget for the newly created Street Maintenance Sales Tax Fund. The Street Maintenance Sales Tax Fund budget includes the projected sales tax revenues as well as the specific street projects to be funded by those revenues. Based on the estimates for these projects developed by City staff, it appears that there will be excess revenues over expenditures of approximately \$24,545; consequently the City anticipates having a small amount of funds available for another project during FY 2011-2012. Additionally, with the approval of the ¼ cent sales tax for street maintenance, the FY 2011-2012 General Fund budget includes a 50% reduction in the Transfer of Sales Tax to DEDC line item and a reallocation of that 50% to a new line item for the Transfer of Sales Tax to Street Maintenance Sales Tax Fund.

In FY 2006-2007, an enterprise fund was established by the City for its Emergency Medical Services ("EMS"), thus segregating the EMS revenues and expenditures from the General Fund. The EMS has performed very well since FY 2006-2007. Based on EMS' performance, the City Council approved the implementation of Medic 2 on a full-time basis in FY 2010-2011 to provide an increased level of service to citizens. EMS is anticipated to generate revenues from service charges in FY 2011-2012 equal to the FY 2010-2011 Amended Budget. Additionally, the FY 2011-2012 EMS Budget anticipates a more equal distribution of the subsidy for the service between the General Fund and Dickinson Management District Number 1.

Under the adopted Fiscal Year 2011-2012 Debt Service Fund budget, the City will use the following revenues to meet its Fiscal Year 2011-2012 debt service obligations: \$10,876 of the existing Fund Balance; the remaining bond proceeds of \$35,041 from the Public Works/ Central Fire Station project; the reallocation of \$144,838 from the Capital Projects Fund that was reserved for the City Hall & Library

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

Project but are not bond proceeds; and debt service contributions made by Dickinson Economic Development Corporation and Galveston County Water Control and Improvement District Number 1. This action shifts \$0.003 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 2011 Rollback M&O tax rate.

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 2011-2012. The maintenance and operations tax rate is \$0.3331 (1.03% increase from Fiscal Year 2010-2011), and the debt service tax rate is \$.07551 (3.8% less than Fiscal Year 2010-2011). The current debt service tax rate as well as the additional contributions identified by the City Council will be sufficient to meet the City's Fiscal Year 2011-2012 annual debt requirements of \$906,860. The City's adopted Fiscal Year 2011-2012 General Fund budget is \$10,194,293 representing a 2.9% decrease from Fiscal Year 2010-2011 Amended General Fund Budget.

The Fiscal Year 2011-2012 General Fund Budget includes a reimbursement from Dickinson Management District Number 1 in the amount of \$202,363. This reimbursement represents a 1.5% decrease from the FY 2010-2011 Amended Budget reimbursement amount from Dickinson Management District Number 1. The reimbursement includes a portion of the funding needed by the City to implement Medic 2 on a full-time basis and thus provide a greater EMS service level within the District, the continued funding of 30% of the Community Development Department salaries and benefits, the replacement of the City Hall server in the amount of \$5,000, and \$30,000 for a Digital Voice Recorder for the Police Department. The Dickinson Management District Number 1 is also funding 25% of the salary and benefits for a new management assistant as well as the salaries and benefits associated with increased part-time hours for two Police Department officers consequently providing a greater Police service level within the District.

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.

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Basic Financial Statements

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CITY OF DICKINSON, TEXAS
STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 2,513,749	\$ 265,406	\$ 2,779,155	\$ 525,444
Investments	2,027,345		2,027,345	1,260,488
Receivables, net of allowances for uncollectibles				
Property taxes receivable	331,786		331,786	
Sales tax receivable	520,373		520,373	497,181
Franchise fees receivable	273,861		273,861	
Due from component units	324,481		324,481	
Due from other governments	1,185,725		1,185,725	
Internal balances	63,029	63,029		
Other receivables	369,702	85,330	455,032	7,050
Deferred items	204,040		204,040	
Capital assets not being depreciated:				
Land and improvements	1,548,784		1,548,784	
Construction in progress	1,228,400		1,228,400	
Capital assets net of depreciation:				
Buildings and improvements	11,508,245		11,508,245	
Vehicles and heavy equipment	948,098	158,174	1,106,272	
Furniture and fixtures	457,114		457,114	
Infrastructure	13,597,098		13,597,098	
Total capital assets	29,287,739	158,174	29,445,913	
Total assets	37,101,830	571,939	37,547,711	2,290,163
Liabilities				
Accounts payable and accrued expenses	1,103,498	71,772	1,175,270	263,421
Accrued interest payable	37,596		37,596	
Due to other governments				295,031
Deferred Revenues	777,942		777,942	
Long-term liabilities:				
Due within one year:				
Certificates of obligation	340,000		340,000	
General obligation	100,000		100,000	
Compensated absences	72,000		72,000	
Due in more than one year:				
Certificates of obligation	8,805,000		8,805,000	
General obligation	2,060,224		2,060,224	
Compensated absences	142,991		142,991	
Total liabilities	13,439,251	71,772	13,511,023	558,452
Net Assets				
Invested in capital assets net of related debt	19,655,321	158,174	19,813,495	
Restricted for:				
Debt retirement	38,968		38,968	
Law enforcement	35,758		35,758	
Court programs	148,168		148,168	
Drilling reserve	24,187		24,187	
Economic development				1,731,711
Unrestricted	3,760,177	215,935	3,976,112	
Total net assets	\$ 23,662,579	\$ 374,109	\$ 24,036,688	\$ 1,731,711

See notes to financial statements.

CITY OF DICKINSON, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 1,209,816	\$ 21,067	\$ 76,253	\$
Public safety	4,856,934	728,226	337,008	
Public works	275,152	1,059,167	1,218,401	
Culture and recreation	490,924	11,979	6,208	
Economic Development	2,582,870			
Community development	345,540	391,318	500	
Interest expense	502,922		150,123	
Total governmental activities	10,264,158	2,211,757	1,788,493	
Business-type activities				
Emergency Medical Services	1,013,542	595,519	99,557	
Drainage Utility Fund	391,442	352,616		
Total business-type activities	1,404,984	948,135	99,557	
Total primary government	\$ 11,669,142	\$ 3,159,892	\$ 1,888,050	\$
Component Units				
Dickinson Economic Development Corporation	\$ 1,875,888	\$ 12,821		\$
Bayou Lakes Public Improvement District No. 1	215,250	230,829		
Dickinson Management District No. 1	1,112,195			
Total component units	\$ 3,203,333	\$ 243,650	\$	\$

General revenues:

Taxes:

Property taxes

Sales and use taxes

Franchise fees

Other taxes

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 restated

Net assets - ending

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,112,496)		\$ (1,112,496)	
(3,791,700)		(3,791,700)	
2,002,416		2,002,416	
(472,737)		(472,737)	
(2,582,870)		(2,582,870)	
46,278		46,278	
(352,799)		(352,799)	
<u>(6,263,908)</u>		<u>(6,263,908)</u>	
	(318,466)	(318,466)	
	<u>(38,826)</u>	<u>(38,826)</u>	
	<u>(357,292)</u>	<u>(357,292)</u>	
<u>(6,263,908)</u>	<u>(357,292)</u>	<u>(6,621,200)</u>	
			\$ (1,863,067)
			15,579
			<u>(1,112,195)</u>
			<u>(2,959,683)</u>
3,260,248		3,260,248	
2,576,873		2,576,873	2,449,963
897,284		897,284	
93,969		93,969	
462,227		462,227	
41,880		41,880	19,308
93,298	7,877	101,175	
(1,379,362)		(1,379,362)	
(159,035)	159,035		
<u>5,887,382</u>	<u>166,912</u>	<u>6,054,294</u>	<u>2,469,271</u>
<u>(376,526)</u>	<u>(190,380)</u>	<u>(566,906)</u>	<u>(490,412)</u>
24,039,105	564,489	24,603,594	2,222,123
<u>\$ 23,662,579</u>	<u>\$ 374,109</u>	<u>\$ 24,036,688</u>	<u>\$ 1,731,711</u>

CITY OF DICKINSON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 720,016	\$ 409,963	\$ 1,161,413	\$ 222,357	\$ 2,513,749
Investments	1,794,887	114	232,344		2,027,345
Property taxes receivable, net	259,300	72,486			331,786
Sales and use taxes receivable	520,373				520,373
Due from other funds	607,430		204,074		811,504
Due from component units	324,481				324,481
Due from other governments	120,580			1,065,145	1,185,725
Other receivables	297,131			72,570	369,701
Total assets	<u>\$ 4,918,059</u>	<u>\$ 482,563</u>	<u>\$ 1,597,831</u>	<u>\$ 1,360,072</u>	<u>\$ 8,358,525</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 847,255	\$	\$ 129,065	\$ 2,187	\$ 978,507
Due to other funds		405,999		342,477	748,476
Deferred revenue	246,306	67,940		777,942	1,092,188
Accrued expenditures	121,244			3,747	124,991
Total liabilities	<u>1,214,805</u>	<u>473,939</u>	<u>129,065</u>	<u>1,126,353</u>	<u>2,944,162</u>
Fund balances:					
Restricted:					
Retirement of debt		8,624			8,624
Construction			1,468,766		1,468,766
Public safety				35,758	35,758
Court programs				148,168	148,168
Drilling bonds	24,187				24,187
EMS reserve					
Committed:					
Disaster	227,382				227,382
Public safety - VERF	48,442				48,442
Public works - VERF	12,359				12,359
ISO Consultant	15,000				15,000
Tree Replacements	135,885				135,885
Unassigned	<u>3,239,999</u>			<u>49,793</u>	<u>3,289,792</u>
Total fund balances	<u>3,703,254</u>	<u>8,624</u>	<u>1,468,766</u>	<u>233,719</u>	<u>5,414,363</u>
Total liabilities and fund balances	<u>\$ 4,918,059</u>	<u>\$ 482,563</u>	<u>\$ 1,597,831</u>	<u>\$ 1,360,072</u>	<u>\$ 8,358,525</u>

See notes to financial statements.

CITY OF DICKINSON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
September 30, 2011

Total fund balance, governmental funds \$ 5,414,363

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. 29,287,739

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. 314,248

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	(2,160,224)
Certificates of obligation	(9,145,000)
Unamortized debt issue costs	204,040
Accrued interest payable	(37,596)
Compensated absences	(214,991)
	(21,353,771)

Net Assets of Governmental Activities in the Statement of Net Assets **\$ 23,662,579**

See notes to financial statements.

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

For the Year Ended September 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 2,621,762	\$ 630,668	\$	\$	\$ 3,252,430
General sales tax	2,576,873				2,576,873
Franchise fees	897,284				897,284
Other taxes	93,969				93,969
Licenses and permits	273,196				273,196
Intergovernmental	885,604	150,123	81,685	1,172,710	2,290,122
Charges for services	1,059,387				1,059,387
Fines and fees	713,837			33,180	747,017
Investment earnings	38,325	330	3,037	187	41,879
Miscellaneous revenue	43,416			137,750	181,166
Total Revenues	9,203,653	781,121	84,722	1,343,827	11,413,323
Expenditures					
Current					
General government	1,032,552	4,300		1,530	1,038,382
Public safety	4,098,560			185,499	4,284,059
Public works	594,858			1,059,851	1,654,709
Culture and recreation	347,144				347,144
Community development	326,340				326,340
Economic development	2,582,870				2,582,870
Capital outlay	359,299		885,297		1,244,596
Debt service:					
Principal retirement		425,000			425,000
Interest and fiscal charges		481,609			481,609
Total Expenditures	9,341,623	910,909	885,297	1,246,880	12,384,709
Excess (deficiency) of revenues over expenditures	(137,970)	(129,788)	(800,575)	96,947	(971,386)
Other Financing Sources (Uses)					
Proceeds from sale of capital asset	48,172				48,172
Transfers in	123,078				123,078
Transfers out	(162,440)		(12,635)	(107,038)	(282,113)
Total other financing sources (uses)	8,810		(12,635)	(107,038)	(110,863)
Net change in fund balances	(129,160)	(129,788)	(813,210)	(10,091)	(1,082,249)
Fund balances - beginning	3,832,414	138,412	2,281,976	243,810	6,496,612
Fund balances - ending	\$ 3,703,254	\$ 8,624	\$ 1,468,766	\$ 233,719	\$ 5,414,363

See notes to financial statements.

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, 2011

Net change in fund balances \$ (1,082,249)

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	3,177,454
Depreciation expense	(1,458,029)

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. (1,422,647)

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	7,818
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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	425,000
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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	(1,404)
Amortization of bond issue costs, deferred loss on refunding, and discount on sale of bonds	(19,905)
Compensated absences	(2,564)

Change in net assets of governmental activities	<u>\$ (376,526)</u>
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See notes to financial statements.

CITY OF DICKINSON, TEXAS**STATEMENT OF NET ASSETS****PROPRIETARY FUNDS***September 30, 2011*

	Emergency Medical Services Fund	Drainage Utility Fund	Total Proprietary Funds
Assets			
Current			
Cash and cash equivalents	\$	\$ 265,406	\$ 265,406
Customer accounts receivable	61,189	24,141	85,330
Non-current assets			
Equipment and furniture	228,482		228,482
Less accumulated depreciation	(70,308)		(70,308)
Total Assets	<u>219,363</u>	<u>289,547</u>	<u>508,910</u>
Liabilities			
Current			
Accounts payable	24,514	21,073	45,587
Accrued wages payable	21,264	4,921	26,185
Due to other funds	63,029		63,029
Total liabilities	<u>108,807</u>	<u>25,994</u>	<u>134,801</u>
Net Assets			
Unassigned	110,556	263,553	374,109
Total net assets	<u>\$ 110,556</u>	<u>\$ 263,553</u>	<u>\$ 374,109</u>

See notes to financial statements.

CITY OF DICKINSON, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended September 30, 2011

	Emergency Medical Services Fund	Drainage Utility Fund	Total Proprietary Funds
Operating Revenues			
Charges for services	\$ 595,519	\$ 352,616	\$ 948,135
Operating grants and contributions	99,557		99,557
Total operating revenues	<u>695,076</u>	<u>352,616</u>	<u>1,047,692</u>
Operating Expenses			
Personnel services	773,676	183,026	956,702
Supplies and materials	71,611	13,792	85,403
Contractual and professional services	57,403	77,676	135,079
Repairs and maintenance	12,587	104,595	117,182
Other operating expenses	52,692	12,353	65,045
Insurance claims and expenses	5,427		5,427
Depreciation	40,146		40,146
Total operating expenses	<u>1,013,542</u>	<u>391,442</u>	<u>1,404,984</u>
Operating income (loss)	(318,466)	(38,826)	(357,292)
Non-operating revenue (expenses)			
Gain (loss) on sale of capital assets	7,877		7,877
Total non-operating revenue (expenses)	<u>7,877</u>		<u>7,877</u>
Income (loss) before transfers	(310,589)	(38,826)	(349,415)
Transfers in	162,440		162,440
Transfers out	(3,405)		(3,405)
Change in net assets	(151,554)	(38,826)	(190,380)
Total net assets, beginning - as restated	<u>262,110</u>	<u>302,379</u>	<u>564,489</u>
Total net assets, ending	<u>\$ 110,556</u>	<u>\$ 263,553</u>	<u>\$ 374,109</u>

CITY OF DICKINSON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Emergency Medical Services Fund	Drainage Utility Fund	Total Proprietary Funds
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 706,370	\$ 352,886	\$ 1,059,256
Disbursed for personnel services	(766,343)	(182,356)	(948,699)
Disbursed for goods and services	(202,732)	(192,507)	(395,239)
Net cash provided (used) by operating activities	<u>(262,705)</u>	<u>(21,977)</u>	<u>(284,682)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	159,035		159,035
Repayments to other funds	63,108		63,108
Net cash provided (used by) noncapital financing activities	<u>222,143</u>		<u>222,143</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	7,718		7,718
Purchase of Capital Assets	(82,065)		(82,065)
Net cash provided (used) by capital and related financing activities	<u>(74,347)</u>		<u>(74,347)</u>
Net increase (decrease) in cash and cash equivalents	(114,909)	(21,977)	(136,886)
Cash and equivalents, beginning of year	114,909	287,383	402,292
Cash and equivalents, end of year	<u>\$</u>	<u>\$ 265,406</u>	<u>\$ 265,406</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (318,466)	\$ (38,826)	\$ (357,292)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	40,146		40,146
(Increase) decrease in accounts receivable	11,294	270	11,564
Increase (decrease) in accounts payable	(3,012)	15,909	12,897
Increase (decrease) in salaries payable	7,333	670	8,003
Net cash provided by operating activities	<u>\$ (262,705)</u>	<u>\$ (21,977)</u>	<u>\$ (284,682)</u>

See notes to financial statements.

CITY OF DICKINSON, TEXAS**COMBINING STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES****DISCRETELY PRESENTED COMPONENT UNITS***September 30, 2011*

	Dickinson Economic Development Corporation	Bayou Lakes Public Improvement District No. 1	Dickinson Management District No. 1	Total Component Units
Assets				
Cash and Cash Equivalents	\$ 405,928	\$ 108,320	\$ 11,196	\$ 525,444
Investments	1,260,488			1,260,488
Sales and use taxes receivable	263,353		240,878	504,231
Total assets	<u>1,929,769</u>	<u>108,320</u>	<u>252,074</u>	<u>2,290,163</u>
Liabilities				
Accounts Payable	74,288		189,133	263,421
Due to Other Governments	213,026	82,005		295,031
Total liabilities	<u>287,314</u>	<u>82,005</u>	<u>189,133</u>	<u>558,452</u>
Net Assets				
Invested in capital assets, net of related debt				
Unassigned	1,642,455	26,315	62,941	1,731,711
Total net assets	<u>\$ 1,642,455</u>	<u>\$ 26,315</u>	<u>\$ 62,941</u>	<u>\$ 1,731,711</u>

See notes to financial statements.

CITY OF DICKINSON, TEXAS
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues	Net (Expense) and Changes in Net Assets			
		Operating Grants and Contributions	Dickinson Economic Development Corporation	Bayou Lakes Public Improvement District No. 1	Dickinson Management District No. 1	Totals
Component Units:						
Dickinson Economic Development	\$ 1,875,888	\$ 12,821	\$ (1,863,067)	\$	\$	\$ (1,863,067)
Bayou Lakes Public Improvement District No. 1	215,250	230,829		15,579		15,579
Dickinson Management District No. 1	1,112,195				(1,112,195)	(1,112,195)
	<u>\$ 3,203,333</u>	<u>\$ 243,650</u>	<u>\$ (1,863,067)</u>	<u>\$ 15,579</u>	<u>\$ (1,112,195)</u>	<u>\$ (2,959,683)</u>
General Revenues:						
Taxes:						
Sales and use tax			\$ 1,280,488	\$	\$ 1,169,475	\$ 2,449,963
Unrestricted investment earnings			19,175	90	43	19,308
Total General Revenues and Transfers			<u>1,299,663</u>	<u>90</u>	<u>1,169,518</u>	<u>2,469,271</u>
Change in net assets			(563,404)	15,669	57,323	(490,412)
Net assets, beginning			<u>2,205,859</u>	<u>10,646</u>	<u>5,618</u>	<u>2,222,123</u>
Net assets, ending			<u>\$ 1,642,455</u>	<u>\$ 26,315</u>	<u>\$ 62,941</u>	<u>\$ 1,731,711</u>

See Notes to Financial Statements.

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, the Bayou Lakes Public Improvement District No. 1, and the Dickinson Management 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-purpose 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.

Dickinson Management District #1 (DMD#1)

Dickinson Management District #1 is a special-purpose created pursuant an act of the Texas State Legislature for the purposes of managing and financing improvement projects and/or services benefiting the District. These activities include maintenance and beautification of the area, development and/or expansion of transportation and commerce, promotion of health, safety, and welfare for the City of Dickinson, and general and administrative services.

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 2011, 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.

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 net assets and the components of net assets. 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 *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 funds:

The *Enterprise Fund* is used to account for the operations that provide emergency medical services and municipal drainage 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.

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.

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)

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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.

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.

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

Note 1 - Summary of Significant Accounting Policies (continued)

H. Capital Assets (continued)

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

Asset Description	Estimated Useful Life
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.

M. Fund Equity

Nonspendable, restricted, committed or assigned balances represent those portions of fund balance not appropriable for expenditures or legally segregated for a specific future use. Unassigned fund balances represent available balances for the City's future use.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

M. Fund Equity (continued)

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact.

Restricted fund balance – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the Authority takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds. The City has only unassigned fund balances as of September 30, 2011.

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.

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

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.

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.

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

Note 2 - Deposits and Investments (continued)

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)	\$ 2,779,155	\$ 525,444
Certificates of deposit	909,508	1,260,488
Temporary Investments:		
FNMA	250,000	
FHLB	300,000	
Public Funds Investment Pools:		
Texstar	64,560	
TexPool	503,277	
	<u>\$ 4,806,500</u>	<u>\$ 1,785,932</u>

As of September 30, 2011, the City's deposits were entirely covered by federal depository insurance, National Credit Union Association 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 2011 fiscal year.

Investment Risks:

Concentration of Credit Risk and Interest Rate 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, 2011:

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:

	Fair Value	Weighted Average Maturity (days)	Percentage of Total Portfolio
Temporary Investments:			
FNMA	\$ 250,000	89	22%
FHLB	300,000	73	27%
Public Funds Investment Pools:			
Texstar	64,560	46	6%
TexPool	503,277	42	45%
	<u>\$ 1,117,837</u>		
Portfolio weighted average maturity		<u>61</u>	

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

Note 2 - Deposits and Investments (continued)

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.

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.

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.

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

Note 3 - Receivables

Receivables at September 30, 2011 consist of the following:

Governmental Funds:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables					
Property taxes	\$ 299,657	\$ 81,013	\$	\$	\$ 380,670
Sales and other taxes	520,373				520,373
Other	297,131			72,570	369,701
Gross receivables	<u>1,391,022</u>	<u>81,013</u>		<u>72,570</u>	<u>1,544,605</u>
Allowance for uncollectibles	(40,357)	(8,527)			(48,884)
Net total receivables	<u><u>\$ 1,350,665</u></u>	<u><u>\$ 72,486</u></u>	<u><u>\$</u></u>	<u><u>\$ 72,570</u></u>	<u><u>\$ 1,495,721</u></u>

Proprietary Funds:

	<u>Emergency Medical Services</u>	<u>Drainage Utility Fund</u>	<u>Total</u>
Receivables			
Customer accounts	\$ 61,189	\$ 24,141	\$ 85,330
	<u>\$ 61,189</u>	<u>\$ 24,141</u>	<u>\$ 85,330</u>

Component Units:

	<u>Dickinson Economic Development Corporation</u>	<u>Dickinson Management District No. 1</u>	<u>Total</u>
Receivables			
Sales and other taxes	\$ 263,353	\$ 240,878	\$ 504,231
Total	<u><u>\$ 263,353</u></u>	<u><u>\$ 240,878</u></u>	<u><u>\$ 504,231</u></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:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 246,306	\$
Delinquent property taxes receivable - debt service fund	67,940	
Grant advance requests - special revenue-CDBG		777,942
Total Deferred Revenue for Governmental Funds	<u><u>\$ 314,246</u></u>	<u><u>\$ 777,942</u></u>

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

Note 3 - Receivables (continued)

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.

Note 4 - Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2011, follows:

	Primary Government			Balance September 30, 2011
	Balance September 30, 2010	Increases	Reclassification/ (Decreases)	
Governmental Activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 672,754	\$ 876,030	\$	\$ 1,548,784
Construction In Progress	209,598	1,746,168	(727,366)	1,228,400
Total capital assets not being depreciated	<u>882,352</u>	<u>2,622,198</u>	<u>(727,366)</u>	<u>2,777,184</u>
Other capital assets:				
Buildings and Improvements	12,743,348	79,811		12,823,159
Vehicles and Heavy Equipment	2,291,015	84,594	(190,749)	2,184,860
Furniture and Fixtures	858,854	29,495		888,349
Infrastructure *	29,940,107	1,088,723	(1,386,577)	29,642,253
Total other capital assets	<u>45,833,324</u>	<u>1,282,623</u>	<u>(1,577,326)</u>	<u>45,538,621</u>
Less accumulated depreciation for:				
Buildings and Improvements	996,331	318,583		1,314,914
Vehicles and Heavy Equipment	1,190,056	201,385	(154,679)	1,236,762
Furniture and Fixtures	349,285	81,950		431,235
Infrastructure *	15,189,044	856,111		16,045,155
Total accumulated depreciation	<u>17,724,716</u>	<u>1,458,029</u>	<u>(154,679)</u>	<u>19,028,066</u>
Other capital assets, net	<u>28,108,608</u>	<u>(175,406)</u>	<u>(1,422,647)</u>	<u>26,510,555</u>
Totals	<u><u>\$ 28,990,960</u></u>	<u><u>\$ 2,446,792</u></u>	<u><u>\$ (2,150,013)</u></u>	<u><u>\$ 29,287,739</u></u>

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

Note 4 - Capital Assets (continued)

	Balance September 30, 2010	Increases	Reclassification/ (Decreases)	Balance September 30, 2011
Business-type Activities:				
Other capital assets:				
Vehicles and Heavy Equipment	\$ 246,417	\$ 82,065	\$ (100,000)	\$ 228,482
Total other capital assets	<u>246,417</u>	<u>82,065</u>	<u>(100,000)</u>	<u>228,482</u>
Less accumulated depreciation for:				
Vehicles and Heavy Equipment *	130,162	40,146	(100,000)	70,308
Total accumulated depreciation	<u>130,162</u>	<u>40,146</u>	<u>(100,000)</u>	<u>70,308</u>
Totals	<u><u>\$ 116,255</u></u>	<u><u>\$ 41,919</u></u>	<u><u>\$</u></u>	<u><u>\$ 158,174</u></u>

Construction in Progress at year end was comprised of the following projects:

Project Description	Total In Progress	Remaining Commitment
Birch Drive	\$ 12,619	\$ 47,557
Elm Drive	10,617	42,469
Lovers Lane	243,076	145,618
Timber Drive	22,330	72,795
Tropical Gardens	927,139	254,958
Water Street	12,619	
	<u><u>\$ 1,228,400</u></u>	<u><u>\$ 563,397</u></u>

Depreciation was charged to programs as follows:

General government	\$ 151,875
Public safety	186,561
Public works	973,106
Community development	139,287
Culture & recreation	7,200
Total Governmental Activities	<u><u>\$ 1,458,029</u></u>
Emergency Medical Services	\$ 40,146
Total Business-Type Activity	<u><u>\$ 40,146</u></u>

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

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, 2011.

	Balance September 30, 2010	Additions	Reductions	Balance September 30, 2011	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 2,265,000	\$	\$ 100,000	\$ 2,165,000	\$ 100,000
Certificates of obligation	9,470,000		325,000	9,145,000	340,000
Discount (premium) on debt issuance	(5,418)		(642)	(4,776)	
Total bonds payable	<u>11,729,582</u>		<u>424,358</u>	<u>11,305,224</u>	<u>440,000</u>
Compensated absences	212,427	207,549	204,985	214,991	72,000
Total Governmental Activities	<u>\$ 11,942,009</u>	<u>\$ 207,549</u>	<u>\$ 629,343</u>	<u>\$ 11,520,215</u>	<u>\$ 512,000</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.

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.

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2011, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General obligation bonds:				
Series 2009 Refunding	* \$ 2,370,000	2019	5.0-5.5%	<u>\$ 2,165,000</u>
Certificates of obligation:				
Series 2006	*	2,830,000	2027	\$ 2,460,000
Series 2007	*	6,465,000	2027	5,630,000
Series 2009	*	1,055,000	2030	1,055,000
Total certificates of obligation				<u>\$ 9,145,000</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)

Prior Year Defeasance of Debt

On March 24, 2009, the City defeased certain combination tax and revenue certificates of obligation by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2011, \$2,105,000 of bonds outstanding are considered defeased.

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>		<u>Certificates of Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 100,000	\$ 88,670	\$ 340,000	\$ 374,691
2013	105,000	85,595	355,000	360,316
2014	110,000	82,370	375,000	343,272
2015	110,000	79,070	395,000	323,354
2016	120,000	75,320	410,000	305,214
2017	120,000	71,120	430,000	289,132
2018	110,000	66,958	460,000	272,162
2019	115,000	62,596	480,000	254,003
2020	115,000	57,766	505,000	234,729
2021	35,000	54,466	530,000	214,297
2022	30,000	53,036	560,000	192,644
2023	25,000	51,826	590,000	169,653
2024	25,000	50,726	615,000	145,462
2025		50,176	645,000	120,119
2026		50,176	680,000	93,419
2027		50,176	720,000	65,206
2028	340,000	42,186	325,000	46,877
2029	350,000	25,796	350,000	35,039
2030	355,000	8,698	380,000	22,820
	<u>\$ 2,165,000</u>	<u>\$ 1,106,727</u>	<u>\$ 9,145,000</u>	<u>\$ 3,862,409</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, 2011, \$74,288 was remitted by the DEDC to the debt service fund.

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

Note 6 - Interfund Transactions

A summary of interfund transfers for the year ended September 30, 2011 is as follows:

Transfers In	Transfers Out	Amounts	Purpose
General Fund	Special Revenue Fund	\$ 107,038	To fund capital outlay
	Emergency Medical		
General Fund	Services Fund	3,405	To fund capital asset purchases
General Fund	Capital Projects Fund	12,635	For police department
Emergency Medical			
Services Fund	General Fund	162,440	To fund operating costs
		<u>\$ 285,518</u>	

A summary of interfund receivables and payables at September 30, 2011 follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service	\$ 405,999
Capital Projects Fund	Special Revenue Fund	180,640
General Fund	Special Revenue Fund	161,837
Capital Projects Fund	Emergency Medical Services Fund	23,434
General Fund	Emergency Medical Services Fund	39,594
		<u>\$ 811,504</u>

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

Note 7 - Fund Equity / Net Assets

The City records fund balance commitments 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.

Prior Period Adjustments

The beginning fund equity of the General Fund, Emergency Medical Services Fund, and Dickinson Economic Development Corporation have been restated by (\$2,081,262), \$14,465, and (\$90,001), respectively to adjust for corrections to capital assets, accumulated depreciation and a debt service payment from the prior year. Beginning Net Assets for Governmental and Business-Type Activities have been restated by (\$2,081,262) and \$14,465 for changes in useful lives of capital assets and to correct accumulated depreciation.

The results of the restatements are shown in the tables below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>	<u>Component Units</u>
Net Assets, as originally reported	\$ 26,120,367	\$ 550,024	\$ 26,670,391	\$ 2,312,124
Correction of accumulated depreciation		14,465	14,465	
Correction of beginning capital asset balances	(196,842)		(196,842)	
Adjustment to beginning accumulated depreciation due to changes in estimated useful lives	(1,884,420)		(1,884,420)	
Correction of prior year error for debt service payment				(42,000)
Reconciling item - Invested in capital assets net of related debt				(48,001)
Net Assets, as restated	<u>\$ 24,039,105</u>	<u>\$ 564,489</u>	<u>\$ 24,603,594</u>	<u>\$ 2,222,123</u>

	<u>Proprietary Fund</u>	<u>Component Unit</u>
	<u>Emergency Medical Services Fund</u>	<u>Dickinson Economic Development Corporation</u>
Net assets, as originally reported	\$ 247,645	\$ 2,295,860
Correction of accumulated depreciation	14,465	
Correction of prior year error for debt service payment		(42,000)
Reconciling item - Invested in capital assets net of related debt		(48,001)
Fund balances, as restated	<u>\$ 262,110</u>	<u>\$ 2,205,859</u>

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

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.

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.

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

Note 9 - Employee Retirement System (continued)

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:

Three-Year Trend Information				
Fiscal Year Ending 9/30	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2009	\$ 361,537	\$ 361,537	100%	
2010	381,018	381,018	100%	
2011	450,093	450,093	100%	

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation date	12/31/2008	12/31/2009	12/31/2010- Restructured
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	24 years; closed period	23.3 years; closed period	22.8 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset valuation method	Amortized cost	10-year Smoothed Market	10-year Smoothed Market
Actuarial assumptions:			
Investment rate of return*	7.5%	7.5%	7.0%
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	0.0%	0.0%	0.0%

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

Note 9 - Employee Retirement System (continued)

The funded status as of December 31, 2010, 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)
12/31/2010	\$ 7,954,201	\$ 9,178,419	86.7%	\$ 1,224,218	\$ 4,052,309	30.2%

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.

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 2011 were less than \$1,000, and were \$0 for 2010, and 2009, 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
2008	0.00%	0.00%	100.0%
2009	0.01%	0.01%	100.0%
2010	0.01%	0.01%	100.0%

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

Note 11 - Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2011. 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.

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% to 66% 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 \$2,217,525 in sales taxes from the sales of these businesses and recorded expenditures of \$1,330,353.

Note 14 - Negative Fund Balance-Special Revenue CDBG

As of September 30, 2011, the Special Revenue Fund for CDBG had a negative fund balance in the amount of \$1,701. The negative amount will be offset by future grant reimbursement revenues in 2012.

Note 15 - Subsequent Event

A former employee of the City, who was terminated in March 2011, appealed his termination to arbitration pursuant to the City's collective bargaining agreement. In January 2012, the arbitration reversed the termination and awarded the former employee back pay in the amount of \$81,555.

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Required Supplementary Information

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CITY OF DICKINSON, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
- BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Beginning Unexpended Fund Balance	\$	\$ 56,653	\$ 56,653	\$
Unexpended Fund Balance FY 09-10	49,685	49,685	49,685	
Unexpended Fund Balance VERF MHZ Radi	80,690	80,690	80,690	
Revenues				
Property taxes	2,633,960	2,644,987	2,621,762	(23,225)
General sales tax	2,637,697	2,509,833	2,576,873	67,040
Franchise fees	930,636	916,000	897,284	(18,716)
Other taxes	106,000	88,964	93,969	5,005
Fines and fees	747,504	698,487	713,837	15,350
Licenses and permits	276,350	279,143	273,196	(5,947)
Intergovernmental	419,318	794,207	885,604	91,397
Charges for services	1,026,249	1,053,918	1,059,387	5,469
Investment earnings	50,000	37,500	38,325	825
Miscellaneous revenue	31,460	32,040	43,416	11,376
Total Unexpended Fund Balance and Revenues	<u>8,989,549</u>	<u>9,242,107</u>	<u>9,390,681</u>	<u>148,574</u>
Expenditures				
General Government	438,768	629,083	607,627	21,456
Finance	205,104	199,959	198,301	1,658
Community development	334,213	333,321	338,340	(5,019)
Municipal court	253,511	252,766	248,489	4,277
Law enforcement	3,619,466	3,903,358	3,863,268	40,090
Public safety	212,185	245,385	222,689	22,696
Emergency management	69,647	125,892	90,323	35,569
Public works	572,967	579,357	594,858	(15,501)
Information technology	255,344	272,162	247,714	24,448
Library	296,124	268,903	273,985	(5,082)
Tourism and museum	83,994	75,596	73,159	2,437
Economic development	2,302,075	2,376,843	2,582,870	(206,027)
Total Expenditures	<u>8,643,398</u>	<u>9,262,625</u>	<u>9,341,623</u>	<u>(78,998)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets		56,049	48,172	(7,877)
Transfers in	76,198	379,863	123,078	(256,785)
Transfers out	(291,974)	(149,440)	(162,440)	(13,000)
Total Other Financing Sources (Uses)	<u>(215,776)</u>	<u>286,472</u>	<u>8,810</u>	<u>(277,662)</u>
Net Excess (Deficit)	<u>\$ 130,375</u>	<u>\$ 265,954</u>	<u>\$ 57,868</u>	<u>\$ (208,086)</u>

CITY OF DICKINSON, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Year Ended September 30, 2011

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.

Actual expenditures in excess of budget were as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ (78,998)

The primary components of the total amount over budget were due to the following:

Economic development	\$ (206,027)
Community development	(5,019)
Public works	(15,501)
Library	(5,082)

CITY OF DICKINSON, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
Year Ended September 30, 2011

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)	(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%
12/31/2009	6,285,300	7,635,592	82.3%	1,350,292	3,967,024	34.0%
12/31/2010	7,954,201	9,178,419	86.7%	1,224,218	4,052,309	30.2%

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Other Supplementary Information

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Combining and Individual Fund Financial Statements and Schedules

CITY OF DICKINSON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011

	Special Revenue Funds					Other Governmental Funds
	Grant Fund	FEMA - Hurricane IKE	Special Revenue - VOCA	Special Revenue - COPS 2010	Special Revenue - CDBG	
Assets						
Cash and cash equivalents	\$ 222,357	\$	\$	\$	\$	\$ 222,357
Other receivables			14,978	57,592		72,570
Due from other governments		285,943			779,202	1,065,145
Total assets	\$ 222,357	\$ 285,943	\$ 14,978	\$ 57,592	\$ 779,202	\$ 1,360,072
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 710	\$	\$ 416	\$ 1,061	\$	\$ 2,187
Deferred revenue					777,942	777,942
Accrued wages payable			1,218	2,529		3,747
Due to other funds		272,170	13,344	54,002	2,961	342,477
Total liabilities	710	272,170	14,978	57,592	780,903	1,126,353
Fund balances:						
Restricted						
Public Safety	35,758					35,758
Court Programs	148,168					148,168
Unassigned, reported in:						
Special revenue funds	37,721	13,773			(1,701)	49,793
Total fund balances	221,647	13,773			(1,701)	233,719
Total liabilities and fund balances	\$ 222,357	\$ 285,943	\$ 14,978	\$ 57,592	\$ 779,202	\$ 1,360,072

CITY OF DICKINSON, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

	Special Revenue Funds					Other Governmen tal Funds
	Grant Fund	FEMA - Hurricane IKE	Special Revenue - VOCA	Special Revenue - COPS 2010	Special Revenue - CDBG	
Revenues						
Intergovernmental	\$ 2,582	\$	\$ 52,856	\$ 57,592	\$ 1,059,680	\$ 1,172,710
Fines and fees	33,180					33,180
Investment earnings	187					187
Miscellaneous revenue	137,750					137,750
Total Revenues	<u>173,699</u>		<u>52,856</u>	<u>57,592</u>	<u>1,059,680</u>	<u>1,343,827</u>
Expenditures						
Current						
General government					1,530	1,530
Public safety	75,051		52,856	57,592		185,499
Public works					1,059,851	1,059,851
Culture and recreation						
Total Expenditures	<u>75,051</u>		<u>52,856</u>	<u>57,592</u>	<u>1,061,381</u>	<u>1,246,880</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>98,648</u>				<u>(1,701)</u>	<u>96,947</u>
Other Financing Sources (Uses)						
Proceeds from sale of capital asset						
Transfers in						
Transfers out	(107,038)					(107,038)
Total other financing sources (uses)	<u>(107,038)</u>					<u>(107,038)</u>
Net change in fund balances	(8,390)				(1,701)	(10,091)
Fund balances - beginning	<u>230,037</u>	<u>13,773</u>				<u>243,810</u>
Fund balances - ending	<u>\$ 221,647</u>	<u>\$ 13,773</u>	<u>\$</u>	<u>\$</u>	<u>\$ (1,701)</u>	<u>\$ 233,719</u>

CITY OF DICKINSON, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)

For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	
Revenues				
Property taxes	\$ 640,694	\$ 640,694	\$ 630,668	\$ (10,026)
Intergovernmental	150,000	150,000	150,123	123
Investment earnings	200	311	330	19
Total Revenues	<u>790,894</u>	<u>791,005</u>	<u>781,121</u>	<u>(9,884)</u>
Expenditures				
General Government			4,300	(4,300)
Debt Service:				
Principal retirement	425,000	435,000	425,000	10,000
Interest and fiscal charges	480,110	475,907	481,609	(5,702)
Total expenditures	<u>905,110</u>	<u>910,907</u>	<u>910,909</u>	<u>(2)</u>
Net changes in fund balance	(114,216)	(119,902)	(129,788)	(9,886)
Fund balance - beginning	<u>138,412</u>	<u>138,412</u>	<u>138,412</u>	
Fund balance - ending	<u>\$ 24,196</u>	<u>\$ 18,510</u>	<u>\$ 8,624</u>	<u>\$ (9,886)</u>

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

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CITY OF DICKINSON, TEXAS
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2011

	Dickinson Economic Development Corporation	Bayou Lakes Public Improvement District No. 1	Dickinson Management District No. 1	Total Component Units
Assets				
Cash and Cash Equivalents	\$ 405,928	\$ 108,320	\$ 11,196	\$ 525,444
Investments	1,260,488			1,260,488
Sales and use taxes receivable	263,353		240,878	504,231
Due From Other Governments				
Total assets	\$ 1,929,769	\$ 108,320	\$ 252,074	\$ 2,290,163
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 74,288	\$	\$ 189,133	\$ 263,421
Due to Other Governments	213,026	82,005		295,031
Total liabilities	287,314	82,005	189,133	558,452
Fund balances				
Unassigned, reported in component units:				
Unassigned	1,642,455	26,315	62,941	1,731,711
Total fund balances	1,642,455	26,315	62,941	1,731,711
Total liabilities and fund balances	\$ 1,929,769	\$ 108,320	\$ 252,074	\$ 2,290,163
Reconciliation from fund balance to net assets				
Fund balance	\$ 1,642,455	\$ 26,315	\$ 62,941	\$ 1,731,711
Plus capital assets				
Net assets	\$ 1,642,455	\$ 26,315	\$ 62,941	\$ 1,731,711

CITY OF DICKINSON, TEXAS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - GOVERNMENTAL FUNDS

DISCRETELY PRESENTED COMPONENT UNITS

For the Year Ended September 30, 2011

	Dickinson Economic Development Corporation	Bayou Lakes Public Improvement District No. 1	Dickinson Management District No. 1	Total Component Units
Revenues				
Sales and Use Taxes	\$ 1,280,488	\$	\$ 1,169,475	\$ 2,449,963
Investment Earnings	19,175	90	43	19,308
Miscellaneous Revenue	12,821	230,829		243,650
Total Revenues	<u>1,312,484</u>	<u>230,919</u>	<u>1,169,518</u>	<u>2,712,921</u>
Expenditures				
Current				
General Government	85,958	215,250	1,112,195	1,413,403
Public Works	544,466			544,466
Economic Development	1,245,464			1,245,464
Total Expenditures	<u>1,875,888</u>	<u>215,250</u>	<u>1,112,195</u>	<u>3,203,333</u>
Net change in fund balances	(563,404)	15,669	57,323	(490,412)
Fund balances - beginning	<u>2,205,859</u>	<u>10,646</u>	<u>5,618</u>	<u>2,222,123</u>
Fund balances - ending	<u>\$ 1,642,455</u>	<u>\$ 26,315</u>	<u>\$ 62,941</u>	<u>\$ 1,731,711</u>
Reconciliation from changes in fund balance to changes in net assets				
Change in fund balance	<u>\$ (563,404)</u>	<u>\$ 15,669</u>	<u>\$ 57,323</u>	<u>\$ (490,412)</u>
Changes in net assets	<u>\$ (563,404)</u>	<u>\$ 15,669</u>	<u>\$ 57,323</u>	<u>\$ (490,412)</u>

Vehicle Replacement Activity

CITY OF DICKINSON, TEXAS
BALANCE SHEET
VEHICLE REPLACEMENT ACTIVITY
September 30, 2011

	Vehicle Replacement Activity
Assets	
Cash and cash equivalents	\$ 5,775
Other receivables	<u>51,162</u>
Total assets	<u><u>\$ 56,937</u></u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 4,755
Due to other funds	<u>7,877</u>
Total liabilities	<u><u>12,632</u></u>
Fund balances:	
Committed:	
Public safety - VERF	48,442
Public works - VERF	12,359
Unassigned	<u>(16,496)</u>
Total fund balances	<u><u>44,305</u></u>
Total liabilities and fund balances	<u><u>\$ 56,937</u></u>

CITY OF DICKINSON, TEXAS
SCHEDULE OF VEHICLE REPLACEMENT ACTIVITY
For the Year Ended September 30, 2011

	Vehicle Replacement Activity
Revenues	
Intergovernmental	\$ 76,253
Miscellaneous revenue	(622)
Total Revenues	<u>75,631</u>
Expenditures	
Current	
Public safety	44,973
Capital outlay	167,168
Total Expenditures	<u>212,141</u>
Excess (deficiency) of revenues over expenditures	<u>(136,510)</u>
Other Financing Sources (Uses)	
Transfers in	76,729
Proceeds from sale of capital asset	43,285
Total other financing sources (uses)	<u>120,014</u>
Net change in fund balances	(16,496)
Fund balances - beginning	<u>60,801</u>
Fund balances - ending	<u>\$ 44,305</u>

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