



# *City of Sealy, Texas*

## *Comprehensive Annual Financial Report*

*For the Fiscal Year  
Ended September 30, 2017*



***COMPREHENSIVE  
ANNUAL FINANCIAL REPORT***

of the

**CITY OF SEALY, TEXAS**

For the Year Ended  
September 30, 2017

Prepared by  
Finance Department

Steven W. Kutra  
Director of Finance

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# **CITY OF CITY OF SEALY, TEXAS**

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## ***INTRODUCTORY SECTION***

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# CITY OF SEALY, TEXAS

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March 28, 2018

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

State law requires that every general-purpose local government publish a complete set of audited financial statements after the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended September 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

Belt Harris Pechacek, LLLP, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the City of Sealy’s financial statements for the year ended September 30, 2017. The independent auditors’ report is located at the front of the financial section of this report.

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

## ***Profile of the Government***

The City of Sealy is a political subdivision located in the southeastern part of Texas and is the largest municipality in Austin County. It is situated approximately 50 miles west of downtown Houston at the crossroads of Interstate Highway 10 and State Highway 36. It was founded in 1879 by George Sealy of Galveston and incorporated on August 16, 1949. An early pioneer, Daniel Haynes, patented one of the first mattresses, which to this day still bears the Sealy name. A good deal of land and resources are available in the region, which makes it an ideal location for development in the future. The City of Sealy currently has a land area of 13.4 square miles and a population of 6,019 according to the 2010 U.S. Census. This population figure is an increase of almost 15 percent from the 2000 figure of 5,248. A current estimate reveals a population of 7,059, based on data provided by Environics Analytics. This new data illustrates a hearty growth of 17.3 percent since the 2010 census. Historically, Sealy has experienced a steady growth rate of 15 to 20 percent in most decades since its incorporation in 1949, with the exception of the 1970s when the community experienced 44 percent growth. The City is empowered to levy a property tax on both real and personal property located within its boundaries. In accordance with its charter and state statutes, the City also has the power to extend its corporate limits by annexation, which is done periodically by the City Council when deemed appropriate or upon petition of the affected land owners.

Since 1968, the City of Sealy had operated under the Council-Mayor form of government. However, with the adoption of the home rule charter on May 8, 1996, the municipality now operates under the Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a mayor and six other council members. The Mayor and Council members are elected at-large on a non-partisan basis to serve three-year staggered terms. In accordance with the home rule charter, the Mayor and Council members can serve no more than three consecutive terms or portions thereof as Mayor and/or Council member. The City Council is responsible, among other things, for enacting local legislation in the form of ordinances, adopting the budget, appointing committees, determining policy, and appointing the City manager. In turn, the City manager is the chief

executive officer and is responsible for the administration of the policies and ordinances of the City, for overseeing the day-to-day operations of the City, and for the employment of all the City employees.

The City of Sealy provides a full range of municipal services to its citizenry, including police protection, the construction and maintenance of streets and other infrastructure, and recreational and cultural activities. The City also provides the public with water, sanitary sewer, natural gas, and solid waste collection and disposal services on a user fee basis. In addition, the City is financially accountable for the activities of its economic development corporation, a legally separate entity, which is reported as a blended component unit within the City of Sealy's financial statements. Additional information on this legally separate entity can be found in note I.A. to the financial statements. Community service organizations, whose activities are not operated and managed by the City of Sealy, include the Virgil and Josephine Gordon Memorial Library, the Sealy Convention and Visitors Bureau, the Sealy YMCA, and the Sealy Volunteer Fire Department. Accordingly, financial information for the four entities themselves is not included in this report.

The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Sealy's financial planning and control. The budget is prepared by fund (e.g., general fund), function (e.g., public safety), department (e.g., police), and object (e.g., office supplies). Department heads, with the approval of the City manager, may transfer resources within a department during the fiscal year as they may deem necessary. To amend the total appropriations of an individual department, a budget amendment enacted by City ordinance is required.

### ***Local Economy***

Sealy's location makes it easily accessible from all over Texas via the U.S. and state highway systems. Sealy is a community with a railroad history that has evolved over the years into a center for commercial activity, including manufacturing and distribution plus retail sales from passersby along the Interstate 10 corridor. The City is situated at the junction of the former Missouri, Kansas & Topeka (now Union Pacific) and Atchison, Topeka & Santa Fe (now Burlington Northern & Santa Fe, or BNSF) railroads. The City of Sealy is currently experiencing a stable economic environment. The economic condition and outlook have substantially improved during the past 20 years, following several years of economic decline in oil-related businesses. The economy is based on agriculture, agribusiness, and steel manufacturing. Of the area's yearly agricultural income, 80 percent is derived from livestock, poultry, sorghums, small grains, rice, corn, peanuts, and cotton. Sealy's economy also supports oil field manufacturing. The region has several major manufacturing and industrial facilities that are located within City limits or in close proximity. These facilities produce and distribute corrugated boxes, flanges, bricks, automobile parts, and underground concrete products.

In 2017, Austin County's unemployment rate had decreased to 4.4 percent, compared to the previous year's rate of 4.6 percent. This decrease could be a result of the strong local economy of the Greater Houston Metropolitan Statistical Area. Based on current projections, the trend toward lower unemployment and the promotion of new businesses will continue in the area. Job retention and the creation of new working positions are top priorities as the City plans to usher in growth. Current assumptions are that the local economy is going to improve as predicted for the rest of the nation and that the region's unemployment rate will continue to decrease over time.

In 2014, Prasek's Hillje Smokehouse announced plans to open a store in Sealy by constructing a new facility on Interstate 10 at FM 3538. The business offers consumers specialty food, meat, and smokehouse products; a bakery; restaurant; convenience store; gift shop; ice cream parlor; quality wine selections; hunting and fishing gear; and various outdoor equipment. During 2015, the City secured grant funding of over \$270,000 through the Texas Department of Agriculture's Texas Capital Fund program to facilitate the construction of public improvements necessary for the project. In return, Prasek's had to meet or exceed minimum employment targets regarding permanent new full-time jobs and the number of jobs held by low-to-moderate-income persons. In July 2015, the City entered into a development agreement with Prasek's to assist in developing the property for commercial and retail use, to create employment opportunities for the citizens of the City, to promote state and local economic development, and to stimulate business and commercial activity in the City. The City will provide economic development incentives through a combination of sales tax rebates and property tax abatements. Annual sales tax payments to the business will equate to 50 percent of an incremental tax amount over a base year tax amount. These

payments will continue annually until a cap of \$825,000 is reached or until the agreement terminates twenty years from the base year, whichever occurs first. The provision for property tax abatement applies to real property and tangible personal property located on Prasek's premises each year. The abatement is limited to seven years and provides for specific abatement percentages each year. Prasek's opened for business in August 2017.

In April 2015, the City entered into an economic development agreement with Town Park Center, a local developer. The agreement calls for the developer to develop a tract of land off of Interstate 10 for commercial and retail uses, which would in turn increase the property tax base, generate sales tax revenues, and create additional employment opportunities for the City. The agreement, however, was contingent upon the execution and completion of obligations with the state to construct a new frontage road along the I-10 corridor, which is discussed later. Under the agreement, the City would be responsible for remitting to the developer annual grant payments of sales taxes collected from businesses within the development. Each annual grant payment would be equal to 50 percent of an incremental tax amount collected from the prior calendar year over a base year tax amount. The grant payment would continue annually until a cap of \$1.2 million is reached or until the agreement terminates twelve years from its effective date, whichever occurs first.

In 2016, SNC-Lavalin, a leading engineering and construction group headquartered in Montreal, Quebec, Canada, announced that it had chosen Sealy to open a new facility. The company maintains offices in more than 50 countries worldwide and employs over 37,000 in engineering, procurement construction, completion, and commissioning services in four industry sectors: oil and gas, mining and metallurgy, infrastructure, and power. The company decided to open its offices at the former location of BAE Systems, which had produced military tactical vehicles for the U.S. government until June 2014. The Sealy facility deals mainly in the oil and gas industry and, at peak employment, SNC-Lavalin expects the facility to have at least 250 employees. The company employs staff as engineers, accountants, project managers, warehouse attendants, general laborers, and in various other positions. The company's decision to locate in Sealy was made for both geographic and demographic reasons. Sealy's proximity to West Houston allowed the company to consolidate three different locations into one. A viable workforce in Sealy and its surrounding areas played a key role in the decision as well.

In January 2017, the City approved the execution of an economic development agreement with Valerus Field Solutions, a division of SNC-Lavalin, which is intended to aid in the City's economic stimulus. Valerus is leasing approximately 52 acres of land on the former BAE Systems site, including three buildings measuring about 397,000 square feet, which will deal in the oil and gas industry. According to the agreement, the City is to make a property tax grant payment to Valerus each year over a seven-year period, which is based upon business personal property inventory taxes combined with property taxes paid by Valerus to the City annually. In turn, Valerus must maintain a minimum of \$6.4 million added taxable value to the property and retain at least 250 full-time employees to collect the grant payment from the City each year.

Also in 2016, Sika Corporation, an international company, selected Sealy for its new manufacturing campus due to its excellent location. This strategic move was to strengthen its position for its core products and technologies with ready access to its customers and to serve the major metropolitan areas in the state. As part of the master campus plan for the development of the 40-acre location on FM 3538, a new 93,000-square-foot factory has been constructed for the production and distribution of high-performance mortars and grouts as a wide range of concrete admixtures. The company is a leader in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and motor vehicle industry. Its facility also contains laboratories and sales offices, as well as a training center to educate customers and applicators on Sika's technologies. The factory will generate new jobs in the area and is the nineteenth production facility in Sika's network throughout the United States. Sika is committed to investing in its core technologies, and plans for future multiple expansions on the new site are currently in development.

In November 2016, the City entered into an economic development agreement with Sika Corporation. The agreement establishes a program to provide incentives and financial assistance to Sika to encourage and promote development of the property, thereby enhancing and stimulating business and commercial activity in the City. In exchange for the City providing sufficient water, wastewater, and gas service lines to the property at no cost, Sika agreed to construct a manufacturing and distribution facility with a minimum of 65,000 square feet and an initial capital investment in land, building, infrastructure, and equipment of \$13 million. This was designated as Phase 1

of the project. In exchange for this investment, the City is to rebate specified percentages of the property taxes Sika pays to the City on real property, improvements, and personal property over a seven-year period. At its discretion, Sika may opt to construct Phase 2 of the project, which would consist of a roofing membrane manufacturing and distribution facility of not less than 75,000 square feet and a capital investment in building, infrastructure, and equipment of \$25 million. Again, the City would agree to rebate specified percentages of the property taxes it collects on the real property, improvements, and personal property from the second phase over a seven-year period. In the event onsite pretreatment of wastewater is required for the project, the City would agree to make seven equal annual payments to Sika in an aggregate amount equal to the lesser of \$300,000 or 50% of the actual capital cost of constructing the wastewater pretreatment facility.

Due to its proximity to a major metropolitan area and its viable workforce, Sealy was recently named as one of the top three locations for manufacturing in the West Houston region by *Southern Business & Development* magazine. Sealy earned the top three designation along with Katy and Rosenberg. The City attributes this distinction to its continual efforts in networking and building positive relationships and in consistently providing potential prospects with quick turnaround of requested data and information.

Blinn College is in its twelfth year at the local outlet mall as its satellite campus in Sealy. Local government officials agree that it is imperative for Blinn College to have a presence in the community, and college officials have indicated that the college is still committed to serving the citizens of Sealy. College leaders cite strong activity at the campus and expect that it will continue to grow. A majority of the currently enrolled students are dual-credit, meaning they are still in high school and taking college courses. However, there are also business professionals looking to advance their careers, unemployed individuals looking to gain some technical training to find employment again, and traditional students looking to take classes before moving on to a four-year university. The Sealy campus offers a full associates degree.

### ***Long-term Financial Planning***

The City of Sealy strives to maintain sufficient cash reserves and unassigned fund balances/unrestricted net position in the general and enterprise (utility) funds to avoid borrowing for general operating purposes and to handle emergency situations, while yet providing quality service levels to the public. The government has established a target of 25 percent of total annual operating expenditures/expenses as its goal. At the end of the fiscal year, unassigned fund balance in the general fund was at 4 percent of total operating expenditures, which illustrates a decrease from the prior year rate of 7 percent. The unrestricted net position for all enterprise funds combined was at 44 percent of total operating expenses, which is a decrease from the previous year rate of 45 percent. Whenever possible, the City may also utilize any excess reserves and fund balances/net position to advance funding for future capital construction or improvement projects rather than financing them by issuing debt.

During the 2005 fiscal year, the City of Sealy made provisions for a municipal drainage utility as a special revenue fund. Under the program, drainage fees are collected from owners of developed properties located within the City on a monthly basis and placed in this fund. The revenues are then used to fund future drainage improvement projects identified in the City's adopted master drainage plan. Examples of this include the acquisition of a Caterpillar dozer through a lease-purchase arrangement and the execution of an interlocal agreement with the county to implement some of the drainage improvements listed in the master plan. The agreement allows for the City and the county to share dirt-moving equipment to facilitate the desired drainage improvements. In addition, the City has been making extensive improvements to the drainage ditch along West Front Street.

During fiscal 2005, the City created Tax Increment Reinvestment Zone (TIRZ) No. 2 as a mechanism to finance public infrastructure improvements to the Sealy Homestead subdivision being developed within City limits. These public improvements include streets; drainage systems; and water, sewer, and natural gas utility lines. The creation of the TIRZ establishes a "tax increment base," which is the total appraised value of all taxable real property in the TIRZ for the base year (i.e., the year the TIRZ is created). As development within the TIRZ occurs, the appraised value of the real property increases. Property tax revenues collected on the increase in appraised value over the base year value are deposited into a tax increment fund (TIF). This fund will subsequently be utilized to finance the public improvements. In addition, the county has elected to enter into an interlocal agreement with the City to pledge a portion of its tax collections on property within the TIRZ for deposit into the TIF.

In 2008, the City created Public Improvement District (PID) No. 1 as a means to finance and construct public improvements that would serve to promote the construction of single-family dwellings within subdivisions on the north side of the City. The public improvements included in the service and assessment plan would confer a special benefit to properties within the PID and would consist of the construction of water lines, sanitary sewer lines, storm sewers, paving, parks, public landscaping, recreational amenities, erosion control, contingency provisions, engineering services, financing costs, and administrative and legal services for the PID. The public improvements would be funded upfront by the developers of the residential subdivisions within the PID. Under development agreements between the developers and the City, the developers would be entitled to receive reimbursement of the public improvement costs, subject to limitations contained in the agreements.

City leadership believes Sealy can eventually become a tourist destination for business leaders out of the Houston area through the Houston First tourism grant program. Economic prosperity generates additional sales tax revenue and lessens pressure on residents for tax dollars to increase infrastructure needs and City services. To keep up with the levels of a bustling and developing city, infrastructure will need to stay a few paces ahead of growth. With this in mind, construction of the City's new wastewater treatment facility has commenced and is currently underway. The Highway 90 overpass replacements at Highway 36 and the BNSF Railroad have also recently been completed and have freed up traffic on both Highway 90 and Highway 36.

The City has developed a comprehensive plan that outlines present and future community needs and projected growth patterns. In addition, it identifies the roles the government will play in meeting those future community needs.

### ***Relevant Financial Policies***

During the year, available resources were sufficient to fund expenditures for all funds. Revenue estimates had been set to reflect realistic levels and had been prepared on a conservative basis to minimize the possibility that economic fluctuations could imperil ongoing services during the fiscal year. Basic services to the public had been funded at adequate levels, and no item critical to the public's health, safety, or welfare had knowingly been omitted from the adopted budget. The government recognizes that its employees are its most valuable asset and had committed to fund this resource appropriately, including adequate funding for the retirement system, benefit packages, employee incentive programs, and training. Employees were eligible for merit pay adjustments upon a favorable performance evaluation during the fiscal year.

Several years ago, the City instituted a policy whereby its enterprise funds pay franchise fees to the general fund. The intent of these fees is to create a predictable amount of inflows for the utilities' use of the City's streets and rights-of-way. The franchise fees were calculated at 25 percent of each respective utility's gross revenues. For the past fiscal year, these payments were \$478,657, \$295,164, and \$332,487 for the water and sewer, gas, and solid waste enterprise funds, respectively.

### ***Major Initiatives***

The long-term plan for reconfiguration of all Interstate 10 frontage roads from the east of FM 3538 to the Brazos River is also being developed. A new frontage road has been constructed on the north side of Interstate 10 from State Highway 36 to FM 3538. Another frontage road is also being considered on the north side of Interstate 10 from Koy Overpass to West Front Street. All frontage roads within this project are or will be designated as one-way. These projects are expected to simplify vehicular access to and egress from the City and thereby assist considerably in improving safety and promoting local economic development. The City acquired the participation of a developer and partial participation from the Texas Department of Transportation (TxDOT) to build the new frontage road from State Highway 36 to Rexville Road. The Federal Highway Administration approved the City's interstate access justification application for this segment of frontage road, and all the necessary agreements were in place for this construction to begin in the 2015-2016 fiscal year.

Funding for the new frontage road project was provided from a variety of sources. Figures from TxDOT show the project to have cost a total of \$4,344,097. The federal government committed funding of \$320,000 to the project, and funding participation by the state was capped at \$80,000 for construction and \$45,473 for engineering. The



developer, who is developing a retail center along Interstate 10, is to provide funding for half of the remaining project cost. The City's economic development corporation has funded \$1,164,444 (of which a donation of \$100,000 originated from a private foundation), and the City has funded \$690,441 from debt proceeds of its Series 2010 Certificates of Obligation and the remaining \$94,427 from its general fund. The same developer has also donated the land necessary to provide right-of-way access for the frontage road.

In conjunction with the frontage road project, water and gas lines had to be relocated to avoid interference with construction. Relocation costs were to be divided equally between the City and the developer. The City hired a contractor to relocate a portion of the gas pipeline on the property at a total cost of \$365,759. The contractor was responsible for providing or acquiring any offsite easements for the project. The City's economic development corporation committed \$16,802 toward the City's portion of the cost. The City's public works crew rerouted a 12-inch water line at a total cost of \$49,670, of which the City's economic development corporation contributed the City's 50 percent portion of the cost.

Overall, management's goal is to establish and maintain effective relationships with developers as they seek to invest in the community, with a priority to develop a commercial corridor along Interstate 10.

In talks regarding a new elementary school for Sealy Independent School District and overall projected growth on the City's north side, officials are contemplating whether installation of either a new water well or a ground storage tank would be the better alternative. The volume of water that comes from only a 12-inch water line would not be sufficient to serve the school, especially with regard to fire suppression. Based on information provided by the engineer for the school, the new facility would require 1,000 gallons of water per minute, which would give a tank size of approximately 250,000 gallons for up to four hours of fire suppression. To drill a new well that would serve the area, preliminary estimates put the costs for engineering and construction at about \$3.3 million. Building a ground storage tank with a prefabricated pumping station would serve only the school and cost about \$1.3 million. Management plans to communicate with school staff and engineers to compare the options and provide a recommendation to City Council in the near future.

Several years ago, the City utilized the talents of area graduate students to pinpoint the strengths and weaknesses of the downtown district and to suggest solutions for problem areas. Findings addressed issues such as new sidewalks, signage, landscaping, vehicular and pedestrian traffic, and parking. To foster community participation and involvement, the City also solicited input from downtown business and property owners. The completion of the historic-themed mural on the southwest corner of Main and Fowlkes Streets and the renovation of several downtown buildings reflect the incremental success toward key items of the revitalization plan. The City will continue to seek funding assistance opportunities from many collaborative efforts to accomplish planned downtown revitalization. Other financing tools available to the City, such as tax increment financing and bonded indebtedness, could be considered in the future if the need for revitalization is prioritized as such.

In 2015, City Council began discussions to construct a new wastewater treatment plant due to the size and aging infrastructure of the existing facility. Since the plant had been operating at 75 percent capacity for a number of months, while hitting 90 percent at one point, the Texas Commission on Environmental Quality (TCEQ) could eventually intervene. A TCEQ standard, known as the "75/90 rule," permits that plants operate at no more than 75 percent capacity for more than three consecutive months. When a facility reaches 90 percent capacity, construction must be underway for expansion. The City's existing treatment plant is over 30 years old, which is well past its lifespan without any further major rehabilitation efforts. After much deliberation, City Council has authorized the construction of a new \$15.6 million wastewater treatment plant. The new plant will be capable of treating up to two million gallons of wastewater per day. Construction is now in progress and will likely take at least two years to complete. In the meantime, the existing plant will continue to operate until the new one is brought online and service lines are switched over and connected.

The City's outstanding Series 1997 and Series 2003 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation have been refunded through a private placement transaction. The principal amount of both refunded debt issues was \$985,000, with an average interest rate of 4.59 percent. Through a private placement, the City was able to obtain a new interest rate of 1.58 percent. Consequently, the City was able to save over \$68,000

in interest costs, net of transaction costs and any necessary debt service fund transfers. The resulting new debt issue is the Series 2016 General Obligation Refunding Bonds.

### ***Awards and Acknowledgments***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sealy for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This was the 23<sup>rd</sup> year that the City of Sealy government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In October 2016, the Texas Comptroller announced that the City of Sealy was one of a number of local government entities to achieve specific transparency goals through the Comptroller's *Transparency Stars* program. The City of Sealy received a star in the area of Traditional Finances, which recognizes local government entities for their outstanding efforts in making their spending and revenue information readily available online. This includes providing meaningful financial data in addition to visual tools and analysis of its revenues and expenditures.

In June 2017, the Comptroller's office notified the City that it had also received a star in the area of Debt Obligations. Going beyond state-mandated requirements to post certain debt information online, this program recognizes local governments that provide debt information in a variety of formats for public review. These formats include debt information summarizations and narratives, visualizations of time trends, documents containing debt information, downloadable data for additional analysis, and links to other sources of debt information.

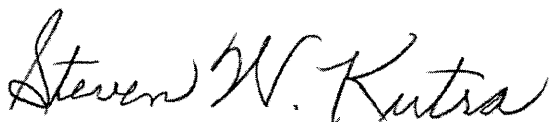
The Comptroller's office launched the *Transparency Stars* program in March 2016 to recognize cities, counties, and school districts for making important strides to greater government transparency. Local government entities can apply for stars in the areas of:

- Traditional Finances,
- Contracts and Procurement,
- Economic Development,
- Public Pensions, and
- Debt Obligations.

After receiving an initial star for Traditional Finances, remaining stars may be awarded in any order. Additional information on the program may be obtained from the Comptroller's *Transparency Stars* website at <https://www.comptroller.texas.gov/transparency/local/stars/>.

The preparation of this report would not have been possible without the efficient and dedicated service of the finance department staff. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We also appreciate the efforts and contributions made by other department personnel in assisting with the compilation of information for this report.

Respectfully submitted,



Steven W. Kutra  
Director of Finance

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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Sealy  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morrell*

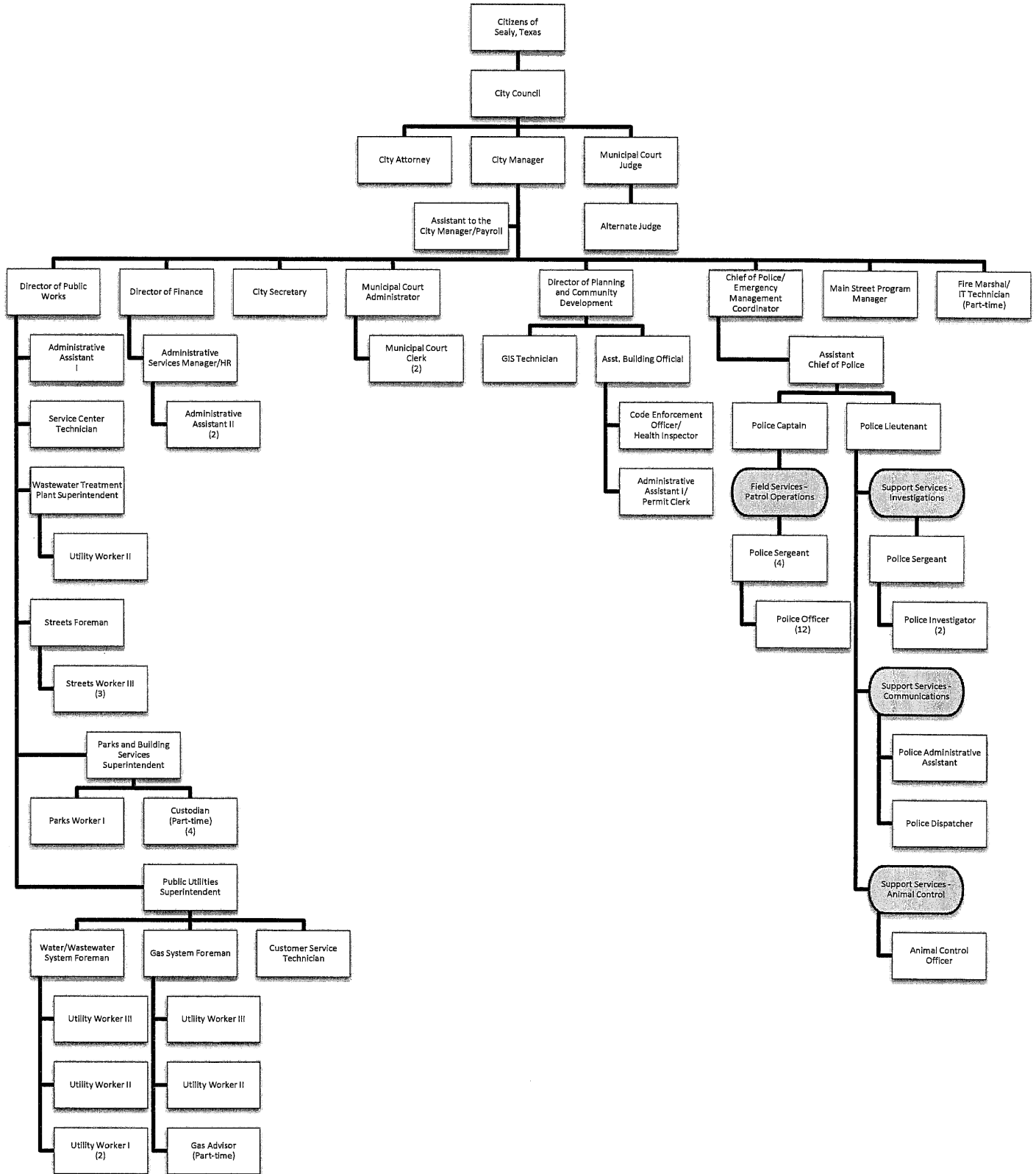
Executive Director/CEO



# CITY OF SEALY, TEXAS

## ORGANIZATIONAL CHART

For the Year Ended September 30, 2017



**CITY OF SEALY, TEXAS**  
***LIST OF ELECTED AND APPOINTED OFFICIALS***  
September 30, 2017

<b>Elected Officials</b>	<b>Position</b>
Janice Whitehead	Mayor
Dee Anne Lerma	Council Member, Place 1
Chris Noack	Council Member, Place 2
Sandra Vrablec	Mayor Pro Tem / Council Member, Place 3
Jennifer Sullivan	Council Member, Place 4
Larry Koy	Council Member, Place 5
John Hinze	Council Member, Place 6
<b>Appointed Officials</b>	<b>Position</b>
Warren Escovy	Interim City Manager
John M. Campos	Municipal Court Judge
Lora Lenzsch	City Attorney
Steven W. Kutra	Director of Finance
Dayl L. Cooksey	City Secretary
Fawn Mackey	Municipal Court Administrator
Kim Meloneck	Sealy Economic Development Corporation Executive Director
Toni Franklin	Main Street Director
Warren Escovy	Director of Planning and Community Development
Jay Reeves	Chief of Police
Mark Pulos	Director of Public Works

## ***FINANCIAL SECTION***

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## ***INDEPENDENT AUDITORS' REPORT***

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sealy, Texas (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP  
Certified Public Accountants  
Houston, Texas  
March 28, 2018

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

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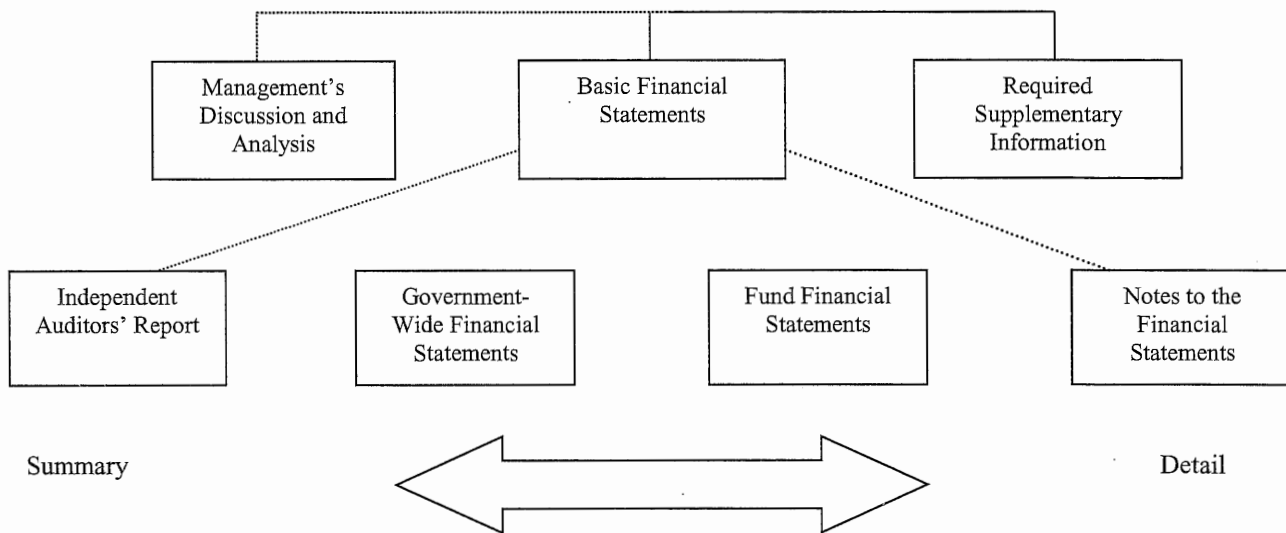


**CITY OF SEALY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2017**

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Sealy, Texas (the "City") for the year ending September 30, 2017. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

**THE STRUCTURE OF OUR ANNUAL REPORT**

**Components of the Financial Section**



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-Wide Statements**

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

**CITY OF SEALY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2017**

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

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

1. *Governmental Activities* – The City's tax-supported services are reported here including police and fire protection (public safety), streets, drainage (highways and streets), community services, and general administrative services (general government). Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and sewer, gas, and solid waste services.

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

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

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

The City maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, Cyran Park recreational center fund, Sealy economic development corporation fund, 2015 CO's capital projects fund, and public improvement district number one fund, which are considered to be major funds for reporting purposes. The Sealy economic development corporation fund did not meet the technical criteria to be presented as a major fund, however, the City has elected to present it as a major fund due to its significance.

**CITY OF SEALY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2017**

The City adopts an annual appropriated budget for its general fund, debt service fund, public improvement district number one fund, Sealy economic development corporation fund, and certain special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with those budgets.

**Proprietary Funds**

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

**Notes to Financial Statements**

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

**Other Information**

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, public improvement district number one, and Sealy economic development corporation fund, and schedule of changes in net pension liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$18,182,181 as of September 30, 2017 for the primary government. This compares with \$18,333,852 from the prior fiscal year. The largest portion of the City's net position, 84 percent, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**CITY OF SEALY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2017			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 18,235,166	\$ 3,553,713	\$ -	\$ 21,788,879
Capital assets, net	11,403,690	11,406,960	-	22,810,650
<b>Total Assets</b>	<b>29,638,856</b>	<b>14,960,673</b>	<b>-</b>	<b>44,599,529</b>
Deferred charge on refunding	14,558	-	-	14,558
Deferred outflows - pensions	650,133	230,298	-	880,431
<b>Total Deferred Outflows of Resources</b>	<b>664,691</b>	<b>230,298</b>	<b>-</b>	<b>894,989</b>
Long-term liabilities	24,378,178	778,985	-	25,157,163
Other liabilities	806,514	901,635	-	1,708,149
<b>Total Liabilities</b>	<b>25,184,692</b>	<b>1,680,620</b>	<b>-</b>	<b>26,865,312</b>
Deferred inflows - pensions	340,322	106,703	-	447,025
<b>Total Deferred Inflows of Resources</b>	<b>340,322</b>	<b>106,703</b>	<b>-</b>	<b>447,025</b>
<b>Net Position:</b>				
Net investment in capital assets	5,724,733	11,391,103	(1,875,296)	15,240,540
Restricted	2,963,194	-	-	2,963,194
Unrestricted	(3,909,394)	2,012,545	1,875,296	(21,553)
<b>Total Net Position</b>	<b>\$ 4,778,533</b>	<b>13,403,648</b>	<b>\$ -</b>	<b>\$ 18,182,181</b>

**CITY OF SEALY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

2016				
	Governmental	Business-Type		Total
	Activities	Activities	Reconciliation	Primary
				Government
Current and other assets	\$ 19,477,152	\$ 2,812,095	\$ -	\$ 22,289,247
Capital assets, net	11,733,979	11,135,313	-	22,869,292
<b>Total Assets</b>	<b>31,211,131</b>	<b>13,947,408</b>	<b>-</b>	<b>45,158,539</b>
Deferred charge on refunding	16,984	-	-	16,984
Deferred outflows - pensions	754,003	318,445	-	1,072,448
<b>Total Deferred Outflows of Resources</b>	<b>770,987</b>	<b>318,445</b>	<b>-</b>	<b>1,089,432</b>
Long-term liabilities	25,514,258	894,646	-	26,408,904
Other liabilities	786,007	424,640	-	1,210,647
<b>Total Liabilities</b>	<b>26,300,265</b>	<b>1,319,286</b>	<b>-</b>	<b>27,619,551</b>
Deferred inflows - pensions	207,101	87,467	-	294,568
<b>Total Deferred Inflows of Resources</b>	<b>207,101</b>	<b>87,467</b>	<b>-</b>	<b>294,568</b>
<b>Net Position:</b>				
Net investment in capital assets	5,742,788	11,086,756	(1,162,994)	15,666,550
Restricted	3,790,110	-	-	3,790,110
Unrestricted	(4,058,146)	1,772,344	1,162,994	(1,122,808)
<b>Total Net Position</b>	<b>\$ 5,474,752</b>	<b>\$ 12,859,100</b>	<b>\$ -</b>	<b>\$ 18,333,852</b>

A portion of the primary government's net position, \$2,963,194, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit \$21,553.

The City's total net position decreased by \$151,671 during the current fiscal year. This includes a decrease of \$696,219 in the governmental activities, which primarily was a result of transfers out and a decrease in other revenues. The increase in business-type activities of \$544,548 is primarily a result of an increase in utility rates.

The City has historically issued and repaid debt in its governmental activities for which the proceeds were used to purchase capital assets for the business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Outstanding debt net of unspent bond proceeds associated with governmental activities in the amount of \$1,875,296 is being used for capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

**CITY OF SEALY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

**Statement of Activities:**

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

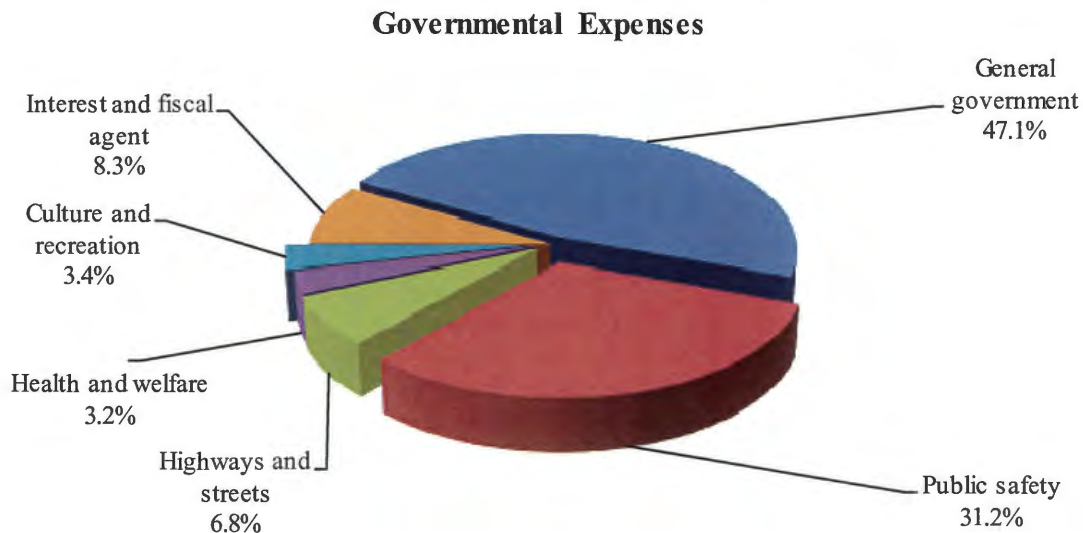
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 881,206	\$ 712,573	\$ 4,884,928	\$ 4,103,428	\$ 5,766,134	\$ 4,816,001
Operating grants and contributions	6,380	269,887	-	69,163	6,380	339,050
Capital grants and contributions	143,008	28,612	-	-	143,008	28,612
General revenues:						
Ad valorem taxes	2,889,339	2,784,285	-	-	2,889,339	2,784,285
Sales taxes	2,424,520	2,114,188	-	-	2,424,520	2,114,188
Franchise taxes	1,454,601	1,157,209	-	-	1,454,601	1,157,209
Occupancy taxes	163,058	166,711	-	-	163,058	166,711
Investment earnings	68,512	26,996	3,634	4,095	72,146	31,091
Other revenues	180,399	1,250,990	-	-	180,399	1,250,990
<b>Total Revenues</b>	<b>8,211,023</b>	<b>8,511,451</b>	<b>4,888,562</b>	<b>4,176,686</b>	<b>13,099,585</b>	<b>12,688,137</b>
<b>Expenses</b>						
General government	4,085,583	6,460,209	-	-	4,085,583	6,460,209
Public safety	2,710,735	2,701,227	-	-	2,710,735	2,701,227
Highways and streets	593,386	704,537	-	-	593,386	704,537
Health and welfare	272,857	305,392	-	-	272,857	305,392
Culture and recreation	296,949	384,166	-	-	296,949	384,166
Interest and fiscal agent fees on long-term debt	718,955	857,331	-	-	718,955	857,331
Water and sewer	-	-	1,846,232	1,646,909	1,846,232	1,646,909
Gas	-	-	1,266,057	988,942	1,266,057	988,942
Solid waste	-	-	1,460,502	1,291,719	1,460,502	1,291,719
<b>Total Expenses</b>	<b>8,678,465</b>	<b>11,412,862</b>	<b>4,572,791</b>	<b>3,927,570</b>	<b>13,251,256</b>	<b>15,340,432</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>(467,442)</b>	<b>(2,901,411)</b>	<b>315,771</b>	<b>249,116</b>	<b>(151,671)</b>	<b>(2,652,295)</b>
Transfers in (out)	(228,777)	(475,808)	228,777	475,808	-	-
<b>Change in Net Position</b>	<b>(696,219)</b>	<b>(3,377,219)</b>	<b>544,548</b>	<b>724,924</b>	<b>(151,671)</b>	<b>(2,652,295)</b>
Beginning net position	5,474,752	8,851,971	12,859,100	12,134,176	18,333,852	20,986,147
<b>Ending Net Position</b>	<b>\$ 4,778,533</b>	<b>\$ 5,474,752</b>	<b>\$ 13,403,648</b>	<b>\$ 12,859,100</b>	<b>\$ 18,182,181</b>	<b>\$ 18,333,852</b>

# CITY OF SEALY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2017

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



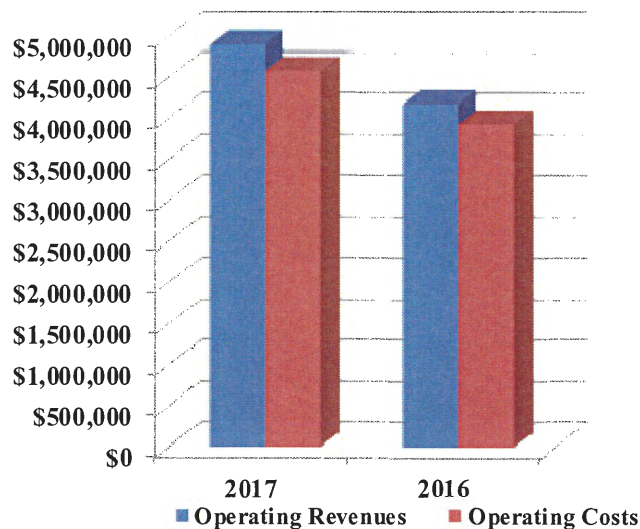
For the year ended September 30, 2017, revenues from governmental activities totaled \$8,211,023, which is a decrease of \$300,428 from the prior year. This decrease is primarily due to a decrease in other revenues as a result of a decrease in contributions from developers for the Interstate 10 expansion project.

Governmental expenses decreased by \$2,734,397. This decrease is primarily due to decrease in general government of \$2,374,626, which is primarily due to a decrease in the City's contributions to the State for the Interstate 10 expansion project.

**CITY OF SEALY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

Business-type activities are shown comparing operating costs to revenues generated by related services.

**BUSINESS-TYPE ACTIVITIES**  
**Revenue vs. Costs**



Overall, business-type activity revenues increased by \$711,876 from the prior period primarily due to an increase in charges for services, mainly due to an increase in rates.

Business-type activity expenses increased by \$645,221 from the prior period. The increase is mainly due to an increase in natural gas purchases and water well repairs.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

The City's governmental funds reflect a combined fund balance of \$17,410,347. Of this, \$246 is nonspendable, \$419,301 is restricted for debt service, \$14,228,001 is restricted for capital improvements, \$528,634 is restricted for municipal drainage, \$1,608,636 is restricted for economic development, \$194,148 is restricted for hotel/motel occupancy tax, \$2,505 is restricted for TIRZ, \$21,476 is restricted for forfeited property, \$162,880 is restricted for municipal court, \$5,396 is restricted for child safety, \$4,749 is restricted for park land dedication, and \$15,469 is restricted for PEG fees.

The general fund is the chief operating fund of the City. At the end of the current year, total fund balance of the general fund was \$234,621. Of this, \$218,906 is unassigned and \$15,469 is restricted for PEG fees. As a measure



**CITY OF SEALY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2017**

of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 4.0 percent of total general fund expenditures.

There was a decrease in the combined fund balance of \$1,327,622 from the prior year. The general fund balance decreased by \$301,899, largely due to transfers out to other funds and an increase in public safety expenditures. The debt service fund balance experienced an increase of \$35,761, most of which was a result of a transfer from other funds to assist with principal and interest payments associated with long-term debt. The Cryan Park recreational center fund balance decreased by \$1,341,678, mainly due to a refund to the donor for their donation to the project. The Sealy Economic Development Corporation fund balance experienced an increase of \$503,056, mainly due to an increase in sales tax revenue. The public improvement district number one fund balance decreased by \$11. The 2015 CO's capital projects fund balance decreased \$282,069 due to capital outlay for wastewater treatment plant improvements.

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

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The actual fund balance for the year decreased by \$301,899. Actual revenues exceeded the amended budget by a net \$6,586 primarily due to higher than expected franchise fees and fines.

Actual expenditures were less than budgeted amounts by \$12,122 for the fiscal year. The greatest positive variance was in planning and community development, as a result of less personnel expenditures than expected.

#### **CAPITAL ASSETS**

At the end of fiscal year 2017, the City's governmental and business-type activities had invested \$22,810,650 in a variety of capital assets and infrastructure (net of accumulated depreciation).

Major capital asset events during the year included the following:

- Police radios and cameras in the amount of \$105,177
- Police vehicle in the amount of \$50,811
- Construction in progress for drainage improvements in the amount of \$128,400
- Construction in progress for wastewater treatment plant, sewer line, and gas line improvements in the amount of \$669,066

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

#### **LONG-TERM DEBT**

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$20,885,000. Of this amount, \$660,000 was general obligation debt and \$20,225,000 was certificates of obligation.

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

**CITY OF SEALY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2017**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The budget was developed in response to City Council's goals and objectives in a fiscally sound and prudent manner. It balances City priorities against available resources while seeking to maintain essential public programs and levels of service.
- Revenue estimates reflect realistic levels and are conservative in nature to minimize the possibility that economic fluctuations could imperil ongoing services during the budget year. Management will exercise the principle of conservatism and use caution during the year to help ensure that actual revenues will meet or exceed actual expenditures.
- The City has instituted a policy whereby its enterprise funds pay franchise fees to the general fund. The intent of these fees is to create a predictable amount of inflows for the utilities' use of the City's streets and rights-of-way and to reimburse the general fund for the administrative staff's services provided on their behalf. The franchise fees were budgeted at 32 percent, 20 percent, and 28 percent of the gross revenues generated by the water and sewer, gas, and solid waste funds, respectively.
- Department directors proposed budgets for their respective departments. The City Manager then honed and fine-tuned all requested appropriations within available estimated resources. To keep the budget within available resources, not all requested appropriations could be funded.
- The budget funds salaries and benefits for seven elected officials, 53 full-time employees, and ten part-time employees. A three percent merit pay increase opportunity for all employees has been appropriated in the budget. Additional resources are included in the budget to fund the advanced training of personnel and the various certifications associated with required specialized training. In comparison to other cities providing similar services, the City's workforce accomplishes more with fewer employees. This lean workforce has been created intentionally to maximize the resources provided by taxpayers.
- Capital outlay items that annual budgeted revenues and other financing sources will fund include an air conditioning unit for the community center; street paving improvements; equipment for the parks and recreation department; Liedertafel Hall building improvements; drainage improvements; a building for the gas department; and water, sewer, and gas line improvements. In lieu of purchasing vehicles this year, the police and public works departments will acquire new vehicles through a leasing program. This program will allow the departments to replace an aging fleet and should help the City save money, reduce risk, and improve safety over the term of the lease.
- Remaining proceeds from the issuance of certificates of obligation during 2015 will continue to fund engineering and construction costs of the new wastewater treatment plant and acquisition costs to obtain land deeds for facilitating the Interstate 10 lane expansion project.
- It is anticipated that the YMCA will once again operate the City's pool facility during the summer months. The City's economic development corporation (the "Corporation") has agreed to underwrite up to \$30,000 toward park/pool maintenance and operations and to continue supporting the YMCA with a \$25,000 matching grant to be used toward the Sealy YMCA director's salary. In addition, the Corporation has agreed to provide \$250,000 in assistance toward any needed future infrastructure for new and expanding business enterprises that are creating and/or retaining jobs.

For the 2018 budget year, water rates for all customers increased by seven percent for all consumption tiers. Natural gas rates for residential and commercial customers increased by ten percent in the minimum charge and in the rate added to the variable fuel adjustment factor. The fuel adjustment factor, which fluctuates monthly, is an additional charge that represents the City's cost to purchase each unit of natural gas from its supplier. (Industrial natural gas contracts are individually negotiated by City Council, based on monthly usage, annual load, and pressure needs.)

The charge for residential garbage collection service increased by ten percent. This charge also provides each resident with a 96-gallon cart to be used specifically for single-stream recycling every other week. Beginning in

**CITY OF SEALY, TEXAS**  
***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***  
**For the Year Ended September 30, 2017**

fiscal 2013, the City assumed billing responsibilities for commercial garbage collection service (except roll-off containers). The commercial rates billed by the City this year increased by ten percent. This increase is intended to cover consumer price index changes within the contract with the City's waste service provider. The provider's contract with the City is in effect until September 2022, with an option to extend for five additional years.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to City Manager or Director of Finance, 415 Main Street, P. O. Box 517, Sealy, Texas 77474-0517 or for general City information, visit the City's website at <http://www.ci.sealy.tx.us/>.

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## ***BASIC FINANCIAL STATEMENTS***

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# CITY OF SEALY, TEXAS

## STATEMENT OF NET POSITION

September 30, 2017

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
<b><u>Assets</u></b>				
Cash and equity in pooled cash and investments	\$ 7,014,138	\$ 2,435,679	\$ -	\$ 9,449,817
Investments	10,231,864	-	-	10,231,864
Receivables, net of allowances	1,269,815	819,254	-	2,089,069
Internal balances	(280,897)	280,897	-	-
Inventory	-	17,840	-	17,840
Prepaid items	246	43	-	289
Capital assets:				
Nondepreciable capital assets	1,612,574	1,282,344	-	2,894,918
Depreciable capital assets, net	9,791,116	10,124,616	-	19,915,732
<b>Total Assets</b>	<b>29,638,856</b>	<b>14,960,673</b>	<b>-</b>	<b>44,599,529</b>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred outflows - pensions	650,133	230,298	-	880,431
Deferred charge on refunding	14,558	-	-	14,558
<b>Total Deferred Outflows of Resources</b>	<b>664,691</b>	<b>230,298</b>	<b>-</b>	<b>894,989</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	346,919	675,878	-	1,022,797
Customer deposits	-	225,757	-	225,757
Due to developer	358,464	-	-	358,464
Accrued bond interest	64,207	-	-	64,207
Deposits	12,040	-	-	12,040
Unearned revenue	24,884	-	-	24,884
Noncurrent liabilities:				
Due within one year	1,140,647	30,216	-	1,170,863
Due in more than one year	23,237,531	748,769	-	23,986,300
<b>Total Liabilities</b>	<b>25,184,692</b>	<b>1,680,620</b>	<b>-</b>	<b>26,865,312</b>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred inflows - pensions	340,322	106,703	-	447,025
<b>Total Deferred Inflows of Resources</b>	<b>340,322</b>	<b>106,703</b>	<b>-</b>	<b>447,025</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	5,724,733	11,391,103	(1,875,296)	15,240,540
Restricted for:				
Debt service	419,301	-	-	419,301
Municipal drainage	528,634	-	-	528,634
Economic development	1,608,636	-	-	1,608,636
Hotel/motel occupancy tax	194,148	-	-	194,148
Tax increment reinvestment zone	2,505	-	-	2,505
Forfeited property	21,476	-	-	21,476
Municipal court	162,880	-	-	162,880
Child safety	5,396	-	-	5,396
Park land dedication	4,749	-	-	4,749
PEG fees	15,469	-	-	15,469
Unrestricted	(3,909,394)	2,012,545	1,875,296	(21,553)
<b>Total Net Position</b>	<b>\$ 4,778,533</b>	<b>\$ 13,403,648</b>	<b>\$ -</b>	<b>\$ 18,182,181</b>

See Notes to Financial Statements.

# CITY OF SEALY, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 4,085,583	\$ 57,849	\$ 6,380	\$ -
Public safety	2,710,735	669,820	-	143,008
Highways and streets	593,386	133,772	-	-
Health and welfare	272,857	-	-	-
Culture and recreation	296,949	19,765	-	-
Interest on long-term debt	718,955	-	-	-
<b>Total Governmental Activities</b>	<b>8,678,465</b>	<b>881,206</b>	<b>6,380</b>	<b>143,008</b>
<b>Business-Type Activities</b>				
Water and sewer	1,846,232	2,338,290	-	-
Gas	1,266,057	1,198,713	-	-
Solid waste	1,460,502	1,347,925	-	-
<b>Total Business-Type Activities</b>	<b>4,572,791</b>	<b>4,884,928</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 13,251,256</b>	<b>\$ 5,766,134</b>	<b>\$ 6,380</b>	<b>\$ 143,008</b>

### General Revenues:

Property taxes  
 Sales taxes  
 Franchise taxes  
 Occupancy taxes  
 Investment earnings  
 Other revenues  
 Transfers

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning net position

**Ending Net Position**

See Notes to Financial Statements.



**Net Revenue (Expense) and Changes in Net Position**  
**Primary Government**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (4,021,354)	\$ -	\$ (4,021,354)
(1,897,907)	-	(1,897,907)
(459,614)	-	(459,614)
(272,857)	-	(272,857)
(277,184)	-	(277,184)
(718,955)	-	(718,955)
<u>(7,647,871)</u>	<u>-</u>	<u>(7,647,871)</u>
-	492,058	492,058
-	(67,344)	(67,344)
-	(112,577)	(112,577)
<u>-</u>	<u>312,137</u>	<u>312,137</u>
<u>(7,647,871)</u>	<u>312,137</u>	<u>(7,335,734)</u>
2,889,339	-	2,889,339
2,424,520	-	2,424,520
1,454,601	-	1,454,601
163,058	-	163,058
68,512	3,634	72,146
180,399	-	180,399
(228,777)	228,777	-
<u>6,951,652</u>	<u>232,411</u>	<u>7,184,063</u>
(696,219)	544,548	(151,671)
<u>5,474,752</u>	<u>12,859,100</u>	<u>18,333,852</u>
<u>\$ 4,778,533</u>	<u>\$ 13,403,648</u>	<u>\$ 18,182,181</u>

# CITY OF SEALY, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2017

	General	Debt Service	Sealy Economic Development Corporation	Public Improvement District Number One
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 38,895	\$ 419,301	\$ 1,476,953	\$ 4
Investments	181,429	-	-	-
Receivables, net	619,154	42,258	170,865	358,463
Due from other funds	127,708	-	-	-
Prepaid items	246	-	-	-
<b>Total Assets</b>	<b>\$ 967,432</b>	<b>\$ 461,559</b>	<b>\$ 1,647,818</b>	<b>\$ 358,467</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 127,870	\$ -	\$ 8,704	\$ -
Salaries payable	53,827	-	595	-
Accrued liabilities	92,584	-	2,863	-
Due to developer	-	-	-	358,464
Deposits payable	12,040	-	-	-
Due to other funds	381,352	-	27,020	-
Unearned revenue	24,884	-	-	-
<b>Total Liabilities</b>	<b>692,557</b>	<b>-</b>	<b>39,182</b>	<b>358,464</b>
<b><u>Deferred Inflows of Resources:</u></b>				
Unavailable revenue - property taxes	40,254	42,258	-	-
<b><u>Fund Balances:</u></b>				
Nonspendable				
Prepaid items	246	-	-	-
Restricted:				
Debt service	-	419,301	-	-
Capital improvement	-	-	-	3
Municipal drainage	-	-	-	-
Economic development	-	-	1,608,636	-
Hotel/motel occupancy tax	-	-	-	-
TIRZ	-	-	-	-
Forfeited property	-	-	-	-
Municipal court	-	-	-	-
Child safety	-	-	-	-
Park land dedication	-	-	-	-
PEG fees	15,469	-	-	-
Unassigned	218,906	-	-	-
<b>Total Fund Balances</b>	<b>234,621</b>	<b>419,301</b>	<b>1,608,636</b>	<b>3</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 967,432</b>	<b>\$ 461,559</b>	<b>\$ 1,647,818</b>	<b>\$ 358,467</b>

See Notes to Financial Statements.

<b>2015 CO's Capital Projects</b>	<b>Cryan Park Recreational Center</b>	<b>Nonmajor Governmental</b>	<b>Total Governmental Funds</b>
\$ 4,223,659	\$ -	\$ 855,326	\$ 7,014,138
10,050,435	-	-	10,231,864
-	-	79,075	1,269,815
-	-	-	127,708
-	-	-	246
<u>\$ 14,274,094</u>	<u>\$ -</u>	<u>\$ 934,401</u>	<u>\$ 18,643,771</u>
\$ 46,096	\$ -	\$ 13,567	\$ 196,237
-	-	-	54,422
-	-	813	96,260
-	-	-	358,464
-	-	-	12,040
-	-	233	408,605
-	-	-	24,884
<u>46,096</u>	<u>-</u>	<u>14,613</u>	<u>1,150,912</u>
-	-	-	82,512
-	-	-	246
-	-	-	419,301
14,227,998	-	-	14,228,001
-	-	528,634	528,634
-	-	-	1,608,636
-	-	194,148	194,148
-	-	2,505	2,505
-	-	21,476	21,476
-	-	162,880	162,880
-	-	5,396	5,396
-	-	4,749	4,749
-	-	-	15,469
-	-	-	218,906
<u>14,227,998</u>	<u>-</u>	<u>919,788</u>	<u>17,410,347</u>
<u>\$ 14,274,094</u>	<u>\$ -</u>	<u>\$ 934,401</u>	<u>\$ 18,643,771</u>

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**CITY OF SEALY, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL**  
**FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
September 30, 2017

Total fund balances - total governmental funds	\$ 17,410,347
--	---------------

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

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

Capital assets, nondepreciable	1,612,574
Capital assets, net depreciable	9,791,116

Long-term liabilities and deferred outflows and deferred inflows related to the net pension liability are deferred in the governmental funds.

Deferred charge on refunding	14,558
Net pension liability	(1,682,336)
Deferred outflows - pensions	650,133
Deferred inflows - pensions	(340,322)

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

82,512

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

Accrued interest payable	(64,207)
Noncurrent liabilities due in one year	(1,140,647)
Noncurrent liabilities due in more than one year	(21,555,195)

<b>Net Position of Governmental Activities</b>	<b>\$ <u>4,778,533</u></b>
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# CITY OF SEALY, TEXAS

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

For the Year Ended September 30, 2017

	General	Debt Service	Sealy Economic Development Corporation	Public Improvement District Number One
<b>Revenues</b>				
Property taxes	\$ 1,179,698	\$ 1,601,078	\$ -	\$ -
Sales taxes	1,598,093	-	795,272	-
Franchise taxes	1,454,601	-	-	-
Occupancy taxes	-	-	-	-
Municipal drainage fees	-	-	-	-
Permits, licenses, and fees	187,028	-	-	-
Property rentals	19,765	-	-	-
Fines and forfeitures	454,286	-	-	-
Charges for services	57,849	-	-	-
Investment earnings	1,461	2,736	1,121	28
Intergovernmental	145,008	-	-	-
Other revenue	174,055	-	8	-
<b>Total Revenues</b>	<u>5,271,844</u>	<u>1,603,814</u>	<u>796,401</u>	<u>28</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,975,317	-	192,153	2,206
Public safety	2,738,748	-	-	-
Highways and streets	360,931	-	-	-
Health and welfare	28,640	-	-	-
Culture and recreation	309,857	-	-	-
<b>Capital outlay</b>	96,489	-	-	-
<b>Debt service:</b>				
Principal	-	825,000	-	-
Interest and fiscal agent fees	-	822,095	-	-
<b>Total Expenditures</b>	<u>5,509,982</u>	<u>1,647,095</u>	<u>192,153</u>	<u>2,206</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(238,138)</u>	<u>(43,281)</u>	<u>604,248</u>	<u>(2,178)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	22,192	79,042	-	2,167
Transfers (out)	(85,953)	-	(101,192)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(63,761)</u>	<u>79,042</u>	<u>(101,192)</u>	<u>2,167</u>
<b>Net Change in Fund Balances</b>	<u>(301,899)</u>	<u>35,761</u>	<u>503,056</u>	<u>(11)</u>
Beginning fund balances	536,520	383,540	1,105,580	14
<b>Ending Fund Balances</b>	<u>\$ 234,621</u>	<u>\$ 419,301</u>	<u>\$ 1,608,636</u>	<u>\$ 3</u>

See Notes to Financial Statements.

<b>2015 CO's Capital Projects</b>	<b>Cryan Park Recreational Center</b>	<b>Nonmajor Governmental</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 90,499	\$ 2,871,275
-	-	-	2,393,365
-	-	-	1,454,601
-	-	163,058	163,058
-	-	133,772	133,772
-	-	-	187,028
-	-	-	19,765
-	-	28,506	482,792
-	-	-	57,849
62,268	-	898	68,512
-	-	4,380	149,388
-	-	6,336	180,399
<u>62,268</u>	<u>-</u>	<u>427,449</u>	<u>8,161,804</u>
202,161	1,399,676	219,593	3,991,106
-	-	625	2,739,373
-	-	-	360,931
-	-	231,757	260,397
-	-	-	309,857
42,176	42,002	-	180,667
-	-	-	825,000
-	-	-	822,095
<u>244,337</u>	<u>1,441,678</u>	<u>451,975</u>	<u>9,489,426</u>
<u>(182,069)</u>	<u>(1,441,678)</u>	<u>(24,526)</u>	<u>(1,327,622)</u>
-	100,000	157,965	361,366
<u>(100,000)</u>	<u>-</u>	<u>(74,221)</u>	<u>(361,366)</u>
<u>(100,000)</u>	<u>100,000</u>	<u>83,744</u>	<u>-</u>
(282,069)	(1,341,678)	59,218	(1,327,622)
<u>14,510,067</u>	<u>1,341,678</u>	<u>860,570</u>	<u>18,737,969</u>
<u>\$ 14,227,998</u>	<u>\$ -</u>	<u>\$ 919,788</u>	<u>\$ 17,410,347</u>

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**CITY OF SEALY, 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, 2017**

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

Net changes in fund balances - total governmental funds	\$ (1,327,622)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset expenditures	436,835
Depreciation expense	(608,802)
Disposal of capital asset	(158,322)

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

Principal payments	825,000
Additional deferred charge on refunding	(2,426)
Change in net pension liability	233,695
Change in deferred outflows - pensions	(103,870)
Change in deferred inflows - pensions	(133,221)
Amortization of premiums, discounts, and deferred charges	58,501
Sales tax refund agreement	31,155

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.	18,064
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(12,271)
Interest expense on bonds	47,065

<b>Change in Net Position of Governmental Activities</b>	<b>\$ (696,219)</b>
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See Notes to Financial Statements.

**CITY OF SEALY, TEXAS**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**PROPRIETARY FUNDS**  
September 30, 2017

Business-Type Activities - Enterprise Funds				
	Water and Sewer	Gas	Solid Waste	Total Enterprise Funds
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 1,821,979	\$ 613,700	\$ -	\$ 2,435,679
Accounts receivable, net	402,522	182,090	234,642	819,254
Inventory	8,733	8,457	650	17,840
Prepaid item	43	-	-	43
Due from other funds	508,898	-	-	508,898
<b>Total Current Assets</b>	<b>2,742,175</b>	<b>804,247</b>	<b>235,292</b>	<b>3,781,714</b>
Noncurrent assets:				
Capital assets:				
Land	125,940	-	62,000	187,940
Construction in process	987,855	106,549	-	1,094,404
Buildings and improvements	219,801	-	10,710	230,511
Equipment	889,046	297,751	249,621	1,436,418
Distribution and collection systems	15,887,198	970,636	-	16,857,834
Less: accumulated depreciation	(7,422,413)	(717,403)	(260,331)	(8,400,147)
<b>Total Capital Assets (Net)</b>	<b>10,687,427</b>	<b>657,533</b>	<b>62,000</b>	<b>11,406,960</b>
<b>Total Noncurrent Assets</b>	<b>10,687,427</b>	<b>657,533</b>	<b>62,000</b>	<b>11,406,960</b>
<b>Total Assets</b>	<b>\$ 13,429,602</b>	<b>\$ 1,461,780</b>	<b>\$ 297,292</b>	<b>\$ 15,188,674</b>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred outflows - pensions	158,348	71,950	-	230,298

**CITY OF SEALY, TEXAS**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**PROPRIETARY FUNDS**  
September 30, 2017

<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Water and Sewer</b>	<b>Gas</b>	<b>Solid Waste</b>	<b>Total Enterprise Funds</b>
<b><u>Liabilities</u></b>				
Current liabilities:				
Accounts payable	\$ 295,245	\$ 92,561	\$ 239,625	\$ 627,431
Accrued liabilities	13,808	12,455	22,184	48,447
Customer deposits	117,082	108,675	-	225,757
Compensated absences	10,447	3,912	-	14,359
Capital lease	15,857	-	-	15,857
Due to other funds	-	44,548	183,453	228,001
<b>Total Current Liabilities</b>	<b>452,439</b>	<b>262,151</b>	<b>445,262</b>	<b>1,159,852</b>
Noncurrent liabilities:				
Net pension liability	516,229	230,944	-	747,173
Compensated absences	1,161	435	-	1,596
<b>Total Noncurrent Liabilities</b>	<b>517,390</b>	<b>231,379</b>	<b>-</b>	<b>748,769</b>
<b>Total Liabilities</b>	<b>969,829</b>	<b>493,530</b>	<b>445,262</b>	<b>1,908,621</b>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred inflows - pensions	73,139	33,564	-	106,703
<b><u>Net Position</u></b>				
Net investment in capital assets	10,671,570	657,533	62,000	11,391,103
Unrestricted	1,873,412	349,103	(209,970)	2,012,545
<b>Total Net Position</b>	<b>\$ 12,544,982</b>	<b>\$ 1,006,636</b>	<b>\$ (147,970)</b>	<b>\$ 13,403,648</b>

See Notes to Financial Statements.



# CITY OF SEALY, TEXAS

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

For the Year Ended September 30, 2017

Business-Type Activities - Enterprise Funds				
	Water and Sewer	Gas	Solid Waste	Total Enterprise Funds
<b><u>Operating Revenues</u></b>				
Charges for sales and services:				
Water sales	\$ 1,408,790	\$ -	\$ -	\$ 1,408,790
Sewer charges	842,165	-	-	842,165
Gas sales	-	1,179,890	-	1,179,890
Solid waste and landfill charges	-	-	1,332,934	1,332,934
Tap fees	67,719	18,823	-	86,542
Other revenues	19,616	-	14,991	34,607
<b>Total Operating Revenues</b>	<b>2,338,290</b>	<b>1,198,713</b>	<b>1,347,925</b>	<b>4,884,928</b>
<b><u>Operating Expenses</u></b>				
Costs of sales and services	-	667,273	1,120,500	1,787,773
Personnel	380,110	205,345	-	585,455
Supplies	57,479	12,223	-	69,702
Maintenance	172,316	18,008	-	190,324
Electricity	171,578	1,570	-	173,148
Gross receipts tax	478,657	295,164	332,487	1,106,308
Miscellaneous	130,517	36,237	7,515	174,269
Depreciation	454,038	30,237	-	484,275
<b>Total Operating Expenses</b>	<b>1,844,695</b>	<b>1,266,057</b>	<b>1,460,502</b>	<b>4,571,254</b>
<b>Operating Income (Loss)</b>	<b>493,595</b>	<b>(67,344)</b>	<b>(112,577)</b>	<b>313,674</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment earnings	2,560	1,074	-	3,634
Interest expense	(1,537)	-	-	(1,537)
<b>Total Nonoperating Revenues</b>	<b>1,023</b>	<b>1,074</b>	<b>-</b>	<b>2,097</b>
<b>Income (Loss) Before Capital Contributions</b>	<b>494,618</b>	<b>(66,270)</b>	<b>(112,577)</b>	<b>315,771</b>
Capital contributions	228,777	-	-	228,777
<b>Change in Net Position</b>	<b>723,395</b>	<b>(66,270)</b>	<b>(112,577)</b>	<b>544,548</b>
Beginning net position	11,821,587	1,072,906	(35,393)	12,859,100
<b>Ending Net Position</b>	<b>\$ 12,544,982</b>	<b>\$ 1,006,636</b>	<b>\$ (147,970)</b>	<b>\$ 13,403,648</b>

See Notes to Financial Statements.

# CITY OF SEALY, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Gas</b>	<b>Solid Waste</b>	<b>Total Enterprise Funds</b>
<b><u>Cash Flows from Operating Activities</u></b>				
Receipts from customers and users	\$ 2,025,736	\$ 1,182,853	\$ 1,316,955	\$ 4,525,544
Payments to suppliers	(318,373)	(673,898)	(969,860)	(1,962,131)
Payments to employees	(359,913)	(186,512)	(14,608)	(561,033)
Payments to other funds for services provided	(478,657)	(295,164)	(332,487)	(1,106,308)
<b>Net Cash Provided by Operating Activities</b>	<b>868,793</b>	<b>27,279</b>	<b>-</b>	<b>896,072</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Acquisition and construction of capital assets	(420,596)	(106,549)	-	(527,145)
Principal paid on capital lease	(32,700)	-	-	(32,700)
Interest paid on capital debt	(1,537)	-	-	(1,537)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(454,833)</b>	<b>(106,549)</b>	<b>-</b>	<b>(561,382)</b>
<b><u>Cash Flows from Investing Activities</u></b>				
Interest received	2,560	1,074	-	3,634
<b>Net Cash Provided by Investing Activities</b>	<b>2,560</b>	<b>1,074</b>	<b>-</b>	<b>3,634</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>416,520</b>	<b>(78,196)</b>	<b>-</b>	<b>338,324</b>
Beginning cash and cash equivalents	1,405,459	691,896	-	2,097,355
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 1,821,979</b>	<b>\$ 613,700</b>	<b>\$ -</b>	<b>\$ 2,435,679</b>

See Notes to Financial Statements.

# CITY OF SEALY, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Gas</b>	<b>Solid Waste</b>	<b>Total Enterprise Funds</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 493,595	\$ (67,344)	\$ (112,577)	\$ 313,674
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	454,038	30,237	-	484,275
<b>Changes in Operating Assets and Liabilities:</b>				
<b>(Increase) Decrease in Current Assets:</b>				
Accounts receivable	(51,521)	(16,735)	(30,970)	(99,226)
Deferred outflows - pensions	55,743	24,360	8,044	88,147
Due from other funds	(262,523)	-	-	(262,523)
Prepaid item	(43)	-	-	(43)
<b>Increase (Decrease) in Current Liabilities:</b>				
Accounts payable and accrued liabilities	277,628	49,440	147,562	474,630
Customer deposits	1,490	875	-	2,365
Compensated absences	(22,074)	1,156	-	(20,918)
Deferred inflows - pensions	14,335	7,111	(2,210)	19,236
Net pension liability	(27,807)	(13,794)	(20,442)	(62,043)
Due to other funds	(64,068)	11,973	10,593	(41,502)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 868,793</b>	<b>\$ 27,279</b>	<b>\$ -</b>	<b>\$ 896,072</b>
<b>Noncash investing, capital, and financing activities:</b>				
Capital contributions	\$ 228,777	\$ -	\$ -	\$ 228,777

See Notes to Financial Statements.

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**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Sealy, Texas (the "City") was incorporated on August 16, 1949. The City has operated since 1996 under a "Home Rule Charter," which provides for a Council-Manager form of government.

The City Council is the principal legislative and administrative body of the City. A Mayor and six Council members are elected at large by voters of the City for three-year terms. The City Manager is appointed by a majority vote of the City Council. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, preparation of the annual budget, and other affairs of the City.

The City provides the following services: public safety (police and fire), public works, water and sewer services, solid waste collection and disposal (contract), gas services, community services, and general government.

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 generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units, as listed below, although legally separate, are considered part of the reporting entity. 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 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.

**Blended Component Units**

**Sealy Economic Development Corporation**

The Sealy Economic Development Corporation (SEDC) has been included in the reporting entity as a blended component unit. The SEDC is reported as a blended component unit due to City management having operational responsibility. The SEDC was created by the City under the Texas Development Corporation Act of 1979 and covered by Section 4B of the Act. In May 1997, the voters authorized the creation of the SEDC for the purpose of promoting and developing commercial, industrial, and manufacturing enterprise to promote and encourage employment and the public welfare on behalf of the City. In June 1997, City Council approved an ordinance levying a sales and use tax of one-half of one percent for the benefit of the SEDC. The SEDC's Board of

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

Directors consists of seven members, two of whom are members of City Council. The other five members are appointed by City Council.

**Public Improvement District Number One**

Public Improvement District Number One (PID) was created pursuant to Chapter 372 of the Texas Local Government Code. The City created the PID as a mechanism to finance public infrastructure improvements within the PID boundaries. These improvements consist of the construction of water lines, sanitary sewer lines, storm sewers, paving, parks, public landscaping, recreational amenities, erosion control, contingency provisions, engineering services, financing costs, and administrative and legal services for the PID. The City Council found that the improvements would serve to promote the construction of single-family units and confer a special benefit to properties within the PID. Consequently, it would be necessary to apportion the costs of the improvements against property owners in the PID by special assessments. Initially, the public improvements would be prefunded by the developers of the residential subdivisions within the PID. The developers would then be entitled to receive reimbursement of the public improvement costs, subject to limitations contained in their development agreements with the City.

**Tax Increment Reinvestment Zone #2**

During fiscal year 2005, the City passed an Ordinance creating Tax Reinvestment Zone #2 (TIRZ), in accordance with section 311.005 of the Texas Tax Code, for the purpose of tax increment financing in order to facilitate public infrastructure improvements to the Sealy Homestead subdivision. These public improvements include streets; drainage systems; and water, sewer, and natural gas utility lines. As development occurs, the property tax revenue collected on the increase in appraised value over the base year value will be used to finance the public improvements. The TIRZ is managed by a seven member Board of Directors in which the Mayor appoints, subject to City Council approval, positions one through five. The TIRZ is accounted for as a special revenue fund with the City's financial oversight.

**Sealy Development Authority**

Sealy Development Authority (the "Authority") was created to assist and act on behalf of the City in the performance of the City's governmental functions to promote the common good and general welfare of the area included in the TIRZ, and neighboring areas in the City, pursuant to the provisions of Subchapter D of Chapter 431, Texas Transportation Code. The Authority is managed by a seven member Board of Directors appointed by the Mayor, subject to City Council approval. The Board of Directors shall be composed of the same persons appointed to the TIRZ Board. The City Council has entered into an agreement (the "Agreement") with the Authority to assist the City and act as consultant to the City in the implementation of the service and assessment plan for the PID and provide other services set forth in the Agreement. The Authority has the power to enter into contractual obligations with developers, consultants, and others and may also issue debt with the consent of the City Council. The Authority is reported as a special revenue fund with the City's financial oversight.

The component units identified above are included in the City's reporting entity and do not separately issue financial statements because of the significance of their operational or financial relationships with the City. The City appoints a majority of these organizations' boards and is either able to impose its will on them or a financial benefit/burden exists.

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**B. Government-Wide Financial Statements**

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

**C. Basis of Presentation – Government-Wide Financial Statements**

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

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

**D. Basis of Presentation – Fund Financial Statements**

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

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, highways and streets, health and welfare, and culture and recreation. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include hotel/motel occupancy tax fund, tax increment investment zone number two, chapter 59 forfeited property fund, Texas capital fund grant fund, municipal drainage fund, municipal court technology fund, judicial efficiency fund, municipal court building security fund, child safety fund, Main Street program fund, the park land dedication fund, and the Sealy Development Authority. These

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

special revenue funds are considered nonmajor funds for reporting purposes. The public improvement district number one fund is considered a major fund for reporting purposes. The primary source of revenue for the public improvement district number one is levies assessed to property owners for certain public improvements constructed within the District and related interest earnings. The Sealy Economic Development Corporation fund is considered a nonmajor fund, however, the City has elected to present it as a major fund due to its significance. The primary source of revenue for the Sealy Economic Development Corporation is sales tax, donations, and related interest earnings.

The *capital projects funds* are used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects. The capital projects fund is considered a nonmajor fund for reporting purposes. The 2015 CO's capital projects fund and the Cryan Park recreational center are considered major funds for reporting purposes.

The City reports the following enterprise funds:

The *water and sewer fund* is used to account for the operations that provide water and sewer services, the *gas fund* is used to account for the operations that provide gas services, and the *solid waste fund* is used to account for the operations that provide solid waste collection and disposal 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. Each of the enterprise funds are considered a major fund for reporting purposes.

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

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

**E. Measurement Focus and Basis of Accounting**

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

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

**1. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in statewide investment pools (TexPool and TexSTAR), 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 maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and cash equivalents."

**2. Investments**

Investments, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost.

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

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

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

**3. Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	10 to 50 years
Improvements other than buildings	10 to 70 years
Machinery and equipment	3 to 10 years

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

or refunding debt. Deferred outflows have been recognized for the changes in actuarial assumptions related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category in the government-wide Statement of Net Position. Deferred inflows have been recognized as a result of differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**6. Compensated Employee Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay, and compensatory time benefits. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

**7. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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



**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

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

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**8. Net Position Flow Assumption**

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

**9. Fund Balance Flow Assumptions**

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

**10. Fund Balance Policies**

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

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation



**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

**11. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**12. Pensions**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. Property Taxes**

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

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects funds, which adopt project length budgets. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is the department in the approved general fund budget. Appropriations lapse at the end of the year, excluding capital project funds budgets. Supplemental budget appropriations were made for the year ended September 30, 2017. Other special revenue funds have budgets for management purposes.

**1. Expenditures in Excess of Appropriations**

For the year ended September 30, 2017, expenditures exceeded appropriations at the legal level of control as follows:

<b>General fund</b>	
General Government:	
Nondepartmental	\$ 13,468

**B. Deficit Fund Balance**

At September 30, 2017, the solid waste fund, a major enterprise fund, had a deficit fund balance of \$147,970. The City plans to transfer in money to offset the deficit.

**III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

As of September 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 5,115,835	0.13
TexStar	5,116,029	0.12
<b>Total Fair Value</b>	<u><u>\$ 10,231,864</u></u>	
Portfolio weighted average maturity		0.13

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

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

at the depository bank to be collateralized by securities. As of September 30, 2017, fair market values of pledged securities and FDIC coverage exceeded bank balances.

*Custodial credit risk – investments.* For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

**TexPool**

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

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

**TexSTAR**

The Texas Short Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

**B. Receivables and Prepaid Items**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the debt service fund, the EDC, the PID, the nonmajor governmental funds in the aggregate, and the enterprise funds, including the applicable allowances for uncollectible accounts:

**Governmental Funds**

	General	Debt Service	Sealy Economic Development Corporation	Public Improvement District Number One	Nonmajor
Accounts	\$ -	\$ -	\$ -	\$ -	\$ 26,269
Property taxes	40,254	42,258	-	-	-
Sales taxes	341,730	-	170,865	-	-
Hotel/motel taxes	-	-	-	-	52,945
Franchise taxes	6,043	-	-	-	-
Special assessments	5,571	-	-	358,463	-
Other	231,127	-	-	-	-
Less allowance	(5,571)	-	-	-	(139)
<b>Total</b>	<b>\$ 619,154</b>	<b>\$ 42,258</b>	<b>\$ 170,865</b>	<b>\$ 358,463</b>	<b>\$ 79,075</b>

**Proprietary Funds**

	Water and Sewer	Gas	Solid Waste
Accounts	\$ 405,095	\$ 182,515	\$ 236,439
Less allowance	(2,573)	(425)	(1,797)
<b>Total</b>	<b>\$ 402,522</b>	<b>\$ 182,090</b>	<b>\$ 234,642</b>

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**C. Capital Assets**

A summary of changes in capital assets for the year end is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,464,174	\$ 20,000	\$ -	\$ 1,484,174
Construction in progress	158,322	128,400	(158,322)	128,400
<b>Total capital assets not being depreciated</b>	<u>1,622,496</u>	<u>148,400</u>	<u>(158,322)</u>	<u>1,612,574</u>
Other capital assets:				
Buildings	4,641,666	-	-	4,641,666
Improvements other than buildings	7,665,346	43,547	-	7,708,893
Intangibles	112,287	43,008	-	155,295
Machinery and equipment	2,452,967	201,880	(11,043)	2,643,804
<b>Total other capital assets</b>	<u>14,872,266</u>	<u>288,435</u>	<u>(11,043)</u>	<u>15,149,658</u>
Less accumulated depreciation for:				
Buildings	(1,319,361)	(124,047)		(1,443,408)
Improvements other than buildings	(1,718,012)	(232,348)	11,043	(1,939,317)
Intangibles	(89,350)	(14,191)		(103,541)
Machinery and equipment	(1,634,060)	(238,216)		(1,872,276)
<b>Total accumulated depreciation</b>	<u>(4,760,783)</u>	<u>(608,802)</u>	<u>11,043</u>	<u>(5,358,542)</u>
<b>Other capital assets, net</b>	<u>10,111,483</u>	<u>(320,367)</u>	<u>-</u>	<u>9,791,116</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 11,733,979</u>	<u>\$ (171,967)</u>	<u>\$ (158,322)</u>	<u>11,403,690</u>
				Less associated debt (7,834,629)
				Unspent bond proceeds 2,141,114
				Deferred charge on refunding 14,558
				<b>Net Investment in Capital Assets</b> <u>\$ 5,724,733</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 52,748
Public safety	163,294
Highways and streets	230,706
Culture and recreation	160,826
Health and welfare	1,228
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 608,802</u>

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 187,940	\$ -	\$ -	\$ 187,940
Construction in progress	425,305	669,099	-	1,094,404
<b>Total capital assets not             being depreciated</b>	<u>613,245</u>	<u>669,099</u>	<u>-</u>	<u>1,282,344</u>
Other capital assets:				
Buildings and improvements	222,581	7,930	-	230,511
Distribution and collection systems	16,778,941	78,893	-	16,857,834
Machinery and equipment	1,436,418	-	-	1,436,418
<b>Total other capital assets</b>	<u>18,437,940</u>	<u>86,823</u>	<u>-</u>	<u>18,524,763</u>
Less accumulated depreciation for:				
Buildings and improvements	(155,155)	(60,794)	-	(215,949)
Distribution and collection systems	(6,598,961)	(371,004)	-	(6,969,965)
Machinery and equipment	(1,161,756)	(52,477)	-	(1,214,233)
<b>Total accumulated depreciation</b>	<u>(7,915,872)</u>	<u>(484,275)</u>	<u>-</u>	<u>(8,400,147)</u>
<b>Other capital assets, net</b>	<u>10,522,068</u>	<u>(397,452)</u>	<u>-</u>	<u>10,124,616</u>
<b>Business-Type Activities         Capital Assets, Net</b>	<u>\$ 11,135,313</u>	<u>\$ 271,647</u>	<u>\$ -</u>	<u>11,406,960</u>
		Less associated debt		<u>(15,857)</u>
		<b>Net Investment in Capital Assets</b>		<u><u>\$ 11,391,103</u></u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 454,038
Gas	30,237
<b>Total Business-Type Activities Depreciation Expense</b>	<u><u>\$ 484,275</u></u>

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**D. Long-Term Debt**

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes, and other payables:					
General obligation refunding bonds	\$ 845,000	\$ -	\$ 185,000	\$ 660,000	\$ 190,000
Certificates of obligation	20,865,000	-	640,000	20,225,000	655,000
Total bonds, notes, and other payables	<u>21,710,000</u>	<u>-</u>	<u>825,000</u>	<u>20,885,000</u>	<u>* 845,000</u>
Other liabilities:					
Premium on bonds	1,016,406	-	58,501	957,905	*
Sales tax payable	555,595	-	31,155	524,440	-
Net pension liability	1,916,031	-	233,695	1,682,336	-
Compensated absences	316,226	144,118	131,847	328,497	295,647
<b>Total Governmental Activities</b>	<u>\$ 25,514,258</u>	<u>\$ 144,118</u>	<u>\$ 1,046,503</u>	<u>\$ 24,378,178</u>	<u>\$ 1,140,647</u>

Long-term debt due in more than one year \$ 23,237,531

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Business-Type Activities:</b>					
Other payables:					
Capital leases	\$ 48,557	\$ -	\$ 32,700	\$ 15,857	* \$ 15,857
Other liabilities:					
Net pension liability	809,216	-	62,043	747,173	-
Compensated absences	36,873	15,129	36,047	15,955	14,359
<b>Total Business-Type Activities</b>	<u>\$ 894,646</u>	<u>\$ 15,129</u>	<u>\$ 130,790</u>	<u>\$ 778,985</u>	<u>\$ 30,216</u>

Long-term debt due in more than one year \$ 748,769

Debt associated with governmental capital assets \$ 7,834,629  
Debt associated with business-type capital assets 14,024,133  
**Total debt associated with capital assets** \$ 21,858,762 \*

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. The governmental activities compensated absences and net pension liability are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<b><u>Governmental Activities</u></b>		
<b>General Obligation Refunding Bonds</b>		
Series 2016	1.58%	\$ 660,000
<b>Total General Obligation Bonds</b>		<b>660,000</b>
 <b>Certificates of Obligation</b>		
Series 2010*	3.00-4.25%	4,955,000
Series 2011	3.84%	1,535,000
Series 2015	2.00-4.00%	13,735,000
<b>Total Certificates of Obligation</b>		<b>20,225,000</b>
<b>Total Governmental Activities Long-Term Debt</b>		<b>\$ 20,885,000</b>
Description	Interest Rates	Balance
<b><u>Business-Type Activities</u></b>		
Backhoe loader	3.20%	\$ 15,857
<b>Total Capital Leases</b>		<b>15,857</b>
<b>Total Business-Type Activities Long-Term Debt</b>		<b>\$ 15,857</b>

\* The repayment of all or a portion of this general obligation debt is expected to be paid from revenues other than ad valorem tax revenues, including payments from tax increment reinvestment zones and payments from the 4B Development Corporation. Payments from tax increment reinvestment zones and the 4B Development Corporation may not be legally pledged to the obligations to which their payments are expected to be dedicated, but are contractually obligated to be paid to the City for that purpose.

The annual requirements to amortize general obligation bonds and certificates of obligation outstanding at year end were as follows:

Year Ending Sep. 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 845,000	\$ 801,478	\$ 1,646,478
2019	870,000	777,107	1,647,107
2020	905,000	744,685	1,649,685
2021	940,000	586,829	1,526,829
2022	970,000	675,794	1,645,794
2023-2027	5,495,000	2,788,978	8,283,978
2028-2032	6,485,000	1,648,100	8,133,100
2033-2035	4,375,000	354,600	4,729,600
<b>Total</b>	<b>\$ 20,885,000</b>	<b>\$ 8,377,571</b>	<b>\$ 29,262,571</b>



**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities (streets, drainage, public safety, water and wastewater) and equipment for general government and enterprise fund activities. These instruments include general obligation bonds and certificates of obligation. Future ad valorem tax revenues, water and sewer system revenues, or liens on property and equipment secure these debt obligations.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

**Capital Leases**

The annual requirement to amortize capital leases outstanding at year end were as follows:

Year Ending Sep. 30	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 15,857	\$ 500	\$ 16,357
<b>Total</b>	<b>\$ 15,857</b>	<b>\$ 500</b>	<b>\$ 16,357</b>

The assets acquired through capital leases are as follows:

Asset:	Business-Type Activities
Machinery and equipment	\$ 190,201
Less: Accumulated depreciation	(100,584)
<b>Total</b>	<b>\$ 89,617</b>

**Operating Leases**

On January 31, 2014, the City entered into a five-year lease agreement with 111Main Street, L.L.C. to rent one of its buildings. The lease became effective March 1, 2014 and extends through February 28, 2019. Future annual rental payments as of September 30, 2017 are:

Year Ended Sept. 30	Total
2018	\$ 18,000
2019	7,500
<b>Total</b>	<b>\$ 25,500</b>

**Obligations to State – Refund Taxes**

During 2013 and 2014, the Texas State Comptroller of Public Accounts notified the City that the State had remitted additional sales tax receipts totaling \$623,098 to the City that were not collected within the City limits. The terms of the settlement require the City to repay the State in noninterest installments of \$2,597 being withheld from the sales tax remittance each month from the Texas State Comptroller of Public Accounts through July 2034. The balance at year end is \$524,440.

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**Federal Arbitrage**

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

**E. Interfund Receivables and Payables**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Sealy economic development corporation	\$ 27,020
General	Solid waste	55,907
General	Gas	44,548
General	Nonmajor	233
Water and sewer	General	381,352
Water and sewer	Solid waste	127,546
		<u>\$ 636,606</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

**F. Interfund Transfers**

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
General	Sealy economic development corporation	\$ 22,192
Debt service	Sealy economic development corporation	79,000
Debt service	Nonmajor	42
Cryan Park recreational center	2015 CO's capital projects	100,000
Nonmajor	Nonmajor	72,012
Public improvement district number one	Nonmajor	2,167
Nonmajor	General	85,953
		<u>\$ 361,366</u>

Transfers are made between the governmental funds and the enterprise funds in lieu of franchise fees and overhead allocations. Amounts transferred between general, SEDC, PID, and nonmajor governmental funds were for various governmental expenditures and debt payments.

**G. Fund Equity**

As of September 30, 2017, \$383,900 of the City's total fund balance is restricted by enabling legislation.

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**IV. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

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

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

**C. Pension Plans**

**Texas Municipal Retirement System**

**Plan Description**

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

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

	<u>2017</u>	<u>2016</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to, but not yet receiving, benefits	46
Active employees	54
<b>Total</b>	<u><u>123</u></u>

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.03 percent and 15.07 percent in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$460,359, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

Actuarial Assumptions

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the three percent floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
<b>Total</b>	<b>100.0%</b>	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Changes for the year:			
Service cost	\$ 504,172	\$ -	\$ 504,172
Interest	911,239	-	911,239
Difference between expected and actual experience	(311,470)	-	(311,470)
Contributions - employer	-	474,650	(474,650)
Contributions - employee	-	205,306	(205,306)
Net investment income	-	728,387	(728,387)
Benefit payments, including refunds of employee contributions	(497,549)	(497,549)	-
Administrative expense	-	(8,221)	8,221
Other changes	-	(443)	443
<b>Net Changes</b>	<b>606,392</b>	<b>902,130</b>	<b>(295,738)</b>
Balance at December 31, 2015	13,496,532	10,771,285	2,725,247
<b>Balance at December 31, 2016</b>	<b>\$ 14,102,924</b>	<b>\$ 11,673,415</b>	<b>\$ 2,429,509</b>

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Sensitivity of the NPL to Changes in the Discount Rate

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

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's Net Pension Liability	\$ 4,729,144	\$ 2,429,509	\$ 582,364

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

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

For the fiscal year ended September 30, 2017, the City recognized net pension expense of \$519,490.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ 447,025
Changes in actuarial assumptions	50,809	-
Difference between projected and actual investment earnings	476,629	-
Contributions subsequent to the measurement date	352,993	-
<b>Total</b>	<b>\$ 880,431</b>	<b>\$ 447,025</b>

\$352,993 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ended September 30</b>	<b>Pension Expense</b>
2018	\$ 27,784
2019	34,278
2020	38,311
2021	(19,960)
<b>Total</b>	<b>\$ 80,413</b>

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

**D. Other Post Employment Benefits**

**1. TMRS Supplemental Death Benefits Fund**

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The 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 post employment benefit," or OPEB. For the year ended September 30, 2012, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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 fiscal years ended 2017 and 2016 were \$611 and \$472, respectively, which equaled the required contributions each year. The City's contribution rates for the past three years are shown below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Req. Contrib. (Rate)	0.02%	0.02%	0.00%
Actual Contribution Made	0.02%	0.02%	0.00%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

**E. Tax Abatements**

Chapter 380 Economic Development Agreement

Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs to promote state or local economic development and to stimulate business and commercial activity in the municipality.

The City has entered into a sales tax abatement agreement (the "Agreement") with Town Park Center (the "Developer") as authorized by Chapter 380 of the Texas Local Government Code. Under the Agreement, the Developer will develop a tract of land off of Interstate 10 for commercial and retail uses, which would in turn increase the property tax base, generate sales tax revenues, and create additional employment opportunities for the City. Under the agreement, the City would be responsible for remitting to the Developer annual grant payments of sales taxes collected from



**CITY OF SEALY, TEXAS**  
***NOTES TO FINANCIAL STATEMENTS (Continued)***  
**For the Year Ended September 30, 2017**

businesses within the development. Each annual grant payment would be equal to 50 percent of an incremental tax amount collected from the prior calendar year over a base year tax amount. The grant payment would continue annually until a cap of \$1.2 million is reached or until the Agreement terminates twelve years from its effective date, whichever occurs first. The Agreement provides for recapture in the event of a material breach. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2017.

The City has entered into a sales tax and property tax abatement agreement (the "Agreement") with Prasek's Hillje Smokehouse (Prasek's) as authorized by Chapter 380 of the Texas Local Government Code. Under the Agreement Prasek's will develop property for commercial and retail use, to create employment opportunities for the citizens of the City, to promote state and local economic development, and to stimulate business and commercial activity in the City. The City will provide economic development incentives through a combination of sales tax rebates and property tax abatements. Annual sales tax payments to the business will equate to 50 percent of an incremental tax amount over a base year tax amount. These payments will continue annually until a cap of \$825,000 is reached or until the Agreement terminates twenty years from the base year, whichever occurs first. The provision for property tax abatement applies to real property and tangible personal property located on Prasek's premises each year. The abatement is limited to seven years and provides for specific abatement percentages each year. Prasek's opened for business in August 2017. The agreement provides for recapture in the event of a material breach. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2017.

The City has entered into a property tax abatement agreement (the "Agreement") with Valerus Field Solutions (Valerus), a division of SNC-Lavalin, as authorized by Chapter 380 of the Texas Local Government Code to aid in the City's economic stimulus. Valerus is leasing approximately 52 acres of land on the former BAE Systems site, including three buildings measuring about 397,000 square feet, which will deal in the oil and gas industry. According to the Agreement, the City is to make a property tax grant payment to Valerus each year over a seven-year period, which is based upon business personal property inventory taxes combined with property taxes paid by Valerus to the City annually. In turn, Valerus must maintain a minimum of \$6.4 million added taxable value to the property and retain at least 250 full-time employees to collect the grant payment from the City each year. The Agreement provides for recapture in the event of a material breach. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2017.

The City has entered into a property tax abatement agreement (the "Agreement") with a Sika Corporation (Sika) as authorized by Chapter 380 of the Texas Local Government Code. The agreement establishes a program to provide incentives and financial assistance to Sika to encourage and promote development of the property, thereby enhancing and stimulating business and commercial activity in the City. In exchange for the City providing sufficient water, wastewater, and gas service lines to the property at no cost, Sika agreed to construct a manufacturing and distribution facility with a minimum of 65,000 square feet and an initial capital investment in land, building, infrastructure, and equipment of \$13 million. This was designated as Phase 1 of the project. In exchange for this investment, the City is to rebate specified percentages of the property taxes Sika pays to the City on real property, improvements, and personal property over a seven-year period. At its discretion, Sika may opt to construct Phase 2 of the project, which would consist of a roofing membrane manufacturing and distribution facility of not less than 75,000 square feet and a capital investment in building, infrastructure, and equipment of \$25 million. Again, the City would agree to rebate specified percentages of the property taxes it collects on the real property, improvements, and personal property from the second phase over a seven-year period. The agreement provides for

**CITY OF SEALY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

recapture in the event of a material breach. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2017.

Tax Increment Financing

Chapter 311 of the Texas Tax Code, *Tax Increment Financing Act*, provides the authority to the governing body of a municipality to designate a continuous geographical area within the municipality as a reinvestment zone to promote development or redevelopment of the area the governing body determines that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future.

The City has one active Tax Increment Reinvestment Zone (TIRZ#2) under Chapter 311 of the Texas Tax Code. The City created the Sealy Development Authority (the "Authority") under Chapter 431, Subchapter D of the Texas Transportation Code to carry out the purposes of TIRZ#2. TIRZ#2 and the Authority entered into a development agreement (the "Agreement") with a developer (the "Developer") on July 17, 2006. Under the Agreement, the Developer will acquire, construct, and develop public improvements within the portion of the TIRZ comprising the Sealy Homestead Subdivision (the "Project"). The Authority will repay the Developer for Project costs until the Project costs are repaid in full from annual property taxes collected by the City and Austin County (the "County") in TIRZ#2 less any amounts required to be disbursed to the Sealy Independent School District (SISD) for Project expenses relate to education facilities incurred by SISD and amounts reasonably required or anticipated to be required for the administration and operation of TIRZ#2. For the year ended September 30, 2017, the total amount of tax increments collected in TIRZ#2 was \$41,695 for the City and \$48,804 for the County and the Developer was reimbursed \$72,012.

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND (Page 1 of 2)**  
**For the Year Ended September 30, 2017**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Taxes:				
Property	\$ 1,215,206	\$ 1,179,500	\$ 1,179,698	\$ 198
Sales	1,362,500	1,598,000	1,598,093	93
Franchise	1,564,900	1,448,800	1,454,601	5,801
Permits, licenses, and fees	161,650	189,150	187,028	(2,122)
Property rentals	27,500	18,975	19,765	790
Charges for services	38,700	57,600	57,849	249
Fines	395,900	451,750	454,286	2,536
Investment earnings	2,005	2,005	1,461	(544)
Intergovernmental	-	145,005	145,008	3
Other revenue	22,470	174,473	174,055	(418)
<b>Total Revenues</b>	<b>4,790,831</b>	<b>5,265,258</b>	<b>5,271,844</b>	<b>6,586</b>
<b><u>Expenditures</u></b>				
General government:				
City Council	54,043	56,618	56,512	106
City Manager	332,169	336,804	333,351	3,453
City Hall	214,279	176,044	175,465	579
Finance	447,851	453,883	451,007	2,876
City Secretary	115,448	125,228	125,051	177
Public works	233,840	263,279	261,740	1,539
Court	243,922	238,193	236,407	1,786
Information technology	96,760	113,955	113,582	373
Mechanic shop	-	31,910	31,771	139
Main street program	108,363	91,418	90,059	1,359
Nondepartmental	35,500	86,904	100,372	(13,468) *
<b>Total General Government Expenditures</b>	<b>1,882,175</b>	<b>1,974,236</b>	<b>1,975,317</b>	<b>(1,081)</b>
Public safety:				
Police	2,142,428	2,302,446	2,301,388	1,058
Planning and community development	405,221	392,673	387,314	5,359
Fire marshal	48,645	52,145	50,046	2,099
<b>Total Public Safety Expenditures</b>	<b>2,596,294</b>	<b>2,747,264</b>	<b>2,738,748</b>	<b>8,516</b>
Highways and streets	453,502	362,096	360,931	1,165
Health and welfare	38,330	31,065	28,640	2,425
Culture and recreation	441,552	310,947	309,857	1,090
Capital outlay	141,821	96,496	96,489	7
<b>Total Expenditures</b>	<b>5,553,674</b>	<b>5,522,104</b>	<b>5,509,982</b>	<b>12,122</b>
<b>(Deficiency) of Revenues</b>				
<b>(Under) Expenditures</b>	<b>(762,843)</b>	<b>(256,846)</b>	<b>(238,138)</b>	<b>18,708</b>

**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND (Page 2 of 2)**  
**For the Year Ended September 30, 2017**

	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	\$ 53,418	\$ 22,183	\$ 22,192	\$ 9
Transfers (out)	-	(85,953)	(85,953)	-
<b>Total Other Financing Sources (Uses)</b>	<u>53,418</u>	<u>(63,770)</u>	<u>(63,761)</u>	<u>9</u>
<b>Net Change in Fund Balance</b>	<u>\$ (709,425)</u>	<u>\$ (320,616)</u>	<u>(301,899)</u>	<u>\$ 18,717</u>
Beginning fund balance			<u>536,520</u>	
<b>Ending Fund Balance</b>			<u><u>\$ 234,621</u></u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. \* Expenditures exceeded appropriations at the legal level of control.

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**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**PUBLIC IMPROVEMENT DISTRICT NUMBER ONE**  
For the Year Ended September 30, 2017

	Original Budget Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Investment earnings	\$ 15	\$ 15	\$ 28	\$ 13
<b>Total Revenues</b>	<u>15</u>	<u>15</u>	<u>28</u>	<u>13</u>
<b><u>Expenditures</u></b>				
General government:				
General administration	6,000	6,000	2,206	3,794
<b>Total Expenditures</b>	<u>6,000</u>	<u>6,000</u>	<u>2,206</u>	<u>3,794</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(5,985)</u>	<u>(5,985)</u>	<u>(2,178)</u>	<u>3,807</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	5,985	5,985	2,167	(3,818)
<b>Total Other Financing Sources</b>	<u>5,985</u>	<u>5,985</u>	<u>2,167</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	(11)	<u>\$ (11)</u>
Beginning fund balance			<u>14</u>	
<b>Ending Fund Balance</b>			<u>\$ 3</u>	

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**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**SEALY ECONOMIC DEVELOPMENT CORPORATION**  
For the Year Ended September 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Sales taxes	\$ 680,000	\$ 795,000	\$ 795,272	\$ 272
Investment earnings	1,000	1,000	1,121	121
Miscellaneous	-	-	8	8
<b>Total Revenues</b>	<b>681,000</b>	<b>796,000</b>	<b>796,401</b>	<b>401</b>
<b><u>Expenditures</u></b>				
General government:				
General administration	105,932	107,517	106,643	874
Supplies	2,420	1,420	470	950
Professional services	9,000	6,000	4,950	1,050
Miscellaneous	199,119	81,009	80,090	919
<b>Total Expenditures</b>	<b>316,471</b>	<b>195,946</b>	<b>192,153</b>	<b>3,793</b>
<b>Excess of Revenue Over Expenditures</b>	<b>364,529</b>	<b>600,054</b>	<b>604,248</b>	<b>4,194</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers (out)	(532,418)	(101,191)	(101,192)	(1)
<b>Total Other Financing (Uses)</b>	<b>(532,418)</b>	<b>(101,191)</b>	<b>(101,192)</b>	<b>(1)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (167,889)</b>	<b>\$ 498,863</b>	<b>503,056</b>	<b>\$ 4,193</b>
Beginning fund balance			1,105,580	
<b>Ending Fund Balance</b>			<b>\$ 1,608,636</b>	

**CITY OF SEALY, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
For the Year Ended September 30, 2017

	Measurement Year*		
	2014	2015	2016
<b>Total Pension Liability</b>			
Service cost	\$ 409,359	\$ 456,744	\$ 504,172
Interest (on the total pension liability)	828,558	893,711	911,239
Difference between expected and actual experience	(54,420)	(338,401)	(311,470)
Change of assumptions	-	90,196	-
Benefit payments, including refunds of employee contributions	(263,614)	(289,278)	(497,549)
<b>Net Change in Total Pension Liability</b>	<u>919,883</u>	<u>812,972</u>	<u>606,392</u>
Beginning total pension liability	<u>11,763,677</u>	<u>12,683,560</u>	<u>13,496,532</u>
<b>Ending Total Pension Liability</b>	<u><u>\$ 12,683,560</u></u>	<u><u>\$ 13,496,532</u></u>	<u><u>\$ 14,102,924</u></u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 413,490	\$ 431,078	\$ 474,650
Contributions - employee	189,426	193,185	205,306
Net investment income	546,494	15,394	728,387
Benefit payments, including refunds of employee contributions	(263,614)	(289,278)	(497,549)
Administrative expense	(5,704)	(9,375)	(8,221)
Other	(469)	(464)	(443)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>879,623</u>	<u>340,540</u>	<u>902,130</u>
Beginning plan fiduciary net position	<u>9,551,122</u>	<u>10,430,745</u>	<u>10,771,285</u>
<b>Ending Plan Fiduciary Net Position</b>	<u><u>\$ 10,430,745</u></u>	<u><u>\$ 10,771,285</u></u>	<u><u>\$ 11,673,415</u></u>
<b>Net Pension Liability</b>	<u><u>\$ 2,252,815</u></u>	<u><u>\$ 2,725,247</u></u>	<u><u>\$ 2,429,509</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	82.24%	79.81%	82.77%
<b>Covered Employee Payroll</b>	\$ 2,706,088	\$ 2,759,784	\$ 2,932,939
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	83.25%	98.75%	82.84%

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

**CITY OF SEALY, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2017**

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 412,266	\$ 431,638	\$ 466,817	\$ 460,359
Contributions in relation to the actuarially determined contribution	412,266	431,638	466,817	460,359
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,706,088	\$ 2,779,106	\$ 3,065,618	\$ 3,056,848
Contributions as a percentage of covered employee payroll	15.23%	15.53%	15.23%	15.06%

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

**Notes to Required Supplementary Information:**

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

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***COMBINING STATEMENTS  
AND SCHEDULES***



**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**

For the Year Ended September 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Property taxes	\$ 1,580,795	\$ 1,601,075	\$ 1,601,078	\$ 3
Investment earnings	2,000	2,000	2,736	736
<b>Total Revenues</b>	<u>1,582,795</u>	<u>1,603,075</u>	<u>1,603,814</u>	<u>739</u>
<b><u>Expenditures</u></b>				
Debt service:				
Principal	825,000	825,000	825,000	-
Interest and fiscal agent fees	822,345	822,345	822,095	250
<b>Total Expenditures</b>	<u>1,647,345</u>	<u>1,647,345</u>	<u>1,647,095</u>	<u>250</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(64,550)</u>	<u>(44,270)</u>	<u>(43,281)</u>	<u>989</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	79,000	79,000	79,042	42
<b>Total Other Financing Sources</b>	<u>79,000</u>	<u>79,000</u>	<u>79,042</u>	<u>42</u>
<b>Net Change in Fund Balance</b>	<u>\$ 14,450</u>	<u>\$ 34,730</u>	35,761	<u>\$ 1,031</u>
Beginning fund balance			<u>383,540</u>	
<b>Ending Fund Balance</b>			<u>\$ 419,301</u>	

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**CITY OF SEALY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2017

**SPECIAL REVENUE FUNDS**

**Special Revenue Funds** are used to account for and report specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**Hotel/Motel Occupancy Tax Fund**

This fund is used to account for activities related to the collection of the City's hotel occupancy tax.

**Tax Increment Reinvestment Zone Fund Number Two**

This fund is used to account for accumulation of ad valorem taxes collected by the City and County resulting from increased tax valuation for public improvements constructed within the zone. These funds are periodically transferred to a tax increment fund and are subsequently utilized to finance the public improvements.

**Chapter 59 Forfeited Property Fund**

This fund is used to account for forfeited funds or interest earned on funds derived from the sale of forfeited property seized by the local law enforcement agency.

**Texas Capital Fund Grant Fund**

This fund is used to account for the operations of projects utilizing grant funds received from the Texas Capital Fund. Such revenues are restricted to expenditures for specified projects approved/outlined by the Texas Capital Fund.

**Municipal Drainage Fund**

This fund is used to account for municipal drainage fees assessed on utility billing and the associated capital outlay.

**Municipal Court Technology Fund**

This fund is used to account for court costs collected from defendants to finance the purchase of or to maintain technological enhancements for the municipal court.

**Judicial Efficiency Fund**

This fund is used to account for court costs collected from defendants to improve efficiency of the administration of justice in municipal court.

**Municipal Court Building Security Fund**

This fund is used to account for court costs collected from defendants to finance the purchase of security devices and/or services for the building that houses municipal court.

**Child Safety Fund**

This fund is used to account for court costs collected from defendants to enhance child safety, health, or nutrition, including child abuse intervention and prevention and drug and alcohol abuse prevention.

**Main Street Program Fund**

This fund is used to account for funds collected to improve and preserve the downtown environment through organization, design, promotion, and economic restructuring.

**Park Land Dedication Fund**

This fund is used to account for funds received from developers who develop residential areas and opt to meet the requirements of dedicating land to the City for park purposes by making cash payments in lieu of land dedication. The City must expend these funds within ten years of receipt for acquisition or development of neighborhood parks.

**Sealy Development Authority**

This fund is used to account for accumulation of amounts due to developers and others related to developments located within the Tax Increment Reinvestment Zone Number Two and the Public Improvement District Number One.

**CAPITAL PROJECTS FUNDS**

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

**Capital Projects**

This fund is used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects.

**CITY OF SEALY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2017

		Special Revenue Funds			
		Hotel/Motel Occupancy Tax	Tax Increment Investment Zone Number Two	Chapter 59 Forfeited Property	Texas Capital Fund Grant
<b><u>Assets</u></b>					
Current assets:					
Cash and cash equivalents		\$ 147,688	\$ 2,505	\$ 22,101	\$ -
Receivables, net		52,945	-	-	-
<b>Total Assets</b>		<b>\$ 200,633</b>	<b>\$ 2,505</b>	<b>\$ 22,101</b>	<b>\$ -</b>
<b><u>Liabilities and Fund Balance</u></b>					
Liabilities:					
Accounts payable		\$ 5,672	\$ -	\$ 625	\$ -
Accrued liabilities		813	-	-	-
Due to other funds		-	-	-	-
<b>Total Liabilities</b>		<b>6,485</b>	<b>-</b>	<b>625</b>	<b>-</b>
<b><u>Fund balances:</u></b>					
Restricted:					
Municipal drainage		-	-	-	-
Hotel/motel occupancy tax		194,148	-	-	-
TIRZ		-	2,505	-	-
Forfeited property		-	-	21,476	-
Municipal court		-	-	-	-
Child safety		-	-	-	-
Park land dedication		-	-	-	-
<b>Total Fund Balances</b>		<b>194,148</b>	<b>2,505</b>	<b>21,476</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>		<b>\$ 200,633</b>	<b>\$ 2,505</b>	<b>\$ 22,101</b>	<b>\$ -</b>

**Special Revenue Funds**

<b><u>Municipal Drainage</u></b>	<b><u>Municipal Court Technology</u></b>	<b><u>Judicial Efficiency</u></b>	<b><u>Municipal Court Building Security</u></b>	<b><u>Child Safety</u></b>	<b><u>Main Street Program</u></b>
\$ 509,729	\$ 30,199	\$ 16,484	\$ 116,475	\$ 5,396	\$ -
26,130	-	-	-	-	-
<u>\$ 535,859</u>	<u>\$ 30,199</u>	<u>\$ 16,484</u>	<u>\$ 116,475</u>	<u>\$ 5,396</u>	<u>\$ -</u>
\$ 7,225	\$ 45	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	233	-	-
<u>7,225</u>	<u>45</u>	<u>-</u>	<u>233</u>	<u>-</u>	<u>-</u>
528,634	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	30,154	16,484	116,242	-	-
-	-	-	-	5,396	-
-	-	-	-	-	-
<u>528,634</u>	<u>30,154</u>	<u>16,484</u>	<u>116,242</u>	<u>5,396</u>	<u>-</u>
<u>\$ 535,859</u>	<u>\$ 30,199</u>	<u>\$ 16,484</u>	<u>\$ 116,475</u>	<u>\$ 5,396</u>	<u>\$ -</u>



**CITY OF SEALY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2017

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Park Land Dedication</u>	<u>Sealy Development Authority</u>	<u>Capital Projects</u>	
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 4,749	\$ -	\$ -	\$ 855,326
Receivables, net	-	-	-	79,075
<b>Total Assets</b>	<b>\$ 4,749</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 934,401</b>
<b><u>Liabilities and Fund Balance</u></b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 13,567
Accrued liabilities	-	-	-	813
Due to other funds	-	-	-	233
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,613</b>
<b><u>Fund balances:</u></b>				
Restricted:				
Municipal drainage	-	-	-	528,634
Hotel/motel occupancy tax	-	-	-	194,148
TIRZ	-	-	-	2,505
Forfeited property	-	-	-	21,476
Municipal court	-	-	-	162,880
Child safety	-	-	-	5,396
Park land dedication	4,749	-	-	4,749
<b>Total Fund Balances</b>	<b>4,749</b>	<b>-</b>	<b>-</b>	<b>919,788</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,749</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 934,401</b>

**CITY OF SEALY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2017

	Special Revenue Funds			
	Hotel/Motel Occupancy Tax	Tax Increment Investment Zone Number Two	Chapter 59 Forfeited Property	Texas Capital Fund Grant
<b>Revenues</b>				
Property taxes	\$ -	\$ 90,499	\$ -	\$ -
Occupancy tax	163,058	-	-	-
Intergovernmental	-	-	-	4,380
Municipal drainage fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment earnings	121	9	18	-
Other revenue	276	-	5,619	-
<b>Total Revenues</b>	<b>163,455</b>	<b>90,508</b>	<b>5,637</b>	<b>4,380</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	110,411	17,308	-	4,380
Health and welfare	-	-	-	-
Public safety	-	-	625	-
<b>Total Expenditures</b>	<b>110,411</b>	<b>17,308</b>	<b>625</b>	<b>4,380</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>53,044</b>	<b>73,200</b>	<b>5,012</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	-	-
Transfer (out)	-	(74,179)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(74,179)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>53,044</b>	<b>(979)</b>	<b>5,012</b>	<b>-</b>
Beginning fund balances	141,104	3,484	16,464	-
<b>Ending Fund Balances</b>	<b>\$ 194,148</b>	<b>\$ 2,505</b>	<b>\$ 21,476</b>	<b>\$ -</b>

**Special Revenue Funds**

<b>Municipal Drainage</b>	<b>Municipal Court Technology</b>	<b>Judicial Efficiency</b>	<b>Municipal Court Building Security</b>	<b>Child Safety</b>	<b>Main Street Program</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
133,772	-	-	-	-	-
-	14,185	3,309	10,639	373	-
586	26	15	113	5	-
-	-	-	-	-	441
<u>134,358</u>	<u>14,211</u>	<u>3,324</u>	<u>10,752</u>	<u>378</u>	<u>441</u>
-	10,378	2,239	2,865	-	-
231,757	-	-	-	-	-
-	-	-	-	-	-
<u>231,757</u>	<u>10,378</u>	<u>2,239</u>	<u>2,865</u>	<u>-</u>	<u>-</u>
<u>(97,399)</u>	<u>3,833</u>	<u>1,085</u>	<u>7,887</u>	<u>378</u>	<u>441</u>
-	-	-	-	-	85,953
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,953</u>
(97,399)	3,833	1,085	7,887	378	86,394
<u>626,033</u>	<u>26,321</u>	<u>15,399</u>	<u>108,355</u>	<u>5,018</u>	<u>(86,394)</u>
<u>\$ 528,634</u>	<u>\$ 30,154</u>	<u>\$ 16,484</u>	<u>\$ 116,242</u>	<u>\$ 5,396</u>	<u>\$ -</u>





**CITY OF SEALY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2017

	Special Revenue Funds		Capital Project Fund	Total Nonmajor Governmental Funds
	Park Land Dedication	Sealy Development Authority	Capital Projects	
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 90,499
Occupancy tax	-	-	-	163,058
Intergovernmental	-	-	-	4,380
Municipal drainage fee	-	-	-	133,772
Fines and forfeitures	-	-	-	28,506
Investment earnings	5	-	-	898
Other revenue	-	-	-	6,336
<b>Total Revenues</b>	<u>5</u>	<u>-</u>	<u>-</u>	<u>427,449</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	72,012	-	219,593
Health and welfare	-	-	-	231,757
Public safety	-	-	-	625
<b>Total Expenditures</b>	<u>-</u>	<u>72,012</u>	<u>-</u>	<u>451,975</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>5</u>	<u>(72,012)</u>	<u>-</u>	<u>(24,526)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	72,012	-	157,965
Transfer (out)	-	-	(42)	(74,221)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>72,012</u>	<u>(42)</u>	<u>83,744</u>
<b>Net Change in Fund Balances</b>	<u>5</u>	<u>-</u>	<u>(42)</u>	<u>59,218</u>
Beginning fund balances	<u>4,744</u>	<u>-</u>	<u>42</u>	<u>860,570</u>
<b>Ending Fund Balances</b>	<u>\$ 4,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 919,788</u>

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**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended September 30, 2017

		Hotel/Motel Occupancy Tax			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>					
Occupancy tax		\$ 190,000	\$ 163,000	\$ 163,058	\$ 58
Investment earnings		200	200	121	(79)
Other revenue		-	-	276	276
<b>Total Revenues</b>		<u>190,200</u>	<u>163,200</u>	<u>163,455</u>	<u>255</u>
<b><u>Expenditures</u></b>					
<b>Current:</b>					
Culture and recreation		<u>190,200</u>	<u>111,495</u>	<u>110,411</u>	<u>1,084</u>
<b>Total Expenditures</b>		<u>190,200</u>	<u>111,495</u>	<u>110,411</u>	<u>1,084</u>
<b>Net Change in Fund Balance</b>		<u>\$ -</u>	<u>\$ 51,705</u>	53,044	<u>\$ 1,339</u>
Beginning fund balance				<u>141,104</u>	
<b>Ending Fund Balance</b>				<u>\$ 194,148</u>	

**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended September 30, 2017

Chapter 59 Forfeited Property				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Investment earnings	\$ 40	\$ 40	\$ 18	\$ (22)
Other revenue	7,500	5,615	5,619	4
<b>Total Revenues</b>	<b>7,540</b>	<b>5,655</b>	<b>5,637</b>	<b>(18)</b>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
Public safety	-	625	625	-
<b>Total Expenditures</b>	<b>-</b>	<b>625</b>	<b>625</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ 7,540</b>	<b>\$ 5,030</b>	<b>5,012</b>	<b>\$ (18)</b>
Beginning fund balance			16,464	
<b>Ending Fund Balance</b>			<b>\$ 21,476</b>	

**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended September 30, 2017

		Municipal Drainage			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive Positive (Negative)
<u>Revenues</u>					
Fines and forfeitures		\$ 124,700	\$ 133,685	\$ 133,772	\$ 87
Investment earnings		500	500	586	86
Total Revenues		125,200	134,185	134,358	173
<u>Expenditures</u>					
Current:					
Health and welfare		125,200	231,960	231,757	203
Total Expenditures		125,200	231,960	231,757	203
Net Change in Fund Balance		\$ -	\$ (97,775)	(97,399)	\$ 376
Beginning fund balance				626,033	
Ending Fund Balance				\$ 528,634	

**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended September 30, 2017

Municipal Court Technology				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Fines and forfeitures	\$ 15,000	\$ 15,000	\$ 14,185	\$ (815)
Investment earnings	25	25	26	1
<b>Total Revenues</b>	<u>15,025</u>	<u>15,025</u>	<u>14,211</u>	<u>(814)</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General government	<u>5,840</u>	<u>11,340</u>	<u>10,378</u>	<u>962</u>
<b>Total Expenditures</b>	<u>5,840</u>	<u>11,340</u>	<u>10,378</u>	<u>962</u>
<b>Net Change in Fund Balance</b>	<u>\$ 9,185</u>	<u>\$ 3,685</u>	<u>3,833</u>	<u>\$ 148</u>
Beginning fund balance			<u>26,321</u>	
<b>Ending Fund Balance</b>			<u>\$ 30,154</u>	

**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended September 30, 2017

Municipal Court Building Security				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 10,639	\$ 639
Investment earnings	100	100	113	13
<b>Total Revenues</b>	<u>10,100</u>	<u>10,100</u>	<u>10,752</u>	<u>652</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	<u>18,250</u>	<u>12,750</u>	<u>2,865</u>	<u>9,885</u>
<b>Total Expenditures</b>	<u>18,250</u>	<u>12,750</u>	<u>2,865</u>	<u>9,885</u>
<b>Net Change in Fund Balance</b>	<u><u>\$ (8,150)</u></u>	<u><u>\$ (2,650)</u></u>	<u>7,887</u>	<u><u>\$ 10,537</u></u>
Beginning fund balance			<u>108,355</u>	
<b>Ending Fund Balance</b>			<u><u>\$ 116,242</u></u>	





**CITY OF SEALY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended September 30, 2017

		Judicial Efficiency			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>					
	Fines and forfeitures	\$ 4,000	\$ 4,000	\$ 3,309	\$ (691)
	Investment earnings	25	25	15	\$ (10)
	Total Revenues	<u>4,025</u>	<u>4,025</u>	<u>3,324</u>	<u>(701)</u>
<u>Expenditures</u>					
Current:					
	General government	<u>6,250</u>	<u>6,250</u>	<u>2,239</u>	<u>4,011</u>
	Total Expenditures	<u>6,250</u>	<u>6,250</u>	<u>2,239</u>	<u>4,011</u>
	Net Change in Fund Balance	<u>\$ (2,225)</u>	<u>\$ (2,225)</u>	1,085	<u>\$ 3,310</u>
Beginning fund balance				<u>15,399</u>	
	Ending Fund Balance			<u>\$ 16,484</u>	

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## ***STATISTICAL SECTION***

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

<b>Contents</b>	<b>Page</b>
Financial Trends	110
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	120
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	128
<i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	137
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	141
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

# CITY OF SEALY, TEXAS

## NET POSITION BY COMPONENT

Last Ten Years  
(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 3,801,951	\$ 4,124,276	\$ 4,274,217	\$ 5,483,183
Restricted	1,168,255	960,492	706,412	888,184
Unrestricted	(2,013,661)	(1,762,021)	(746,217)	(726,882)
<b>Total Governmental Activities Net Position</b>	<u>\$ 2,956,545</u>	<u>\$ 3,322,747</u>	<u>\$ 4,234,412</u>	<u>\$ 5,644,485</u>
<b>Business-Type Activities</b>				
Net investment in capital assets	\$ 8,001,084	\$ 7,906,973	\$ 8,425,198	\$ 9,087,667
Unrestricted	1,123,789	1,576,656	2,008,396	2,130,581
<b>Total Business-Type Activities Net Position</b>	<u>\$ 9,124,873</u>	<u>\$ 9,483,629</u>	<u>\$ 10,433,594</u>	<u>\$ 11,218,248</u>
<b>Primary Government</b>				
Net investment in capital assets	\$ 9,460,266	\$ 9,789,023	\$ 10,489,223	\$ 12,821,738
Restricted	1,168,255	960,492	706,412	888,184
Unrestricted	1,452,897	2,056,861	3,472,371	3,152,811
<b>Total Primary Government Net Position</b>	<u>\$ 12,081,418</u>	<u>\$ 12,806,376</u>	<u>\$ 14,668,006</u>	<u>\$ 16,862,733</u>

(1) Beginning in fiscal year 2014, the Sealy Economic Development Corporation is presented as a blended component unit.

Fiscal Year					
2012	2013	2014 <sup>(1)</sup>	2015	2016	2017
\$ 7,937,295	\$ 5,922,681	\$ 6,060,705	\$ 5,722,904	\$ 5,742,788	\$ 5,724,733
2,850,640	2,380,906	1,889,033	4,234,975	3,790,110	2,963,194
(5,039,321)	(1,699,132)	(1,724,419)	(1,105,908)	(4,058,146)	(3,909,394)
<u>\$ 5,748,614</u>	<u>\$ 6,604,455</u>	<u>\$ 6,225,319</u>	<u>\$ 8,851,971</u>	<u>\$ 5,474,752</u>	<u>\$ 4,778,533</u>
\$ 10,906,238	\$ 10,541,614	\$ 10,516,142	\$ 11,012,307	\$ 11,086,756	\$ 11,391,103
2,239,827	2,356,734	1,550,524	1,121,869	1,772,344	2,012,545
<u>\$ 13,146,065</u>	<u>\$ 12,898,348</u>	<u>\$ 12,066,666</u>	<u>\$ 12,134,176</u>	<u>\$ 12,859,100</u>	<u>\$ 13,403,648</u>
\$ 14,994,017	\$ 18,997,159	\$ 16,576,847	\$ 16,735,211	\$ 15,666,550	\$ 15,240,540
2,850,640	2,380,906	1,889,033	4,234,975	3,790,110	2,963,194
1,050,022	(1,875,262)	(173,895)	15,961	(1,122,808)	(21,553)
<u>\$ 18,894,679</u>	<u>\$ 19,502,803</u>	<u>\$ 18,291,985</u>	<u>\$ 20,986,147</u>	<u>\$ 18,333,852</u>	<u>\$ 18,182,181</u>

# CITY OF SEALY, TEXAS

## CHANGES IN NET POSITION

Last Ten Years  
(accrual basis of accounting)

		Fiscal Year			
		2008	2009	2010	2011
<b>Expenses</b>					
Governmental activities					
General government	\$	1,650,595	\$ 1,588,600	\$ 1,601,585	\$ 1,360,731
Public safety		1,478,090	1,720,773	1,861,790	1,959,212
Highways and streets		395,050	478,264	489,717	481,946
Health and welfare		72,831	58,013	69,197	61,255
Culture and recreation		254,787	352,881	393,980	416,820
Interest on long-term debt		208,246	196,919	254,990	399,494
<b>Total Governmental Activities Expenses</b>		<u>4,059,599</u>	<u>4,395,450</u>	<u>4,671,259</u>	<u>4,679,458</u>
<b>Business-Type Activities</b>					
Water and sewer		1,321,467	1,338,387	1,382,898	1,467,129
Gas		2,000,581	1,354,423	1,391,186	1,259,009
Solid waste		505,908	527,839	502,904	510,992
<b>Total Business-Type Activities Expenses</b>		<u>3,827,956</u>	<u>3,220,649</u>	<u>3,276,988</u>	<u>3,237,130</u>
<b>Total Expenses</b>	\$	<u><u>7,887,555</u></u>	<u><u>7,616,099</u></u>	<u><u>7,948,247</u></u>	<u><u>7,916,588</u></u>
<b>Program Revenues</b>					
Governmental activities					
Fees, fines, and charges for services					
General government	\$	8,360	\$ 18,475	\$ 9,356	\$ 30,550
Public safety		623,392	609,006	541,008	574,783
Highways and streets		122,611	136,315	122,483	123,263
Culture and recreation		23,730	25,080	21,215	23,455
Operating grants and contributions		317,697	359,621	14,325	610,567
Capital grants and contributions		267,210	-	1,466,333	761,602
<b>Total Governmental Activities Program Revenues</b>		<u>1,363,000</u>	<u>1,148,497</u>	<u>2,174,720</u>	<u>2,124,220</u>
<b>Business-Type Activities</b>					
Charges for services					
Water and sewer		1,562,874	1,661,905	1,669,459	2,041,847
Gas		2,124,470	1,460,170	1,594,494	1,448,262
Solid waste		441,577	480,164	522,018	524,378
Operating grants and contributions		-	-	-	-
Capital grants and contributions		-	-	337,039	306,653
<b>Total Business-Type Activities Program Revenues</b>		<u>4,128,921</u>	<u>3,602,239</u>	<u>4,123,010</u>	<u>4,321,140</u>
<b>Total Program Revenues</b>	\$	<u><u>5,491,921</u></u>	<u><u>4,750,736</u></u>	<u><u>6,297,730</u></u>	<u><u>6,445,360</u></u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$	(2,696,599)	\$ (3,246,953)	\$ (2,496,539)	\$ (2,555,238)
Business-type activities		300,965	381,590	846,022	1,084,010
<b>Total Net Expense</b>	\$	<u><u>(2,395,634)</u></u>	<u><u>(2,865,363)</u></u>	<u><u>(1,650,517)</u></u>	<u><u>(1,471,228)</u></u>

Fiscal Year					
2012	2013	2014 <sup>(1)</sup>	2015	2016	2017
\$ 1,311,143	\$ 979,618	\$ 1,596,282	\$ 1,770,498	\$ 6,460,209	\$ 4,085,583
2,044,627	2,142,539	1,976,001	2,171,242	2,701,227	2,710,735
535,460	502,347	585,413	568,161	704,537	593,386
64,023	67,225	37,091	191,285	305,392	272,857
461,511	558,804	479,609	259,001	384,166	296,949
441,096	419,085	363,516	804,343	857,331	718,955
4,857,860	4,669,618	5,037,912	5,764,530	11,412,862	8,678,465
1,660,540	1,741,477	1,722,165	1,813,649	1,646,909	1,846,232
1,074,620	1,284,530	1,532,446	1,293,543	988,942	1,266,057
565,936	1,077,896	1,055,821	1,102,828	1,291,719	1,460,502
3,301,096	4,103,903	4,310,432	4,210,020	3,927,570	4,572,791
\$ 8,158,956	\$ 8,773,521	\$ 9,348,344	\$ 9,974,550	\$ 15,340,432	\$ 13,251,256
\$ 18,661	\$ 15,815	\$ 483,592	\$ 369,733	\$ 38,086	\$ 57,849
556,826	647,487	134,042	126,463	513,297	669,820
144,978	125,073	127,482	128,187	131,160	133,772
22,355	26,330	39,294	24,295	30,030	19,765
193,125	161,858	28,760	887	269,887	6,380
617,964	561,039	-	7,683	28,612	143,008
1,553,909	1,537,602	813,170	657,248	1,011,072	1,030,594
1,800,084	1,889,920	1,780,646	1,778,792	1,924,869	2,338,290
1,059,888	1,272,431	1,527,984	1,285,142	1,035,771	1,198,713
545,797	1,032,941	1,064,168	1,094,267	1,142,788	1,347,925
-	-	11,550	293,410	69,163	-
43,347	18,572	-	-	-	-
3,449,116	4,213,864	4,384,348	4,451,611	4,172,591	4,884,928
\$ 5,003,025	\$ 5,751,466	\$ 5,197,518	\$ 5,108,859	\$ 5,183,663	\$ 5,915,522
\$ (3,303,951)	\$ (3,132,016)	\$ (4,224,742)	\$ (5,107,282)	\$ (10,401,790)	\$ (7,647,871)
148,020	109,961	73,916	241,591	245,021	312,137
\$ (3,155,931)	\$ (3,022,055)	\$ (4,150,826)	\$ (4,865,691)	\$ (10,156,769)	\$ (7,335,734)

**CITY OF SEALY, TEXAS**  
**CHANGES IN NET POSITION (Continued)**  
**Last Ten Years**  
**(accrual basis of accounting)**

		Fiscal Year			
		2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities					
Property taxes	\$	1,356,102	\$ 1,564,003	\$ 1,633,191	\$ 1,734,570
Sales taxes		1,223,081	1,278,865	1,215,629	1,165,311
Gross receipts taxes		357,134	374,185	389,097	396,256
Hotel/motel occupancy taxes		172,898	178,677	168,123	165,825
Investment earnings		93,407	41,315	30,688	21,920
Other revenue		85,805	131,964	69,422	172,347
Transfers		(580,980)	44,146	(97,946)	309,082
<b>Total Governmental Activities</b>		<u>2,707,447</u>	<u>3,613,155</u>	<u>3,408,204</u>	<u>3,965,311</u>
Business-type activities					
Investment earnings		18,900	2,958	2,533	4,831
Miscellaneous revenue		2,111	18,354	3,464	4,895
Transfers		580,980	(44,146)	97,946	(309,082)
<b>Total Business-Type Activities</b>		<u>601,991</u>	<u>(22,834)</u>	<u>103,943</u>	<u>(299,356)</u>
<b>Total Primary Government</b>	\$	<u>3,309,438</u>	<u>\$ 3,590,321</u>	<u>\$ 3,512,147</u>	<u>\$ 3,665,955</u>
<b>Change in Net Position</b>					
Governmental activities	\$	10,848	\$ 366,202	\$ 911,665	\$ 1,410,073
Business-type activities		902,956	358,756	949,965	784,654
<b>Total Change in Net Position</b>	\$	<u>913,804</u>	<u>\$ 724,958</u>	<u>\$ 1,861,630</u>	<u>\$ 2,194,727</u>

(1) Beginning in fiscal year 2014, the Sealy Economic Development Corporation is presented as a blended component unit.



Fiscal Year					
2012	2013	2014 <sup>(1)</sup>	2015	2016	2017
\$ 1,855,450	\$ 1,989,818	\$ 2,065,680	\$ 2,040,685	\$ 2,784,285	\$ 2,889,339
1,198,030	1,114,539	1,765,105	1,985,724	2,114,188	2,424,520
554,902	610,206	623,008	625,959	1,157,209	1,454,601
214,035	181,839	182,444	189,056	166,711	163,058
39,264	10,017	10,099	17,597	26,996	68,512
193,942	98,956	197,846	1,196,220	1,250,990	180,399
(1,337,363)	359,124	343,818	178,693	(475,808)	(228,777)
2,718,260	4,364,499	5,188,000	6,233,934	7,024,571	6,951,652
11,465	4,906	5,165	4,612	4,095	3,634
54,434	(3,463)	-	-	-	-
1,337,363	(359,124)	(343,818)	(178,693)	475,808	228,777
1,403,262	(357,681)	(338,653)	(174,081)	479,903	232,411
\$ 4,121,522	\$ 4,006,818	\$ 4,849,347	\$ 6,059,853	\$ 7,504,474	\$ 7,184,063
\$ (585,691)	\$ 1,232,483	\$ 963,258	\$ 1,126,652	\$ (3,377,219)	\$ (696,219)
1,551,282	(247,720)	(264,737)	67,510	724,924	544,548
\$ 965,591	\$ 984,763	\$ 698,521	\$ 1,194,162	\$ (2,652,295)	\$ (151,671)

# CITY OF SEALY, TEXAS

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years  
(modified accrual basis of accounting)

		Fiscal Year			
		2008	2009	2010	2011
<b>General Fund</b>					
Restricted		\$ -	\$ -	\$ -	\$ -
Nonspendable		-	-	-	-
Unassigned		1,091,197	848,792	633,723	581,453
<b>Total General Fund</b>		<u>\$ 1,091,197</u>	<u>\$ 848,792</u>	<u>\$ 633,723</u>	<u>\$ 581,453</u>
 <b>All Other Governmental Funds</b>					
Restricted		\$ 1,168,242	\$ 960,492	\$ 6,482,669	\$ 7,859,814
Nonspendable		-	-	-	-
Assigned		-	-	-	-
Unassigned		-	-	-	-
<b>Total All Other Governmental Funds</b>		<u>\$ 1,168,242</u>	<u>\$ 960,492</u>	<u>\$ 6,482,669</u>	<u>\$ 7,859,814</u>

(1) Beginning in fiscal year 2014, the Sealy Economic Development Corporation is presented as a blended component unit.

Fiscal Year					
2012	2013	2014 <sup>(1)</sup>	2015	2016	2017
\$ -	\$ -	\$ -	\$ 4,947	\$ 12,390	\$ 15,469
-	-	-	-	167	246
680,905	1,179,300	1,626,826	1,664,003	523,963	218,906
<u>\$ 680,905</u>	<u>\$ 1,179,300</u>	<u>\$ 1,626,826</u>	<u>\$ 1,668,950</u>	<u>\$ 536,520</u>	<u>\$ 234,621</u>
\$ 2,850,640	\$ 3,262,193	\$ 2,540,798	\$ 19,055,770	\$ 18,287,801	\$ 17,175,726
-	-	-	2,135,000	-	-
-	-	988,617	42	42	-
-	-	(11,215)	(4,499)	(86,394)	-
<u>\$ 2,850,640</u>	<u>\$ 3,262,193</u>	<u>\$ 3,518,200</u>	<u>\$ 21,186,313</u>	<u>\$ 18,201,449</u>	<u>\$ 17,175,726</u>

**CITY OF SEALY, TEXAS**  
**CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS**  
 Last Ten Years  
 (modified accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
<b>Revenues</b>				
Property taxes	\$ 1,360,704	\$ 1,524,656	\$ 1,652,165	\$ 1,701,214
Sales taxes	1,223,081	1,278,865	1,215,629	1,165,311
Franchise and local taxes	530,032	552,862	557,220	562,081
Licenses and permits	99,351	85,352	54,023	91,816
Fines and forfeitures	524,041	523,654	486,985	482,967
Charges for services	32,090	43,555	30,571	54,005
Intergovernmental	255,084	101,871	176,158	83,231
Investment earnings	93,407	41,315	30,688	21,920
Municipal drainage fees	122,611	136,315	122,483	123,263
Private contributions	-	-	-	100,811
Contributions from component unit	301,813	257,750	79,500	676,938
Other revenue	89,950	155,463	74,126	81,009
<b>Total Revenues</b>	<b>4,632,164</b>	<b>4,701,658</b>	<b>4,479,548</b>	<b>5,144,566</b>
<b>Expenditures</b>				
General government	1,577,982	1,489,656	1,349,267	1,317,841
Public safety	1,417,897	1,660,187	1,784,107	1,872,028
Highways and streets	302,360	363,294	348,839	318,269
Health and welfare	72,831	58,013	69,197	59,352
Culture and recreation	219,842	289,935	328,495	316,429
Capital outlay	2,028,164	718,610	496,887	938,544
Debt service				
Principal	580,000	590,000	563,077	628,915
Payment to bond escrow agent	-	-	-	-
Interest and fiscal charges	194,304	178,081	162,406	418,648
Debt issuance costs	22,947	-	177,795	39,047
<b>Total Expenditures</b>	<b>6,416,327</b>	<b>5,347,776</b>	<b>5,280,070</b>	<b>5,909,073</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,784,163)</b>	<b>(646,118)</b>	<b>(800,522)</b>	<b>(764,507)</b>
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	1,055,000	151,726	6,150,000	1,780,300
Premium on debt	-	-	187,362	-
Bond (discount)	-	-	(150,000)	-
Proceeds from sale of capital assets	3,204	90	1,305	-
Transfers in	667,882	241,281	418,695	730,441
Transfers out	(49,372)	(197,134)	(499,732)	(421,359)
<b>Total Other Financing Sources</b>	<b>1,676,714</b>	<b>195,963</b>	<b>6,107,630</b>	<b>2,089,382</b>
<b>Net Change in Fund Balances</b>	<b>\$ (107,449)</b>	<b>\$ (450,155)</b>	<b>\$ 5,307,108</b>	<b>\$ 1,324,875</b>
Debt service as a percentage of noncapital expenditures				
	18.17%	16.59%	18.88%	21.86%

(1) Beginning in fiscal year 2014, the Sealy Economic Development Corporation is presented as a blended component unit.

Fiscal Year					
2012	2013	2014 <sup>(1)</sup>	2015	2016	2017
\$ 1,854,092	\$ 1,996,879	\$ 2,125,112	\$ 2,044,723	\$ 2,772,206	\$ 2,871,275
1,198,030	1,114,539	2,118,796	1,954,569	2,083,033	2,393,365
798,897	792,045	805,452	815,015	1,323,920	1,617,659
59,347	63,088	66,999	81,117	97,546	187,028
497,479	556,494	483,592	45,346	415,751	482,792
18,661	15,815	67,043	369,733	38,086	57,849
626,789	6,308	28,760	887	269,887	149,388
39,264	10,017	10,099	17,597	26,996	68,512
144,978	125,073	127,482	128,187	131,160	133,772
104,863	-	-	-	-	-
264,300	260,550	-	-	-	-
111,434	130,152	237,140	1,220,515	1,275,795	200,164
5,718,134	5,070,960	6,070,475	6,677,689	8,434,380	8,161,804
1,286,729	882,552	1,615,282	1,738,531	6,404,091	3,991,106
1,952,653	2,026,918	1,955,592	2,073,693	2,671,587	2,739,373
334,540	296,703	375,228	307,863	433,980	360,931
63,230	67,225	37,091	88,859	146,122	260,397
359,151	406,200	343,132	302,453	388,413	309,857
5,734,030	792,390	301,673	410,164	856,840	180,667
681,237	712,988	714,800	536,010	810,000	825,000
-	-	-	-	1,001,984	-
416,286	389,069	367,962	628,610	834,898	822,095
-	-	-	192,284	38,984	-
10,827,856	5,574,045	5,710,760	6,278,467	13,586,899	9,489,426
(5,109,722)	(503,085)	359,715	399,222	(5,152,519)	(1,327,622)
-	-	-	14,380,000	1,030,000	-
-	-	-	1,096,015	-	-
-	-	-	-	-	-
-	-	-	-	5,225	-
215,086	404,880	1,139,855	1,167,876	1,112,912	361,366
(15,086)	(45,756)	(796,037)	(832,876)	(1,112,912)	(361,366)
200,000	359,124	343,818	15,811,015	1,035,225	-
\$ (4,909,722)	\$ (143,961)	\$ 703,533	\$ 16,210,237	\$ (4,117,294)	\$ (1,327,622)
21.55%	23.05%	20.02%	19.85%	12.62%	18.19%

**CITY OF SEALY, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Years**

	Fiscal Year			
	2008	2009	2010	2011
Residential Property	\$ 181,513,310	\$ 208,123,724	\$ 214,597,869	\$ 247,138,727
Commercial Property	334,775,795	382,075,652	408,547,744	362,855,812
Less: Tax Exempt Property	<u>13,470,503</u>	<u>87,631,756</u>	<u>93,834,206</u>	<u>111,675,882</u>
<b>Total Taxable Assessed Valuation (1)</b>	<b><u>\$ 502,818,602</u></b>	<b><u>\$ 502,567,620</u></b>	<b><u>\$ 529,311,407</u></b>	<b><u>\$ 498,318,657</u></b>
 Total Direct Tax Rate	 \$ 0.30000	 \$ 0.30129	 \$ 0.30579	 \$ 0.33579

Source: Austin County Appraisal District

(1) All property is assessed at 100% of actual taxable value.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 250,695,960	\$ 253,554,491	\$ 250,022,340	\$ 252,900,388	\$ 281,163,817	\$ 299,837,845
375,566,159	409,676,948	429,521,779	430,170,232	392,402,405	413,447,840
114,630,517	90,910,453	93,999,085	88,617,089	65,394,130	68,131,069
<u>\$ 511,631,602</u>	<u>\$ 572,320,986</u>	<u>\$ 585,545,034</u>	<u>\$ 594,453,531</u>	<u>\$ 608,172,092</u>	<u>\$ 645,154,616</u>
\$ 0.35613	\$ 0.34145	\$ 0.35721	\$ 0.33665	\$ 0.45000	\$ 0.43737

**CITY OF SEALY, TEXAS**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**Last Ten Years**

		Fiscal Year			
		2008	2009	2010	2011
City of Sealy:					
Operating tax rate		\$ 0.169000	\$ 0.161990	\$ 0.172350	\$ 0.180280
Debt service tax rate		0.131000	0.139300	0.133440	0.155510
<b>Total Direct Rates</b>		<b>\$ 0.300000</b>	<b>\$ 0.301290</b>	<b>\$ 0.305790</b>	<b>\$ 0.335790</b>
Austin County		\$ 0.488600	\$ 0.479600	\$ 0.499000	\$ 0.540000
Sealy Independent School District		1.220000	1.220000	1.233000	1.260000
Austin County Emergency Services					
District #2		0.030000	0.029500	0.030900	0.070000
<b>Total Direct and Overlapping Rates</b>		<b>\$ 2.038600</b>	<b>\$ 2.030390</b>	<b>\$ 2.068690</b>	<b>\$ 2.205790</b>
<b>Total Assessed Valuation</b>		<b>\$ 502,818,602</b>	<b>\$ 502,567,620</b>	<b>\$ 529,311,407</b>	<b>\$ 498,318,657</b>

Note: The basis for property tax rates is per \$100 of the assessed valuation.

Source: Tax department records of the various governments.



Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 0.180280	\$ 0.182260	\$ 0.192680	\$ 0.208670	\$ 0.186300	\$ 0.189620
0.175850	0.159190	0.164530	0.127980	0.263700	0.247750
<u>\$ 0.356130</u>	<u>\$ 0.341450</u>	<u>\$ 0.357210</u>	<u>\$ 0.336650</u>	<u>\$ 0.450000</u>	<u>\$ 0.437370</u>
\$ 0.537900	\$ 0.527700	\$ 0.528300	\$ 0.518300	\$ 0.544300	\$ 0.543500
1.260000	1.260000	1.260000	1.260000	1.260000	1.340000
0.069900	0.069100	0.100000	0.100000	0.100000	0.100000
<u>\$ 2.223930</u>	<u>\$ 2.198250</u>	<u>\$ 2.245510</u>	<u>\$ 2.214950</u>	<u>\$ 2.354300</u>	<u>\$ 2.420870</u>
<u>\$ 511,631,602</u>	<u>\$ 572,320,986</u>	<u>\$ 585,545,034</u>	<u>\$ 594,453,531</u>	<u>\$ 608,172,092</u>	<u>\$ 645,154,616</u>

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# CITY OF SEALY, TEXAS

## PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2017			2008		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
Wal-Mart Stores East US07036	\$ 118,365,710	1	18.35%	\$ -	-	-
Enterprise Crude Pipeline LLC	35,432,946	2	5.49%	-	-	-
Five Star Properties Sealy LLC	26,475,896	3	4.10%	-	-	-
Wal-Mart Stores East US07969	16,264,290	4	2.52%	61,605,781	1	12.25%
International Paper Company	14,099,770	5	2.19%	-	-	-
Blencor LLC	10,087,475	6	1.56%	-	-	-
Maass Flange Corp.	9,480,480	7	1.47%	13,565,920	4	2.70%
Wal-Mart Real Estate Business	8,137,853	8	1.26%	7,436,920	5	-
DKH Edgewood Apartments LP	4,460,959	9	0.69%	2,795,870	9	0.56%
Wal-Mart Stores Texas LLC	4,427,508	10	0.69%	2,302,880	10	0.46%
Armor Holdings, Inc.	-	-	-	46,398,299	2	9.23%
Weyerhaeuser Company	-	-	-	14,878,920	3	2.96%
Willamette Industries	-	-	-	3,451,750	6	0.69%
Western International Gas & Cylinder, Inc.	-	-	-	3,272,010	7	0.65%
Centerpoint Energy Houston	-	-	-	3,113,920	8	0.62%
Subtotal	247,232,887		38.32%	158,822,270		31.59%
Other Taxpayers	397,921,729		61.68%	343,996,332		68.41%
<b>Total <sup>(1)</sup></b>	<b>\$ 645,154,616</b>		<b>100.00%</b>	<b>\$ 502,818,602</b>		<b>100.00%</b>

Source: Austin County Appraisal District

(1) Values are net of exemptions and abatements.

**CITY OF SEALY, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
Last Ten Years

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy	
				Amount Collected	Percentage of Levy
2008	2007	\$ 0.300000	\$ 1,321,117	\$ 1,286,247	97.36%
2009	2008	\$ 0.301290	\$ 1,514,186	\$ 1,492,605	98.57%
2010	2009	\$ 0.305790	\$ 1,616,700	\$ 1,602,006	99.09%
2011	2010	\$ 0.335790	\$ 1,672,583	\$ 1,651,312	98.73%
2012	2011	\$ 0.356130	\$ 1,822,074	\$ 1,801,497	98.87%
2013	2012	\$ 0.341450	\$ 1,953,624	\$ 1,931,240	98.85%
2014	2013	\$ 0.357210	\$ 2,091,572	\$ 2,072,779	99.10%
2015	2014	\$ 0.336650	\$ 2,001,348	\$ 1,985,042	99.19%
2016	2015	\$ 0.450000	\$ 2,734,888	\$ 2,709,818	99.12%
2017	2016	\$ 0.437370	\$ 2,824,069	\$ 2,790,150	98.80%

Source: Austin County Appraisal District

Collected in Subsequent Years		Total Collections to Date	
Amount Collected		Amount Collected	Percentage of Levy
\$ 33,058		\$ 1,319,305	99.86%
\$ 19,720		\$ 1,512,325	99.88%
\$ 12,074		\$ 1,614,080	99.84%
\$ 18,206		\$ 1,669,518	99.82%
\$ 17,483		\$ 1,818,980	99.83%
\$ 18,130		\$ 1,949,370	99.78%
\$ 13,003		\$ 2,085,782	99.72%
\$ 7,932		\$ 1,992,974	99.58%
\$ 12,152		\$ 2,721,970	99.53%
\$ -		\$ 2,790,150	98.80%

**CITY OF SEALY, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
Last Ten Years

		Fiscal Year			
		2008	2009	2010	2011
<b>Governmental Activities:</b>					
General obligation bonds	\$	1,195,000	\$ 985,000	\$ 770,000	\$ 540,000
Certificates of obligation		2,260,000	2,080,000	8,050,000	9,495,000
Tax notes		65,000	785,000	640,000	490,000
Capital leases		-	151,726	128,649	215,035
Issuance discounts/premiums		-	-	37,404	37,282
<b>Subtotal</b>		<u>3,520,000</u>	<u>4,001,726</u>	<u>9,626,053</u>	<u>10,777,317</u>
<b>Business-Type Activities:</b>					
Capital leases		-	-	-	-
<b>Subtotal</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<b>\$</b>	<u><u>3,520,000</u></u>	<u><u>4,001,726</u></u>	<u><u>9,626,053</u></u>	<u><u>10,777,317</u></u>
<b>Estimated Full Property Value</b>	<b>\$</b>	516,289,105	\$ 590,199,376	\$ 623,145,613	\$ 609,994,539
<b>Percentage of Full Property Value:</b>					
Governmental activities		0.68%	0.68%	1.54%	1.77%
Business-type activities		-	-	-	-
<b>Population (1)</b>		6,208	6,275	6,374	6,019
<b>Debt Per Capita:</b>					
Primary Government	<b>\$</b>	567	\$ 638	\$ 1,510	\$ 1,791

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

(1) Data sources: U.S. Bureau of the Census and Texas State Data Center, Office of State Demographer (2008-2013); City Planning and Community Development Department (2014-2015); The Nielson Company (2016); Environics Analytics (2017)

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 300,000	\$ 175,000	\$ 40,000	\$ -	\$ 845,000	\$ 660,000
9,260,000	8,890,000	8,535,000	22,475,000	20,865,000	20,225,000
335,000	170,000	-	-	-	-
163,797	110,809	56,010	-	-	-
37,445	37,605	37,393	1,074,907	1,016,406	957,905
10,096,242	9,383,414	8,668,403	23,549,907	22,726,406	21,842,905
81,476	140,702	110,948	80,244	48,557	15,857
81,476	140,702	110,948	80,244	48,557	15,857
\$ 10,177,718	\$ 9,524,116	\$ 8,779,351	\$ 23,630,151	\$ 22,774,963	\$ 21,858,762
\$ 626,262,119	\$ 663,231,439	\$ 679,544,119	\$ 714,105,392	\$ 711,771,139	\$ 753,232,170
1.61%	1.41%	1.28%	3.30%	3.19%	2.90%
0.01%	0.02%	0.02%	0.01%	0.01%	0.00%
6,070	6,146	7,151	7,151	6,846	7,059
\$ 1,677	\$ 1,550	\$ 1,228	\$ 3,304	\$ 3,327	\$ 3,097

**CITY OF SEALY, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Years**

	Fiscal Year			
	2008	2009	2010	2011
<b>Estimated Actual Taxable Value of Property</b>	\$ 502,818,602	\$ 502,567,620	\$ 529,311,407	\$ 498,318,657
General obligation bonds	\$ 1,195,000	\$ 985,000	\$ 770,000	\$ 540,000
Certificates of obligation	2,260,000	2,080,000	8,087,404	9,532,282
Less: amounts available in debt service fund	256,721	205,756	320,597	251,623
<b>Total</b>	<b>\$ 3,198,279</b>	<b>\$ 2,859,244</b>	<b>\$ 8,536,807</b>	<b>\$ 9,820,659</b>
 <b>Percentage of Estimated Actual Taxable Value of Property</b>	 0.64%	 0.57%	 1.61%	 1.97%
 <b>Population (1)</b>	 6,208	 6,275	 6,374	 6,019
 <b>Per Capita</b>	 \$ 515	 \$ 456	 \$ 1,339	 \$ 1,632

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

(1) Data sources: U.S. Bureau of the Census and Texas State Data Center, Office of State Demographer (2008-2013); City Planning and Community Development Department (2014-2015); The Nielson Company (2016); Environics Analytics (2017)



Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 511,631,602	\$ 572,320,986	\$ 585,545,034	\$ 594,453,531	\$ 608,172,092	\$ 645,154,616
\$ 300,000	\$ 175,000	\$ 40,000	\$ -	\$ 845,000	\$ 660,000
9,297,445	8,927,605	8,572,393	23,549,907	21,881,406	21,182,905
259,628	295,730	323,136	356,181	383,540	419,301
<u>\$ 9,337,817</u>	<u>\$ 8,806,875</u>	<u>\$ 8,289,257</u>	<u>\$ 23,193,726</u>	<u>\$ 22,342,866</u>	<u>\$ 21,423,604</u>
1.83%	1.54%	1.42%	3.90%	3.67%	3.32%
6,070	6,146	7,151	7,151	6,846	7,059
\$ 1,538	\$ 1,433	\$ 1,159	\$ 3,243	\$ 3,264	\$ 3,035

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**CITY OF SEALY, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
September 30, 2017

<b>Government Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable*</b>	<b>Amount Applicable to Primary Government</b>
Austin County	\$ 4,295,000	30.574%	\$ 1,313,153
Sealy Independent School District	\$ 55,905,000	69.926%	39,092,130
Subtotal, overlapping debt			40,405,284
<b>City Direct Debt</b>		100.000%	21,842,905
<b>Total Direct and Overlapping Debt</b>			<u>\$ 62,248,189</u>
<b>Population (1)</b>			7,059
<b>Overlapping Debt Per Capita</b>			<u>\$ 5,724</u>
<b>Direct and Overlapping Debt Per Capita</b>			<u>\$ 8,818</u>

Source: Tax department records of the various governments.

\* The estimated percentage of overlapping debt is determined by using land area. Applicable percentages were estimated by using the percentage of land area that the City occupies within the respective taxing jurisdiction.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account.

(1) Data source: Environics Analytics

**CITY OF SEALY, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011
Legal debt limit <sup>(1)</sup>	\$ 6,788,051	\$ 6,784,663	\$ 7,145,704	\$ 6,727,302
Total net debt applicable to limit	598,405	562,325	376,271	737,329
Legal debt margin	<u>\$ 6,189,646</u>	<u>\$ 6,222,338</u>	<u>\$ 6,769,433</u>	<u>\$ 5,989,973</u>
Total net debt applicable to the limit as a percentage of legal debt limit	8.82%	8.29%	5.27%	10.96%
<b>Legal Debt Margin Calculation</b>				
Assessed value	\$ 502,818,602	\$ 502,567,623	\$ 529,311,407	\$ 498,318,657
Legal debt limit <sup>(1)</sup>	6,788,051	6,784,663	7,145,704	6,727,302
Net debt applicable to limit:				
General obligation bonds	257,603	246,691	245,653	254,419
Certificates of obligation	274,417	282,460	274,870	558,341
Tax anticipation notes	239,536	236,152	173,652	173,360
Fiscal agent and other fees	2,748	2,778	2,693	2,832
Less: amount set aside for repayment of general obligation debt	175,899	205,756	320,597	251,623
Total net debt applicable to limit	598,405	562,325	376,271	737,329
Legal debt margin	<u>\$ 6,189,646</u>	<u>\$ 6,222,338</u>	<u>\$ 6,769,433</u>	<u>\$ 5,989,973</u>

(1) Article XI, Section 5 of the Texas Constitution provides for an overall ad valorem tax rate limitation for home rule cities (i.e., cities of more than 5,000 population with a charter), such as the City of Sealy, of \$2.50 per \$100 assessed property valuation. In Texas Administrative Code, Title 1, Part 3, Chapter 53, Subchapter A, Rule 53.5, the Attorney General of Texas provides a further limitation on the tax rate to the extent that all of a home rule City's ad valorem tax debt can be serviced by a rate not to exceed \$1.50 per \$100 assessed property valuation at a 90% collection rate, unless the City charter provides less. Since the City charter does not provide further limitations, the allowable debt rate of \$1.50 has been utilized in comparison to debt service taxes levied annually. The legal debt limit is calculated by taking the assessed value divided by \$100 times \$1.50 times 90%.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 6,907,027	\$ 7,726,333	\$ 7,904,858	\$ 8,025,123	\$ 8,210,593	\$ 8,709,587
779,284	747,716	701,015	787,652	1,261,358	1,227,794
<u>\$ 6,127,743</u>	<u>\$ 6,978,617</u>	<u>\$ 7,203,843</u>	<u>\$ 7,237,471</u>	<u>\$ 6,949,235</u>	<u>\$ 7,481,793</u>
11.28%	9.68%	8.87%	9.81%	15.36%	14.10%
\$ 511,631,602	\$ 572,320,986	\$ 585,545,034	\$ 594,453,531	\$ 608,172,092	\$ 645,154,616
6,907,027	7,726,333	7,904,858	8,025,123	8,210,323	8,709,587
257,519	135,019	140,956	41,400	195,352	198,351
605,758	728,450	703,990	1,099,333	1,448,796	1,447,994
172,885	177,227	176,205	-	-	-
2,750	2,750	3,000	3,100	750	750
259,628	295,730	323,136	356,181	383,540	419,301
779,284	747,716	701,015	787,652	1,261,358	1,227,794
<u>\$ 6,127,743</u>	<u>\$ 6,978,617</u>	<u>\$ 7,203,843</u>	<u>\$ 7,237,471</u>	<u>\$ 6,948,965</u>	<u>\$ 7,481,793</u>

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# CITY OF SEALY, TEXAS

## DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

<b>Fiscal Year Ended Sept. 30</b>	<b>Population<sup>(1)</sup></b>	<b>Personal Income<sup>(2)</sup></b>	<b>Per Capita Personal Income<sup>(2)</sup></b>	<b>Median Age<sup>(3)</sup></b>	<b>Public School Enrollment<sup>(4)</sup></b>	<b>Unemployment Rate<sup>(5)</sup></b>
2008	6,208	\$ 238,600	\$ 38,434	36.8	2,580	3.80%
2009	6,275	\$ 228,330	\$ 36,387	39.7	2,629	4.30%
2010	6,374	\$ 237,755	\$ 37,301	40.2	2,625	7.90%
2011	6,019	\$ 238,300	\$ 39,591	40.0	2,620	8.00%
2012	6,070	\$ 261,984	\$ 43,160	40.6	2,646	7.10%
2013	6,146	\$ 267,661	\$ 43,550	40.6	2,650	6.00%
2014	7,151	\$ 334,245	\$ 46,741	40.6	2,752	5.80%
2015	7,151	\$ 334,245	\$ 51,260	40.7	2,762	4.70%
2016	6,846	\$ 350,926	\$ 49,559	40.6	2,845	4.60%
2017	7,059	\$ 349,837	\$ 49,559	37.0	2,830	4.40%

**Data sources:**

(1) U.S. Census Bureau and Texas State Data Center, Office of State Demographer (2008-2013); City Planning and Community Development Department (2014-2015); The Nielson Company (2016)

(2) U.S. Department of Commerce, Bureau of Economic Analysis (statistics for Austin County)

(3) U.S. Census Bureau, American Community Survey 3-Year Estimates (statistics for Austin County) (2008-2016); Environics Analytics (2017)

(4) Sealy Independent School District

(5) Texas Workforce Commission, Labor Market Information (statistics for Austin County)

Note: Personal income is a total for the year and is presented in thousands of dollars. Unemployment rate information is a yearly estimate reflecting actual (not seasonally adjusted) data. School enrollment is based on the start of the school year.

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# CITY OF SEALY, TEXAS

## PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2017			2008		
	Percentage of Total			Percentage of Total		
	Employees <sup>(1)</sup>	Reported	Rank	Employees <sup>(1)</sup>	Reported	Rank
Wal-Mart Distribution Center	800	47.56%	1	740	17.53%	2
Sealy Independent School District	359	21.34%	2	375	8.88%	3
Wal-Mart Super Center	229	13.61%	3	300	7.11%	4
International Paper Company	102	6.06%	4	99	-	5
Acme Brick Company	97	5.77%	5	80	1.89%	7
Gulf States Toyota	95	5.65%	6	89	2.11%	6
BAE Systems	N/A	N/A	-	2,500	59.21%	1
City of Sealy, Texas	N/A	N/A	-	54	1.28%	8
Rinker Materials	N/A	N/A	-	45	1.07%	9
Citizens State Bank	N/A	N/A	-	39	0.92%	10
	<u>1,682</u>	<u>100.00%</u>		<u>4,222</u>	<u>100.00%</u>	

Note: Only the top six employers are available for 2017. Total City employment is not available.

(1) Employment figures are approximate and may include both full-time and part-time employees.

Source: Sealy Economic Development Corporation

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**CITY OF SEALY, TEXAS**  
***FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION***  
**Last Ten Years**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b><u>Governmental Activities:</u></b>										
General government	17.00	19.00	16.00	15.00	15.50	11.50	13.40	14.75	21.50	22.00
Public safety										
Police										
Officers	16.00	18.00	17.00	17.00	17.00	18.00	19.00	19.00	18.00	21.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50
Inspection	2.00	3.00	4.00	3.00	4.00	3.80	3.00	3.50	4.00	4.00
Fire marshal	0.50	0.50	-	-	-	0.20	0.10	0.50	0.50	0.50
Highways and streets	4.00	5.00	3.50	3.00	4.00	3.00	3.00	3.00	3.00	3.00
Health and welfare	1.00	1.00	1.00	1.00	1.00	1.00	0.50	1.00	0.00	0.50
Culture and recreation	1.00	1.00	2.50	2.00	1.00	2.00	2.00	2.00	2.00	3.00
<b><u>Business-Type Activities:</u></b>										
Water and sewer	7.20	7.20	9.30	8.70	8.50	11.10	11.25	9.43	5.00	4.00
Gas	2.30	3.30	4.20	5.10	3.00	5.20	5.25	4.82	3.00	2.00
Solid waste	2.00	2.00	1.50	1.20	0.50	1.20	0.50	0.50	-	-
<b>Total City Positions</b>	<b>54.00</b>	<b>61.00</b>	<b>60.00</b>	<b>57.00</b>	<b>55.50</b>	<b>58.00</b>	<b>59.00</b>	<b>59.50</b>	<b>58.50</b>	<b>61.50</b>

Source: City Human Resources Department

Note: Presentation does not include temporary and seasonal positions.

**CITY OF SEALY, TEXAS**  
**OPERATING INDICATORS BY FUNCTION**  
 Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011
<b>City of Sealy</b>				
Population	6,208	6,275	6,374	6,019
Square miles	11	11	11	11
Budgeted full time employees	54	61	60	57
<b>Function</b>				
Police				
Physical arrests	321	375	232	201
Parking violations	31	1	2	3
Traffic violations	5,631	6,120	5,136	5,772
Inspections				
Number of permits issued	853	803	118	718
Inspections	1,392	806	526	971
Highways and Streets				
Street resurfacing (miles)	0.1	0.1	0.2	-
Culture and recreation				
Community center rentals	91	249	368	480
Park pavilion rentals	76	84	165	164
Water				
New connections	36	33	17	18
Service connections	1,925	2,001	2,021	2,046
Water main breaks	16	13	23	17
Average daily consumption (thousands of gallons)	853	757	850	850
Sewer				
New connections	27	10	15	20
Service connections	1,850	1,893	1,902	1,924
Average daily sewer treatment (thousands of gallons)	536	549	578	581
Gas				
New connections	25	14	17	10
Service connections	1,310	1,326	1,336	1,353
Gas main breaks	1	1	-	1
Average daily gas consumption (hundreds of cubic feet)				
Residential and commercial	1,633	1,633	2,158	1,738
Industrial	3,753	3,753	3,418	3,550

Source: Various City departments

Fiscal Year					
2012	2013	2014	2015	2016	2017
6,070	6,146	7,151	7,151	6,846	7,059
12	12	13	13	13	13
56	58	59	60	59	62
288	407	310	454	441	447
4	90	73	41	30	12
5,715	6,510	5,636	3,424	4,542	4,179
716	654	958	901	757	885
982	1,194	1,269	1,266	1,345	1,158
-	3.0	3.0	-	-	-
564	696	573	434	419	377
221	169	120	127	125	108
19	25	18	10	22	25
2,044	2,079	2,096	2,094	2,126	2,142
18	3	12	4	-	-
856	941	896	763	922	840
8	12	11	7	20	8
1,918	1,934	1,944	1,942	1,972	1,987
578	527	610	685	622	599
12	18	15	12	15	14
1,341	1,354	1,357	1,350	1,350	1,364
-	-	-	-	-	-
2,211	1,529	2,000	1,788	1,528	1,333
2,973	3,517	3,395	3,566	3,999	3,545

**CITY OF SEALY, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
Last Ten Years

Function	Fiscal Year			
	2008	2009	2010	2011
Public safety				
Police				
Stations	1	1	1	1
Patrol units	8	8	7	7
Highways and streets				
Streets (miles)	62	62	62	62
Streetlights	549	549	549	551
Culture and recreation				
Park acreage	36	36	36	36
Parks	4	4	4	4
Pavilions	2	2	2	2
Community centers	2	2	2	2
Water				
Water mains (miles)	72	72	72	73
Fire hydrants	302	302	311	308
Ground storage tanks	3	3	3	3
Elevated storage tanks	2	2	2	2
Maximum daily capacity (thousands of gallons)	3,384	3,384	3,384	3,384
Sewer				
Sanitary sewers (miles)	46	46	46	46
Treatment plants	1	1	1	1
Maximum daily treatment capacity (thousands of gallons)	975	975	975	975
Gas				
Gas mains (miles)	42	42	43	43

Source: Various City departments

Fiscal Year					
2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
7	7	7	7	7	7
62	64	64	64	64	64
550	558	630	630	630	630
36	36	52	53	53	53
5	5	5	5	5	5
2	2	2	2	2	2
2	2	2	2	2	2
72	72	72	72	72	72
312	333	332	336	338	338
3	3	3	3	3	3
2	2	3	3	3	3
3,384	3,384	3,384	3,384	3,384	3,384
46	46	46	46	46	46
1	1	1	1	1	1
975	975	975	975	975	975
44	44	44	44	44	44







