



City of Sealy, Texas

Comprehensive Annual Financial Report

*For the Fiscal Year
Ended September 30, 2018*

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

CITY OF SEALY, TEXAS

**For the Year Ended
September 30, 2018**

**Prepared by
Finance Department**

**Steven W. Kutra
Director of Finance**

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CITY OF SEALY, TEXAS

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INTRODUCTORY SECTION

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CITY OF SEALY, TEXAS

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April 30, 2019

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, 2018.

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, 2018. 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 7,335, based on data provided by the U.S. Census Bureau. This new data illustrates a hearty growth of 21.9 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, and the Sealy Volunteer Fire Department. Accordingly, financial information for these three 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 2018, Austin County's unemployment rate had increased to 4.9 percent, compared to the previous year's rate of 4.4 percent. 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 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 property tax rebates and sales tax grant payments. 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 rebates applies to real property and tangible personal property located on Prasek's premises each year. This rebate is limited to seven years and provides for specific rebate 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. 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 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 thirteenth 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 15 percent of total operating expenditures, which illustrates an increase from the prior year rate of four percent. The unrestricted net position for all enterprise funds combined was at 49 percent of total operating expenses, which is an increase from the previous year rate of 44 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 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 made extensive improvements to the drainage ditch along West Front Street.

During fiscal year 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.

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.

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 is currently underway. In addition, the City has just recently completed construction of a lift station, sanitary sewer line improvements, and the extension of the natural gas main to serve both current and future commercial and industrial business enterprises along the FM 3538 corridor. The City's economic development corporation contributed \$250,000 towards the lift station and sewer line projects and almost \$556,000 to the gas main project.

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 and to compensate the general fund for services that its administrative personnel provide on behalf of the enterprise funds. The franchise fees were calculated at 32 percent, 20 percent, and 28 percent of the gross revenues of the water and sewer, gas, and solid waste funds, respectively. For the past fiscal year, these payments were \$671,794, \$300,461, and \$415,042, 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 that commenced during the 2015-2016 fiscal year.

To alleviate traffic congestion on Interstate 10, TxDOT is initiating a lane expansion project through the City. The project calls for the City to acquire and transfer title to the properties fronting both sides of the interstate through the City limits. To date, the City has already expended a total of \$969,716, consisting of \$714,129 in parcel acquisition costs, \$254,039 in title research fees, and \$1,548 in surveying fees. TxDOT has agreed to contribute \$32,660 in engineering fees to relocate the City's water and sewer lines in two separate locations along the interstate.

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 authorized the construction of a new \$15.5 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 be completed in a few months. 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 is making a conscious effort to return to the routine of annually appropriating funds for repaving various stretches of streets and other thoroughfares throughout the City that are most in need of repair.

In addition, the City will implement the assessment of impact fees on new development within the City, essentially requiring developers to pay a specific fee for each new water and wastewater connection to the system. These fees are meant to compensate the City for the installation of the new infrastructure and the demands that will be placed on the system by the additional consumers.

During fiscal year 2019, the City completed the rehabilitation of the Rexville Road 400,000-gallon elevated water storage tank, including sandblasting and recoating of exterior and interior surfaces and structural repairs and replacements. The project contract amount was \$295,000, and related engineering fees were an additional \$54,000.

Other upcoming infrastructure projects include:

- Replacement of approximately 8,875 linear feet of water mains along Main Street and several other streets extending from the downtown area. Estimated costs are \$2,147,840 for construction and \$154,000 for engineering. Together with two alternative options totaling \$497,775, the total estimated project cost is \$2,799,615.
- Installation of 4,700 linear feet of a 12-inch polyvinyl chloride water main along Highway 36 North. Construction costs are estimated to be \$659,582 and engineering fees \$93,500, for a total project cost of \$753,082.
- Installation of 9,640 linear feet of a six- and eight-inch gravity sewer, 2,950 linear feet of force main, and a 200-gallon-per-minute lift station along Highway 36 North. Construction costs are estimated to be \$1,647,756 and engineering fees \$171,500, for a total project cost of \$1,819,256.

One of the City’s goals is to encourage responsible development that mitigates the risk of negative impact within the community. In response to this challenge, the City Council passed additional drainage requirements for new construction. To ease the burden of mitigation, the City recently received confirmation from the Texas General Land Office that the City’s grant application for \$2,013,320.87 (\$1,993,387.00 in grant funds and \$19,933.87 in matching City funds) through the 2016 Community Development Block Grant Disaster Recovery program had been approved.

These funds will be expended on two drainage projects within a low-to-moderate income area of the City:

- Flows along the west side of Front Street will be directed to the south from the storm sewer on 8th Street to Jason Street. This project includes grading of the ditch, driveway cross culverts, and roadway repair and restoration and will provide conveyance relief to the alleyway ditch.
- The alleyway ditch will be reconstructed from the outfall located south of 8th Street to U.S. Highway 90. This project includes reshaping the ditch, providing a concrete trickle channel for conveyance, one driveway culvert crossing, and restoration.

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, 2017. This was the 24th 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.

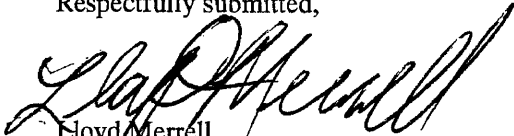
The Comptroller's office launched the *Transparency Stars* program in March 2016 to recognize cities, counties, and school districts for making important strides to greater government transparency. Local government entities can apply for stars in the areas of:

- 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,



Lloyd Merrell
City Manager



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, 2017

Christopher P. Morrell

Executive Director/CEO

CITY OF SEALY, TEXAS

ORGANIZATIONAL CHART

For the Year Ended September 30, 2018



CITY OF SEALY, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2018

Elected Officials	Position
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
Appointed Officials	Position
Lloyd Merrell	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
Warren Escovy	Director of Planning and Community Development /Assistant City Manager
Jay Reeves	Chief of Police
Mark Pulos	Director of Public Works
Lawrence Siska	Director of Streets, Parks, and Drainage

FINANCIAL SECTION



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, 2018, 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, 2018, 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.

Emphasis of Matter

In 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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, schedules of changes in net pension and total other postemployment liabilities 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.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
April 30, 2019

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

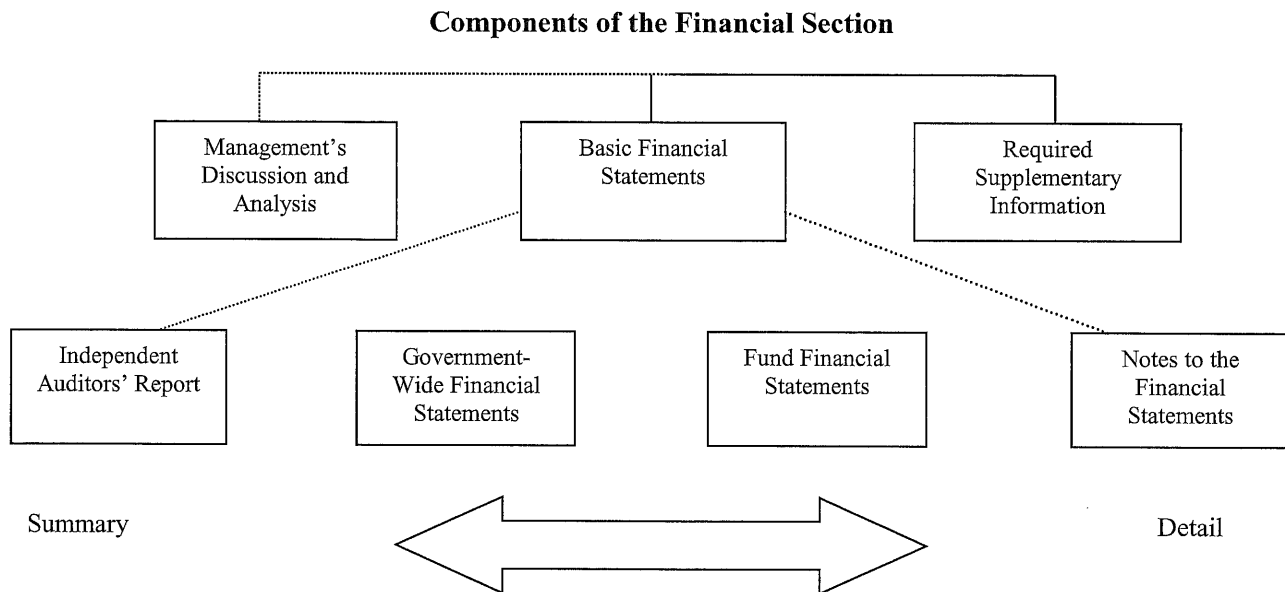
CITY OF SEALY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2018

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, 2018. 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



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, 2018

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 and drainage (highways and streets), health and welfare, community services (culture and recreation), and general administrative services (general government). Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise fees, 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 18 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, 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.

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

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 two types of proprietary funds. 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.

The City also uses an internal service fund to account for expenses associated with health benefits. This internal service fund has been included with governmental activities in the government-wide financial statements.

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 budgetary comparison schedules for the general fund, public improvement district number one, and Sealy economic development corporation fund, and schedules of changes in net pension and total other postemployment liabilities 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 \$19,476,992 as of September 30, 2018 for the primary government. This compares with \$18,069,989 from the prior fiscal year. The largest portion of the City's net position, 88 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, 2018

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2018			
	Governmental	Business-Type		Total
	Activities	Activities	Reconciliation	Primary
				Government
Current and other assets	\$ 10,514,946	\$ 3,590,959	\$ -	\$ 14,105,905
Capital assets, net	11,554,629	19,904,213	-	31,458,842
Total Assets	22,069,575	23,495,172	-	45,564,747
Deferred charge on refunding	12,132	-	-	12,132
Deferred outflows - pensions	348,371	146,003	-	494,374
Deferred outflows - OPEB	11,405	-	-	11,405
Total Deferred Outflows of Resources	371,908	146,003	-	517,911
Long-term liabilities	23,106,956	645,148	-	23,752,104
Other liabilities	1,697,012	513,572	-	2,210,584
Total Liabilities	24,803,968	1,158,720	-	25,962,688
Deferred inflows - pensions	504,637	138,341		642,978
Total Deferred Inflows of Resources	504,637	138,341	-	642,978
Net Position:				
Net investment in capital assets	5,253,066	19,904,213	(8,082,072)	17,075,207
Restricted	2,400,331	-	-	2,400,331
Unrestricted	(10,520,519)	2,439,901	8,082,072	1,454
Total Net Position	\$ (2,867,122)	22,344,114	\$ -	\$ 19,476,992

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

2017				
	Governmental	Business-Type		Total Primary
	Activities	Activities	Reconciliation	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
Total Assets	29,638,856	14,960,673	-	44,599,529
Deferred charge on refunding	14,558	-	-	14,558
Deferred outflows - pensions	650,133	230,298	-	880,431
Deferred outflows - OPEB	468	-	-	468
Total Deferred Outflows of Resources	665,159	230,298	-	895,457
Long-term liabilities	24,490,838	778,985	-	25,269,823
Other liabilities	806,514	901,635	-	1,708,149
Total Liabilities	25,297,352	1,680,620	-	26,977,972
Deferred inflows - pensions	340,322	106,703	-	447,025
Total Deferred Inflows of Resources	340,322	106,703	-	447,025
Net Position:				
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	(4,021,586)	2,012,545	1,875,296	(133,745)
Total Net Position	\$ 4,666,341	\$ 13,403,648	\$ -	\$ 18,069,989

A portion of the primary government's net position, \$2,400,331, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$1,454.

The City's total net position increased by \$1,407,003 during the current fiscal year. This includes a decrease of \$7,533,463 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 \$8,940,466 is primarily a result of transfers in.

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 \$8,082,072 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, 2018

Statement of Activities:

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

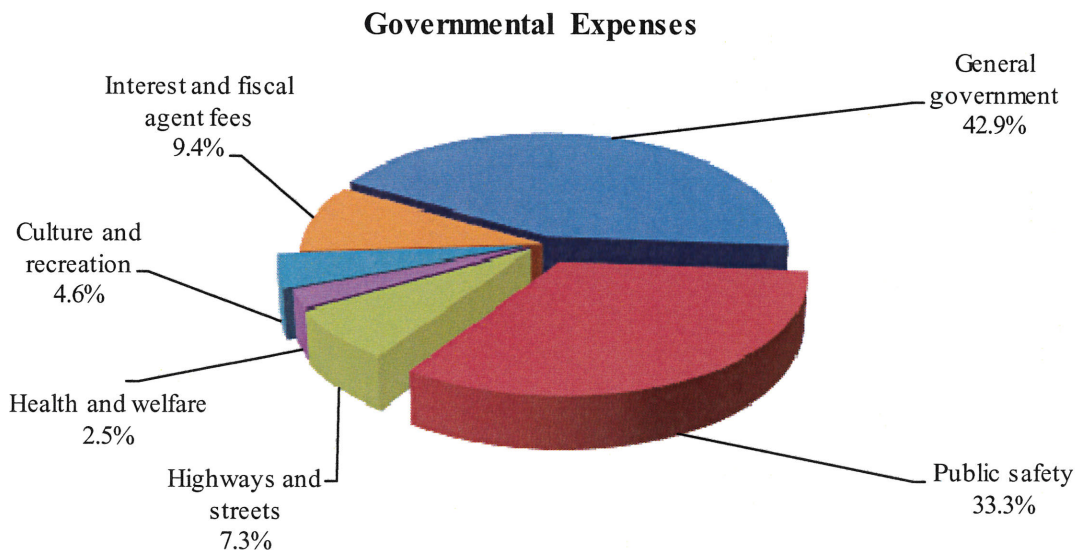
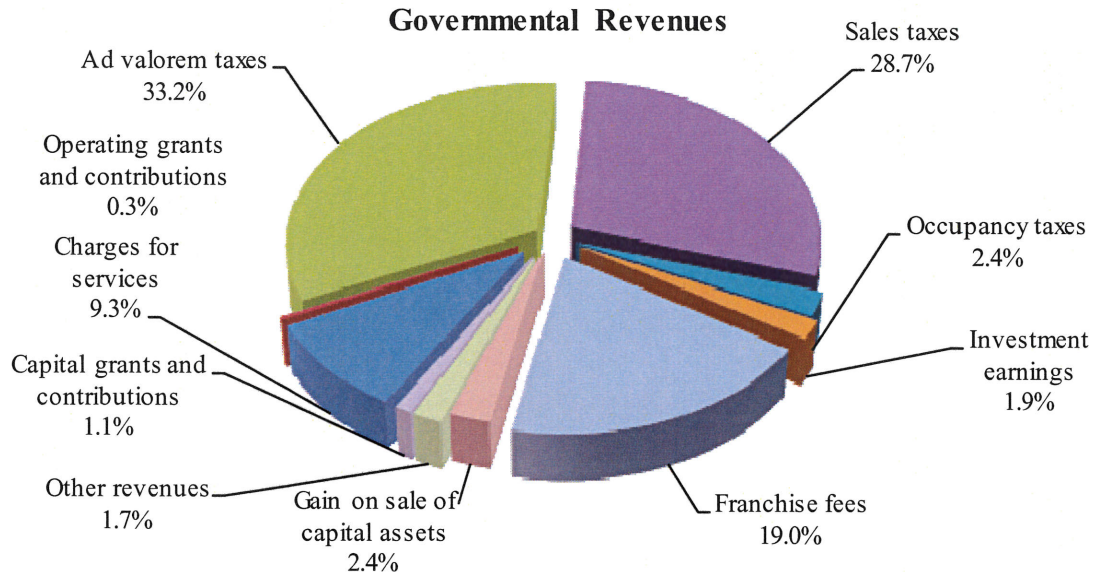
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 842,561	\$ 881,206	\$ 5,239,772	\$ 4,884,928	\$ 6,082,333	\$ 5,766,134
Operating grants and contributions	31,531	6,380	2,735	-	34,266	6,380
Capital grants and contributions	94,136	143,008	-	-	94,136	143,008
General revenues:						
Property taxes	3,011,703	2,889,339	-	-	3,011,703	2,889,339
Sales taxes	2,605,788	2,424,520	-	-	2,605,788	2,424,520
Franchise fees	1,723,016	1,454,601	-	-	1,723,016	1,454,601
Occupancy taxes	218,868	163,058	-	-	218,868	163,058
Investment earnings	171,181	68,512	5,961	3,634	177,142	72,146
Other revenues	156,347	180,399	-	-	156,347	180,399
Gain on sale of capital assets	205,140	-	-	-	205,140	-
Total Revenues	9,060,271	8,211,023	5,248,468	4,888,562	14,308,739	13,099,585
Expenses						
General government	3,392,797	4,085,583	-	-	3,392,797	4,085,583
Public safety	2,634,683	2,710,735	-	-	2,634,683	2,710,735
Highways and streets	575,469	593,386	-	-	575,469	593,386
Health and welfare	204,304	272,857	-	-	204,304	272,857
Culture and recreation	365,691	296,949	-	-	365,691	296,949
Interest and fiscal agent fees on long-term debt	744,292	718,955	-	-	744,292	718,955
Water and sewer	-	-	1,848,429	1,846,232	1,848,429	1,846,232
Gas	-	-	1,530,187	1,266,057	1,530,187	1,266,057
Solid waste	-	-	1,605,884	1,460,502	1,605,884	1,460,502
Total Expenses	7,917,236	8,678,465	4,984,500	4,572,791	12,901,736	13,251,256
Increase (Decrease) in Net Position Before Transfers	1,143,035	(467,442)	263,968	315,771	1,407,003	(151,671)
Transfers in (out)	(8,676,498)	(228,777)	8,676,498	228,777	-	-
Change in Net Position	(7,533,463)	(696,219)	8,940,466	544,548	1,407,003	(151,671)
Beginning net position	4,666,341	5,362,560	13,403,648	12,859,100	18,069,989	18,221,660
Ending Net Position	\$ (2,867,122)	\$ 4,666,341	\$ 22,344,114	\$ 13,403,648	\$ 19,476,992	\$ 18,069,989

CITY OF SEALY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2018

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, 2018, revenues from governmental activities totaled \$9,060,271, which is an increase of \$849,248 from the prior year. This increase is primarily due to an increase in gain on sale of capital assets, sales tax and franchise fees due to an increase in gross tax receipts.

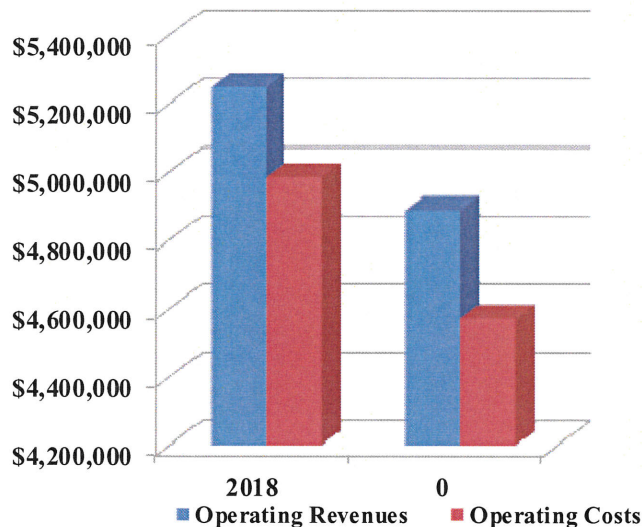
Governmental expenses decreased by \$761,229. This decrease is primarily due to decrease in general government of \$692,786, which is primarily due to the City refunding \$1.3 million to the donor for the Cryan Park project in the prior year.

The increase in transfers out is largely due to contributions to business-type activities for the lift station and gas line improvements projects.

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

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 \$359,906 from the prior period primarily due to an increase in charges for services, mainly due to an increase in solid waste rates and an increase in gas consumption due to a new industrial customer.

Business-type activity expenses increased by \$411,709 from the prior period. The increase is mainly due to an increase in natural gas purchases and gross receipts tax payments.

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 \$8,788,194. Of this, \$62 is nonspendable, \$482,174 is restricted for debt service, \$5,647,403 is restricted for capital improvements, \$1,376,260 is restricted for economic development, \$321,107 is restricted for hotel/motel occupancy tax, \$1,625 is restricted for the Tax Increment Reinvestment Zone, \$28,074 is restricted for forfeited property, \$163,125 is restricted for municipal court, \$5,853 is restricted for child safety, \$100 is restricted for the Main Street program, \$4,424 is restricted for park land dedication, and \$17,589 is restricted for public, educational, or governmental (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 \$824,235. Of this, \$806,584 is unassigned and \$17,589 is restricted for PEG fees. As a measure

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 15.0 percent of total general fund expenditures.

There was a decrease in the combined fund balance of \$8,622,153 from the prior year. The general fund fund balance increased by \$589,614, largely due to the sale of capital assets and an increase in property tax, sales tax, and franchise fee revenue. The debt service fund balance experienced an increase of \$62,873, 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 Sealy economic development corporation fund fund balance experienced a decrease of \$232,376, mainly due to contributions to the water and sewer fund and gas fund for capital improvements. The public improvement district number one fund fund balance increased by \$2. The 2015 CO's capital projects fund fund balance decreased by \$8,580,600 due to capital outlay for wastewater treatment plant improvements and contributions to the state for highway and street 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 in the general fund for the year decreased by \$589,614. Amended budget revenues exceeded actual amounts by a net \$4,726 primarily due to lower than expected revenue from fines.

Actual expenditures were less than budgeted amounts by \$47,797 for the fiscal year. The greatest positive variance was in police, as a result of less personnel expenditures than expected.

CAPITAL ASSETS

At the end of fiscal year 2018, the City's governmental and business-type activities had invested \$31,458,842 in a variety of capital assets and infrastructure (net of accumulated depreciation).

Major capital asset events during the year included the following:

- Police vehicle in the amount of \$34,295
- Drainage improvements in the amount of \$847,409
- Sewer line and gas line improvements in the amount of \$1,533,390
- Construction in progress for wastewater treatment plant in the amount of \$7,855,458

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 \$20,040,000. Of this amount, \$470,000 was general obligation debt and \$19,570,000 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, 2018

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, 61 full-time employees, eight part-time employees, and four seasonal 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 replacement of the roof at the planning department building; street paving improvements, a new dump truck and utility vehicle for the streets department; resurfacing of the community center parking lot, shade covers at the swimming pool; a utility GPS line locator for the water and gas departments; and a small building for the gas department. In lieu of purchasing vehicles this year, the police and public works departments will continue to 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.
- During fiscal 2019, the City will issue combination tax and revenue certificates of obligation at a purchase price of \$11,131,587 (representing an aggregate principal amount of \$10,725,000, plus a net reoffering premium of \$476,300 pertaining to the debt, and less an underwriter's discount of \$69,713). The term of the certificates will be 20 years. Proceeds from the sale of the certificates will be used for improvements and repairs to the City's street, drainage, and utility system; improvements and repairs to the City's water, sanitary sewer, and wastewater system; revitalization, improvements, and repairs to Main Street; and to pay the costs of issuance of the certificates. Payment of principal and interest on the certificates will be from the proceeds of the City's annual ad valorem tax levies and a subordinate pledge of surplus net revenues of the City's waterworks and sanitary sewer system.
- It is anticipated that a pool management company 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 contribute over \$25,000 for the acquisition of shade covers at the swimming pool. In addition, the Corporation has agreed to

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

provide \$500,000 in assistance toward any needed future infrastructure for new and expanding business enterprises that are creating and/or retaining jobs.

For the 2019 budget year, water rates for all customers will increase by 15 percent for all consumption tiers. Bulk water rates will not be adjusted. Natural gas rates for all customers also will not be adjusted. Sanitary sewer rates will increase by 18.3 percent for all customers either with or without metered water service. In addition, the City will now be implementing winter averaging in its calculation of sanitary sewer charges. Sewer averaging is a method of billing customers based on the average use of water during a defined time frame each year. This is normally based on winter consumption, which reflects little or no irrigation water usage. The City has selected the four months from November through February as its designated winter months. The concept is to bill a fair amount that properly charges for only the household water that is treated by the sewer system. The customer is charged this average amount for the entire year until a new average is determined the following year.

The charge for residential garbage collection service will increase by eight 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 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 will increase by 14.25 percent. This increase is intended to cover consumer price index changes within the contract with the City's waste service provider and to aid in recovering from operating deficits that the fund has been experiencing for several years now. 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, 2018

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
<u>Assets</u>				
Cash and equity in pooled cash and investments	\$ 9,105,421	\$ 2,805,413	\$ -	\$ 11,910,834
Receivables, net of allowances	1,297,648	879,521	-	2,177,169
Internal balances	111,815	(111,815)	-	-
Inventory	-	17,840	-	17,840
Prepaid items	62	-	-	62
Capital assets:				
Nondepreciable capital assets	1,481,174	8,751,739	-	10,232,913
Depreciable capital assets, net	10,073,455	11,152,474	-	21,225,929
Total Assets	22,069,575	23,495,172	-	45,564,747
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	12,132	-	-	12,132
Deferred outflows - pensions	348,371	146,003	-	494,374
Deferred outflows - OPEB	11,405	-	-	11,405
Total Deferred Outflows of Resources	371,908	146,003	-	517,911
<u>Liabilities</u>				
Accounts payable and accrued liabilities	1,216,157	280,759	-	1,496,916
Customer deposits	-	232,813	-	232,813
Due to developer	404,131	-	-	404,131
Accrued bond interest	62,254	-	-	62,254
Deposits	10,970	-	-	10,970
Unearned revenue	3,500	-	-	3,500
Noncurrent liabilities:				
Due within one year	1,131,200	66,751	-	1,197,951
Due in more than one year	21,975,756	578,397	-	22,554,153
Total Liabilities	24,803,968	1,158,720	-	25,962,688
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	504,637	138,341	-	642,978
Total Deferred Inflows of Resources	504,637	138,341	-	642,978
<u>Net Position</u>				
Net investment in capital assets	5,253,066	19,904,213	(8,082,072)	17,075,207
Restricted for:				
Debt service	482,174	-	-	482,174
Economic development	1,376,260	-	-	1,376,260
Hotel/motel occupancy tax	321,107	-	-	321,107
Tax increment reinvestment zone	1,625	-	-	1,625
Forfeited property	28,074	-	-	28,074
Municipal court	163,125	-	-	163,125
Child safety	5,853	-	-	5,853
Main street program	100	-	-	100
Park land dedication	4,424	-	-	4,424
PEG fees	17,589	-	-	17,589
Unrestricted	(10,520,519)	2,439,901	8,082,072	1,454
Total Net Position	\$ (2,867,122)	\$ 22,344,114	\$ -	\$ 19,476,992

See Notes to Financial Statements.

CITY OF SEALY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,392,797	\$ 31,141	\$ 31,531	\$ -
Public safety	2,634,683	647,475	-	94,136
Highways and streets	575,469	133,961	-	-
Health and welfare	204,304	-	-	-
Culture and recreation	365,691	29,984	-	-
Interest on long-term debt	744,292	-	-	-
Total Governmental Activities	7,917,236	842,561	31,531	94,136
Business-Type Activities				
Water and sewer	1,848,429	2,232,268	2,735	-
Gas	1,530,187	1,522,005	-	-
Solid waste	1,605,884	1,485,499	-	-
Total Business-Type Activities	4,984,500	5,239,772	2,735	-
Total Primary Government	\$ 12,901,736	\$ 6,082,333	\$ 34,266	\$ 94,136

General Revenues:

Property taxes
 Sales taxes
 Franchise fees
 Occupancy taxes
 Investment earnings
 Other revenues
 Gain on sale of capital assets
 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

Governmental Activities	Business-Type Activities	Total
\$ (3,330,125)	\$ -	\$ (3,330,125)
(1,893,072)	-	(1,893,072)
(441,508)	-	(441,508)
(204,304)	-	(204,304)
(335,707)	-	(335,707)
(744,292)	-	(744,292)
<u>(6,949,008)</u>	<u>-</u>	<u>(6,949,008)</u>
-	386,574	386,574
-	(8,182)	(8,182)
-	<u>(120,385)</u>	<u>(120,385)</u>
-	<u>258,007</u>	<u>258,007</u>
<u>(6,949,008)</u>	<u>258,007</u>	<u>(6,691,001)</u>
3,011,703	-	3,011,703
2,605,788	-	2,605,788
1,723,016	-	1,723,016
218,868	-	218,868
171,181	5,961	177,142
156,347	-	156,347
205,140	-	205,140
<u>(8,676,498)</u>	<u>8,676,498</u>	<u>-</u>
<u>(584,455)</u>	<u>8,682,459</u>	<u>8,098,004</u>
(7,533,463)	8,940,466	1,407,003
<u>4,666,341</u>	<u>13,403,648</u>	<u>18,069,989</u>
<u>\$ (2,867,122)</u>	<u>\$ 22,344,114</u>	<u>\$ 19,476,992</u>

CITY OF SEALY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2018

	General	Debt Service	Sealy Economic Development Corporation	Public Improvement District Number One
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 301,682	\$ 482,174	\$ 1,253,392	\$ 301
Receivables, net	640,654	50,831	130,772	403,835
Due from other funds	191,327	-	-	-
Prepaid items	62	-	-	-
Total Assets	\$ 1,133,725	\$ 533,005	\$ 1,384,164	\$ 404,136
<u>Liabilities</u>				
Accounts payable	\$ 65,019	\$ -	\$ 156	\$ -
Salaries payable	54,713	-	3,390	-
Accrued liabilities	131,563	-	2,997	-
Due to developer	-	-	-	404,131
Deposits payable	10,970	-	-	-
Due to other funds	-	-	1,361	-
Unearned revenue	-	-	-	-
Total Liabilities	262,265	-	7,904	404,131
<u>Deferred Inflows of Resources:</u>				
Unavailable revenue - property taxes	47,225	50,831	-	-
<u>Fund Balances:</u>				
Nonspendable:				
Prepaid items	62	-	-	-
Restricted:				
Debt service	-	482,174	-	-
Capital improvement	-	-	-	5
Economic development	-	-	1,376,260	-
Hotel/motel occupancy tax	-	-	-	-
TIRZ	-	-	-	-
Forfeited property	-	-	-	-
Municipal court	-	-	-	-
Child safety	-	-	-	-
Main street program	-	-	-	-
Park land dedication	-	-	-	-
PEG fees	17,589	-	-	-
Unassigned	806,584	-	-	-
Total Fund Balances	824,235	482,174	1,376,260	5
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,133,725	\$ 533,005	\$ 1,384,164	\$ 404,136

See Notes to Financial Statements.

2015 CO's Capital Projects	Nonmajor Governmental	Total Governmental Funds
\$ 6,543,637	\$ 483,523	\$ 9,064,709
-	71,556	1,297,648
-	-	191,327
-	-	62
<u>\$ 6,543,637</u>	<u>\$ 555,079</u>	<u>\$ 10,553,746</u>
\$ 895,696	\$ 15,495	\$ 976,366
-	-	58,103
-	354	134,914
-	-	404,131
-	-	10,970
543	77,608	79,512
-	3,500	3,500
<u>896,239</u>	<u>96,957</u>	<u>1,667,496</u>
-	-	98,056
-	-	62
-	-	482,174
5,647,398	-	5,647,403
-	-	1,376,260
-	321,107	321,107
-	1,625	1,625
-	28,074	28,074
-	163,125	163,125
-	5,853	5,853
-	100	100
-	4,424	4,424
-	-	17,589
-	(66,186)	740,398
<u>5,647,398</u>	<u>458,122</u>	<u>8,788,194</u>
<u>\$ 6,543,637</u>	<u>\$ 555,079</u>	<u>\$ 10,553,746</u>

CITY OF SEALY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2018

Total fund balances - total governmental funds	\$	8,788,194
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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		1,481,174
Capital assets, net depreciable		10,073,455

Long-term liabilities and deferred outflows and deferred inflows related to the net pension liability and other postemployment benefits (OPEB) are deferred in the governmental funds.

Deferred charge on refunding		12,132
Net pension liability		(1,249,706)
Total OPEB liability		(134,339)
Deferred outflows - pensions		348,371
Deferred inflows - pensions		(504,637)
Deferred outflows - OPEB		11,405

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

98,056

Internal service funds are used by management to charge the costs of certain activities such as insurance. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.

(6,062)

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

Accrued interest payable		(62,254)
Noncurrent liabilities due in one year		(1,131,200)
Noncurrent liabilities due in more than one year		(20,591,711)

Net Position of Governmental Activities	\$	<u>(2,867,122)</u>
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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, 2018

	General	Debt Service	Sealy Economic Development Corporation	Public Improvement District Number One
<u>Revenues</u>				
Property taxes	\$ 1,269,951	\$ 1,617,340	\$ -	\$ -
Sales taxes	1,719,523	-	855,110	-
Franchise fees	1,723,016	-	-	-
Occupancy taxes	-	-	-	-
Municipal drainage fees	-	-	-	-
Permits, licenses, and fees	114,214	-	-	-
Property rentals	29,984	-	-	-
Fines and forfeitures	500,439	-	-	-
Charges for services	31,141	-	-	-
Investment earnings	3,012	15,315	7,938	30
Intergovernmental	108,132	-	-	-
Other revenue	144,324	-	-	-
Total Revenues	<u>5,643,736</u>	<u>1,632,655</u>	<u>863,048</u>	<u>30</u>
<u>Expenditures</u>				
Current:				
General government	2,101,950	-	164,389	2,330
Public safety	2,476,321	-	-	-
Highways and streets	376,749	-	-	-
Health and welfare	27,151	-	-	-
Culture and recreation	366,134	-	-	-
Capital outlay	17,619	-	-	-
Debt service:				
Principal	-	845,000	-	-
Interest and fiscal agent fees	-	802,320	-	-
Total Expenditures	<u>5,365,924</u>	<u>1,647,320</u>	<u>164,389</u>	<u>2,330</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>277,812</u>	<u>(14,665)</u>	<u>698,659</u>	<u>(2,300)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	47,565	77,538	-	2,302
Transfers (out)	-	-	(931,035)	-
Sale of capital assets	264,237	-	-	-
Total Other Financing				
Sources (Uses)	<u>311,802</u>	<u>77,538</u>	<u>(931,035)</u>	<u>2,302</u>
Net Change in Fund Balances	589,614	62,873	(232,376)	2
Beginning fund balances	234,621	419,301	1,608,636	3
Ending Fund Balances	<u>\$ 824,235</u>	<u>\$ 482,174</u>	<u>\$ 1,376,260</u>	<u>\$ 5</u>

See Notes to Financial Statements.

2015 CO's Capital Projects	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 108,868	\$ 2,996,159
-	-	2,574,633
-	-	1,723,016
-	218,868	218,868
-	133,961	133,961
-	-	114,214
-	-	29,984
-	32,822	533,261
-	-	31,141
143,381	1,505	171,181
-	17,535	125,667
-	12,023	156,347
<u>143,381</u>	<u>525,582</u>	<u>8,808,432</u>
1,032,608	248,485	3,549,762
-	4,838	2,481,159
-	-	376,749
-	731,293	758,444
-	-	366,134
7,691,373	330	7,709,322
-	-	845,000
-	-	802,320
<u>8,723,981</u>	<u>984,946</u>	<u>16,888,890</u>
<u>(8,580,600)</u>	<u>(459,364)</u>	<u>(8,080,458)</u>
-	88,814	216,219
-	(91,116)	(1,022,151)
-	-	264,237
<u>-</u>	<u>(2,302)</u>	<u>(541,695)</u>
(8,580,600)	(461,666)	(8,622,153)
<u>14,227,998</u>	<u>919,788</u>	<u>17,410,347</u>
<u>\$ 5,647,398</u>	<u>\$ 458,122</u>	<u>\$ 8,788,194</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, 2018

Net changes in fund balances - total governmental funds \$ (8,622,153)

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

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 outlay, net of contributions to business-type activities and disposals	707,426
Depreciation expense	(556,487)

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, other postemployment benefits (OPEB), and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments	845,000
Additional deferred charge on refunding	(2,426)
Change in net pension liability	432,630
Change in total OPEB liability	(21,679)
Change in deferred outflows - pensions	(301,762)
Change in deferred inflows - pensions	(164,315)
Change in deferred outflows - OPEB	10,937
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.	15,544
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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	38,275
Interest expense on bonds	1,953

Internal service funds are used by management to charge the costs of certain insurance to individual funds. The net revenue (expense) is reported with governmental activities.	(6,062)
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Change in Net Position of Governmental Activities	\$ (7,533,463)
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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, 2018

Business-Type Activities - Enterprise Funds				
	Water and Sewer	Gas	Solid Waste	Total Enterprise Funds
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 2,167,109	\$ 638,304	\$ -	\$ 2,805,413
Accounts receivable, net	403,869	204,088	271,564	879,521
Inventory	8,733	8,457	650	17,840
Due from other funds	440,533	-	-	440,533
Total Current Assets	3,020,244	850,849	272,214	4,143,307
Noncurrent assets:				
Capital assets:				
Land	125,940	-	62,000	187,940
Construction in process	8,563,799	-	-	8,563,799
Buildings and improvements	219,801	-	10,710	230,511
Equipment	889,046	297,751	249,621	1,436,418
Distribution and collection systems	16,827,048	1,564,176	-	18,391,224
Less: accumulated depreciation	(7,890,725)	(754,623)	(260,331)	(8,905,679)
Total Capital Assets (Net)	18,734,909	1,107,304	62,000	19,904,213
Total Noncurrent Assets	18,734,909	1,107,304	62,000	19,904,213
Total Assets	\$ 21,755,153	\$ 1,958,153	\$ 334,214	\$ 24,047,520
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pensions	100,758	45,245	-	146,003

**Internal
Service Fund**

**Self
Insured**

\$ 40,712

-

-

-

40,712

-

-

-

-

-

-

-

-

\$ 40,712

-

CITY OF SEALY, TEXAS
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2018

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Gas	Solid Waste	Total Enterprise Funds
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 51,192	\$ 73,107	\$ 102,336	\$ 226,635
Accrued liabilities	15,416	14,257	24,451	54,124
Customer deposits	120,503	112,310	-	232,813
Compensated absences	62,234	4,517	-	66,751
Due to other funds	54,338	22,228	475,782	552,348
Total Current Liabilities	303,683	226,419	602,569	1,132,671
Noncurrent liabilities:				
Net pension liability	394,708	176,272	-	570,980
Compensated absences	6,915	502	-	7,417
Total Noncurrent Liabilities	401,623	176,774	-	578,397
Total Liabilities	705,306	403,193	602,569	1,711,068
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	94,451	43,890	-	138,341
<u>Net Position</u>				
Net investment in capital assets	18,734,909	1,107,304	62,000	19,904,213
Unrestricted	2,321,245	449,011	(330,355)	2,439,901
Total Net Position	\$ 21,056,154	\$ 1,556,315	\$ (268,355)	\$ 22,344,114

See Notes to Financial Statements.

**Internal
Service Fund**

**Self
Insured**

\$	46,774
	-
	-
	-
	-
	<hr/>
	46,774
	<hr/>
	-
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	-
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	46,774
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	-
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	-
	<hr/>
	(6,062)
	<hr/>
\$	(6,062)
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CITY OF SEALY, TEXAS

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

For the Year Ended September 30, 2018

Business-Type Activities - Enterprise Funds				
	Water and Sewer	Gas	Solid Waste	Total Enterprise Funds
<u>Operating Revenues</u>				
Charges for sales and services:				
Water sales	\$ 1,322,836	\$ -	\$ -	\$ 1,322,836
Sewer charges	882,879	-	-	882,879
Gas sales	-	1,493,964	-	1,493,964
Solid waste and landfill charges	-	-	1,485,499	1,485,499
Tap fees	26,553	26,614	-	53,167
Service charges	-	-	-	-
Other revenues	-	1,427	-	1,427
Total Operating Revenues	2,232,268	1,522,005	1,485,499	5,239,772
<u>Operating Expenses</u>				
Costs of sales and services	-	857,160	1,181,854	2,039,014
Personnel	168,490	246,281	-	414,771
Supplies	63,525	18,598	-	82,123
Maintenance	41,967	14,049	-	56,016
Claim payments and fees	-	-	-	-
Electricity	174,522	1,077	-	175,599
Gross receipts tax	671,794	300,461	415,042	1,387,297
Miscellaneous	259,331	55,341	8,988	323,660
Depreciation	468,312	37,220	-	505,532
Total Operating Expenses	1,847,941	1,530,187	1,605,884	4,984,012
Operating Income (Loss)	384,327	(8,182)	(120,385)	255,760
<u>Nonoperating Revenues (Expenses)</u>				
Intergovernmental	2,735	-	-	2,735
Investment earnings	4,032	1,929	-	5,961
Interest expense	(488)	-	-	(488)
Total Nonoperating Revenues	6,279	1,929	-	8,208
Income (Loss) Before Capital Contributions	390,606	(6,253)	(120,385)	263,968
Capital contributions	7,870,566	-	-	7,870,566
Transfers in	250,000	555,932	-	805,932
Change in Net Position	8,511,172	549,679	(120,385)	8,940,466
Beginning net position	12,544,982	1,006,636	(147,970)	13,403,648
Ending Net Position	\$ 21,056,154	\$ 1,556,315	\$ (268,355)	\$ 22,344,114

See Notes to Financial Statements.

**Internal
Service Fund**

**Self
Insured**

\$	-
	-
	-
	-
	-
	560,830
	-
	<u>560,830</u>
	-
	-
	-
	-
	566,892
	-
	-
	-
	-
	<u>566,892</u>
	<u>(6,062)</u>
	-
	-
	-
	<u>-</u>
	(6,062)
	-
	<u>-</u>
	(6,062)
	-
	<u>-</u>
\$	<u><u>(6,062)</u></u>

CITY OF SEALY, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Gas	Solid Waste	Total Enterprise Funds
<u>Cash Flows from Operating Activities</u>				
Receipts from customers and users	\$ 2,302,707	\$ 1,503,642	\$ 1,448,577	\$ 5,254,926
Payments to suppliers	(727,409)	(986,197)	(1,033,535)	(2,747,141)
Payments to employees	(153,568)	(263,250)	-	(416,818)
Payment for insurance claims	-	-	-	-
Payments to other funds for services provided	(671,794)	(300,461)	(415,042)	(1,387,297)
Net Cash Provided (Used) by Operating Activities	749,936	(46,266)	-	703,670
<u>Cash Flows from Noncapital Financing Activities</u>				
Operating grants	2,735	-	-	2,735
Transfer from other funds	250,000	555,932	-	805,932
Net Cash Provided by Noncapital Financing Activities	252,735	555,932	-	808,667
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(645,228)	(486,991)	-	(1,132,219)
Principal paid on capital lease	(15,857)	-	-	(15,857)
Interest paid on capital debt	(488)	-	-	(488)
Net Cash Provided (Used) by Capital and Related Financing Activities	(661,573)	(486,991)	-	(1,148,564)
<u>Cash Flows from Investing Activities</u>				
Interest received	4,032	1,929	-	5,961
Net Cash Provided by Investing Activities	4,032	1,929	-	5,961
Net Increase in Cash and Cash Equivalents	345,130	24,604	-	369,734
Beginning cash and cash equivalents	1,821,979	613,700	-	2,435,679
Ending Cash and Cash Equivalents	\$ 2,167,109	\$ 638,304	\$ -	\$ 2,805,413

See Notes to Financial Statements.

**Internal
Service Fund**

**Self
Insured**

\$	560,830
	-
	-
	(520,118)
	-
	<u>40,712</u>
	-
	-
	<u>-</u>
	-
	-
	-
	<u>-</u>
	-
	-
	<u>-</u>
	40,712
	-
\$	<u><u>40,712</u></u>

CITY OF SEALY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Gas	Solid Waste	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 384,327	\$ (8,182)	\$ (120,385)	\$ 255,760
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	468,312	37,220	-	505,532
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Current Assets:				
Accounts receivable	(1,347)	(21,998)	(36,922)	(60,267)
Deferred outflows - pensions	57,590	26,705	-	84,295
Due from other funds	68,365	-	-	68,365
Prepaid item	43	-	-	43
Increase (Decrease) in Current Liabilities:				
Accounts payable and accrued liabilities	(242,445)	(17,652)	(135,022)	(395,119)
Customer deposits	3,421	3,635	-	7,056
Compensated absences	57,541	672	-	58,213
Deferred inflows - pensions	21,312	10,326	-	31,638
Net pension liability	(121,521)	(54,672)	-	(176,193)
Due to other funds	54,338	(22,320)	292,329	324,347
Net Cash Provided (Used) by Operating Activities	<u>\$ 749,936</u>	<u>\$ (46,266)</u>	<u>\$ -</u>	<u>\$ 703,670</u>
Noncash Investing, Capital, and Financing Activities:				
Capital contributions	<u>\$ 7,870,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,870,566</u>

See Notes to Financial Statements.

**Internal
Service Fund**

**Self
Insured**

\$ (6,062)

-

-

-

-

-

46,774

-

-

-

-

-

\$ 40,712

\$ -

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CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

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), water and sewer services, solid waste collection and disposal (contract), gas services, highway and street, health and welfare, culture and education, 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, 2018

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 the Tax Increment 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 (the "Board") appointed by the Mayor, subject to City Council approval. The Board shall be composed of the same persons appointed to the TIRZ Board. The Authority has entered into an agreement (the "Agreement") with the City 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, 2018

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 taxes, franchise fees, 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, TIRZ fund, 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 special revenue funds are

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

considered nonmajor funds for reporting purposes. The PID fund is considered a major fund for reporting purposes. The primary source of revenue for the PID number one is levies assessed to property owners for certain public improvements constructed within the PID and related interest earnings. The SEDC fund is considered a major fund. The primary source of revenue for the SEDC 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 is considered a major fund 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 major funds for reporting purposes.

Additionally, the City reports the following fund types:

The *Internal service fund* accounts for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. This fund includes the self-insurance fund.

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.

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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.

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 fees, 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."

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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.

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
Distribution and collection systems	10 to 70 years
Intangibles	7 to 10 years
Machinery and equipment	3 to 10 years

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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 or refunding debt. Deferred outflows have been recognized for the changes in actuarial assumptions related to the City's defined benefit pension and other postemployment benefits (OPEB) plans. These amounts are deferred and amortized over the average of the expected service lives of pension and OPEB plan members. A deferred charge has been recognized for employer pension and OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. These amounts are deferred and recognized as a reduction to the net pension and OPEB liability during the measurement period in which the contributions were made. Deferred outflows 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. These amounts are deferred and amortized over the average of the expected service lives of pension plan members.

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 two items that qualify 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. Deferred inflows 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. 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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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.

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).

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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 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.

13. Other Postemployment Benefits

The City participates in a single-employer, unfunded, 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 funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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 of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize 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 funds 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, 2018. Other special revenue funds have budgets for management purposes.

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

1. Expenditures in Excess of Appropriations

For the year ended September 30, 2018, expenditures exceeded appropriations at the legal level of control as follows:

General fund		
General Government:		
City Council	\$	423
City Secretary	\$	1,874
Nondepartmental	\$	11,696
Debt Service fund		
Interest and fiscal agent fees	\$	91
Chapter 59 Forfeited Property fund		
Public safety	\$	13
Hotel/Motel Occupancy Tax fund		
Culture and recreation	\$	305

B. Deficit Fund Balances/Net Position

At September 30, 2018, the solid waste fund, a major enterprise fund, had a deficit net position of \$268,355. The City plans to increase rates to offset the deficit. The municipal drainage fund and the capital project fund, a nonmajor special revenue fund and capital projects fund, had deficit fund balances of \$51,078 and \$15,108, respectively. The City plans to issue debt and transfer monies to offset the deficits.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2018, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 3,906,581	0.09
TexStar	3,906,856	0.08
Total Fair Value	<u><u>\$ 7,813,437</u></u>	
Portfolio weighted average maturity		0.09

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 at the depository bank to be collateralized by securities. As of September 30, 2018, 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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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, TexPool 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 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.

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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 SEDC, 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	\$ -	\$ -	\$ -	\$ -	\$ 26,360
Property taxes	47,225	50,831	-	-	-
Sales taxes	261,543	-	130,772	-	-
Hotel/motel taxes	-	-	-	-	45,334
Franchise fees	8,656	-	-	-	-
Special assessments	5,571	-	-	403,835	-
Other	323,230	-	-	-	-
Less allowance	(5,571)	-	-	-	(138)
Total	\$ 640,654	\$ 50,831	\$ 130,772	\$ 403,835	\$ 71,556

Proprietary Funds

	Water and Sewer	Gas	Solid Waste
Accounts	\$ 406,442	\$ 204,513	\$ 273,361
Less allowance	(2,573)	(425)	(1,797)
Total	\$ 403,869	\$ 204,088	\$ 271,564

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

C. Capital Assets

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

	Primary Government			
	Beginning Balance	Increases	Reclassifications/ (Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,484,174	\$ -	\$ (3,000)	\$ 1,481,174
Construction in progress	128,400	-	(128,400)	-
Total capital assets not being depreciated	1,612,574	-	(131,400)	1,481,174
Other capital assets:				
Buildings	4,641,666	-	(138,241)	4,503,425
Improvements other than buildings	7,708,893	847,409	-	8,556,302
Intangibles	155,295	-	-	155,295
Machinery and equipment	2,643,804	47,514	(185,196)	2,506,122
Total other capital assets	15,149,658	894,923	(323,437)	15,721,144
Less accumulated depreciation for:				
Buildings	(1,443,408)	(112,711)	129,931	(1,426,188)
Improvements other than buildings	(1,939,317)	(242,649)	(11,043)	(2,193,009)
Intangibles	(103,541)	(16,342)	-	(119,883)
Machinery and equipment	(1,872,276)	(184,785)	148,452	(1,908,609)
Total accumulated depreciation	(5,358,542)	(556,487)	267,340	(5,647,689)
Other capital assets, net	9,791,116	338,436	(56,097)	10,073,455
Governmental Activities Capital Assets, Net	\$ 11,403,690	\$ 338,436	\$ (187,497)	11,554,629
			Less associated debt	(7,295,241)
			Unspent bond proceeds	981,546
			Deferred charge on refunding	12,132
			Net Investment in Capital Assets	\$ 5,253,066

Depreciation was charged to governmental functions as follows:

General government	\$ 40,396
Public safety	153,085
Highways and streets	201,309
Culture and recreation	160,469
Health and welfare	1,228
Total Governmental Activities Depreciation Expense	\$ 556,487

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 187,940	\$ -	\$ -	\$ 187,940
Construction in progress	1,094,404	7,909,716	(440,321)	8,563,799
Total capital assets not being depreciated	<u>1,282,344</u>	<u>7,909,716</u>	<u>(440,321)</u>	<u>8,751,739</u>
Other capital assets:				
Buildings and improvements	230,511	-	-	230,511
Distribution and collection systems	16,857,834	1,533,390	-	18,391,224
Machinery and equipment	1,436,418	-	-	1,436,418
Total other capital assets	<u>18,524,763</u>	<u>1,533,390</u>	<u>-</u>	<u>20,058,153</u>
Less accumulated depreciation for:				
Buildings and improvements	(215,949)	(61,521)	-	(277,470)
Distribution and collection systems	(6,969,965)	(394,097)	-	(7,364,062)
Machinery and equipment	(1,214,233)	(49,914)	-	(1,264,147)
Total accumulated depreciation	<u>(8,400,147)</u>	<u>(505,532)</u>	<u>-</u>	<u>(8,905,679)</u>
Other capital assets, net	<u>10,124,616</u>	<u>1,027,858</u>	<u>-</u>	<u>11,152,474</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,406,960</u>	<u>\$ 8,937,574</u>	<u>\$ (440,321)</u>	<u>\$ 19,904,213</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 468,312
Gas	37,220
Total Business-Type Activities Depreciation Expense	<u>\$ 505,532</u>

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2018. 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>
Governmental Activities:					
Bonds, notes, and other payables:					
General obligation refunding bonds	\$ 660,000	\$ -	\$ 190,000	\$ 470,000	\$ 90,000
Certificates of obligation	20,225,000	-	655,000	19,570,000	780,000
Total bonds, notes, and other payables	20,885,000	-	845,000	20,040,000 *	870,000
Other liabilities:					
Premium on bonds	957,905	-	58,501	899,404 *	-
Sales tax payable	524,440	-	31,155	493,285	-
Net pension liability	1,682,336	-	432,630	1,249,706	-
Total OPEB liability	112,660	21,679	-	134,339	-
Compensated absences	328,497	156,413	194,688	290,222	261,200
Total other liabilities	3,605,838	178,092	716,974	3,066,956	261,200
Total Governmental Activities	\$ 24,378,178	\$ 156,413	\$ 1,129,344	\$ 23,106,956	\$ 1,131,200

Long-term debt due in more than one year \$ 21,975,756

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Other payables:					
Capital leases	\$ 15,857	\$ -	\$ 15,857	\$ -	\$ -
Other liabilities:					
Net pension liability	747,173	-	176,193	570,980	-
Compensated absences	15,955	58,213	-	74,168	66,751
Total Business-Type Activities	\$ 778,985	\$ 58,213	\$ 192,050	\$ 645,148	\$ 66,751

Long-term debt due in more than one year \$ 578,397

Debt associated with governmental capital assets	\$ 7,295,241
Debt associated with business-type capital assets	13,644,163
Total debt associated with capital assets	\$ 20,939,404 *

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 and total OPEB 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, 2018

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

Description	Interest Rates	Balance
<u>Governmental Activities</u>		
General Obligation Refunding Bonds		
Series 2016	1.58%	\$ 470,000
Total General Obligation Bonds		470,000
 Certificates of Obligation		
Series 2010*	3.00-4.25%	4,670,000
Series 2011	3.84%	1,500,000
Series 2015	2.00-4.00%	13,400,000
Total Certificates of Obligation		19,570,000
 Total Governmental Activities Long-Term Debt		 \$ 20,040,000

* 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 the SEDC. Payments from the SEDC 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
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	1,010,000	639,517	1,649,517
2024-2028	5,720,000	2,572,611	8,292,611
2029-2033	6,650,000	1,399,950	8,049,950
2034-2035	2,975,000	179,600	3,154,600
Total	\$ 20,040,000	\$ 7,576,093	\$ 27,616,093

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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.

Operating Leases

On January 31, 2014, the City entered into a five-year lease agreement with 111 Main 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, 2018 are:

<u>Year Ended</u> <u>Sept. 30</u>	<u>Total</u>
2019	7,500
Total	\$ 7,500

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 \$493,285.

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.

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

E. Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amounts
General	Sealy economic development corporation	\$ 1,361
General	Water and sewer	54,338
General	Solid waste	35,792
General	Gas	22,228
General	Nonmajor	77,608
Water and sewer	2015 CO's capital projects	543
Water and sewer	Solid waste	439,990
		<u>\$ 631,860</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:

Transfer In	Transfer Out	Amounts
General	Sealy economic development corporation	\$ 47,565
Debt service	Sealy economic development corporation	77,538
Nonmajor	Nonmajor	88,814
Public improvement district number one	Nonmajor	2,302
Gas	Sealy economic development corporation	555,932
Water and Sewer	Sealy economic development corporation	250,000
		<u>\$ 1,022,151</u>

Amounts transferred between general, SEDC, PID, debt service, and nonmajor governmental funds were for various governmental expenditures and debt payments.

G. Fund Equity

As of September 30, 2018, \$518,159 of the City's total fund balance is restricted by enabling legislation.

H. Prior Period Adjustment

Beginning net position has been restated due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

	Governmental Activities
Prior year ending net position as reported	\$ 4,778,533
OPEB liability	(112,660)
Deferred outflows	468
Restated Beginning Net Position	<u><u>\$ 4,666,341</u></u>

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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.

The City maintains a self-insurance program for medical benefits. The risk management internal service fund pays claims and judgments, maintains loss reserves, and purchases insurance coverage as required. A third-party administrator pays group medical benefits claims. Revenues are recognized from payroll deductions for employee dependent coverage, from City contributions for employee coverage, and from interest earnings. Group medical benefits have an annually negotiated specific and aggregate stop-loss policy.

Changes in balances of claim liabilities during the past year are as follows:

	2018
Beginning claims payable	\$ -
Claims incurred	566,892
Claims paid	(520,118)
Ending Claims Payable	\$ 46,774

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 Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by 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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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.tmrs.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.

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:

	2018	2017
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, 2017 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	49
Active employees	55
Total	127

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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 15.07 percent and 14.27 percent in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$440,063, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2017 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rate are based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. 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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

(aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). 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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

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	\$ 543,678	\$ -	\$ 543,678
Interest	958,108	-	958,108
Difference between expected and actual experience	196,601	-	196,601
Contributions - employer	-	465,980	(465,980)
Contributions - employee	-	231,468	(231,468)
Net investment income	-	1,618,571	(1,618,571)
Benefit payments, including refunds of employee contributions	(361,136)	(361,136)	-
Administrative expense	-	(8,385)	8,385
Other changes	-	(424)	424
Net Changes	1,337,251	1,946,074	(608,823)
Balance at December 31, 2016	14,102,924	11,673,415	2,429,509
Balance at December 31, 2017	\$ 15,440,175	\$ 13,619,489	\$ 1,820,686

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	<u>\$ 4,328,472</u>	<u>\$ 1,820,686</u>	<u>\$ (197,535)</u>

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.tmr.com.

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

For the fiscal year ended September 30, 2018, the City recognized net pension expense of \$402,604.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 146,829	\$ 288,012
Changes in actuarial assumptions	31,116	-
Difference between projected and actual investment earnings	-	354,966
Contributions subsequent to the measurement date	316,429	-
Total	<u>\$ 494,374</u>	<u>\$ 642,978</u>

\$316,429 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2019	\$ (82,073)
2020	(78,039)
2021	(138,797)
2022	(166,124)
Total	<u>\$ (465,033)</u>

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

D. Other Postemployment Benefits

TMRS – Supplemental Death Benefit

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2017 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to, but not yet receiving, benefits	14
Active employees	55
Total	85

Total OPEB Liability

The City's total OPEB liability of \$134,339 was measured as of December 31, 2017 and 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, 2018

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	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.
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 5,060
Interest	4,342
Changes of assumptions	12,910
Benefit payments*	(633)
Net Changes	21,679
Beginning balance	112,660
Ending Balance	\$ 134,339

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's Total OPEB Liability	\$ 168,607	\$ 134,339	\$ 108,827

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$11,572. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	\$ 10,740
Contributions subsequent to the measurement date	665
Total	\$ 11,405

\$665 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2019.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2019	\$ 2,170
2020	2,170
2021	2,170
2022	2,170
2023	2,060
Total	\$ 10,740

E. Tax Abatements

Chapter 380 Economic Development Agreements

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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 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 12 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, 2018.

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 grant payments. Annual sales tax payments to Prasek’s 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 20 years from the base year, whichever occurs first. The provision for property tax payments applies to real property and tangible personal property located on Prasek’s premises each year. The payment is limited to seven years and provides for specific rebate 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, 2018.

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, 2018.

The City has entered into a property tax abatement agreement (the “Agreement”) with 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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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 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, 2018.

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 TIRZ #2 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, 2018, the total amount of tax increments collected in TIRZ #2 was \$57,567 for the City and \$51,301 for the County; the Developer was reimbursed \$88,814.

F. Subsequent Event

On October 1, 2018, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates") in the amount of \$10,725,000. Proceeds from the sale of the Certificates will be used for improvements and repairs to the City's streets and drainage and utility system; improvements and repairs to the City's water, sanitary sewer, and waste water system; revitalization, improvements, and repairs to Main Street; and to pay the costs of issuance.

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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, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Taxes:				
Property	\$ 1,300,891	\$ 1,269,931	\$ 1,269,951	\$ 20
Sales	1,382,500	1,719,510	1,719,523	13
Franchise fees	1,698,360	1,717,230	1,723,016	5,786
Permits, licenses, and fees	200,850	114,140	114,214	74
Property rentals	21,400	30,170	29,984	(186)
Charges for services	65,750	30,990	31,141	151
Fines	393,100	522,820	500,439	(22,381)
Investment earnings	1,205	2,975	3,012	37
Intergovernmental	-	95,696	108,132	12,436
Other revenue	22,120	145,000	144,324	(676)
Total Revenues	5,086,176	5,648,462	5,643,736	(4,726)
<u>Expenditures</u>				
General government:				
City Council	42,166	39,606	40,029	(423) *
City Manager	239,819	217,450	214,252	3,198
City Hall	174,595	174,720	174,442	278
Finance	527,047	520,477	515,318	5,159
City Secretary	132,942	130,047	131,921	(1,874) *
Public works	329,218	322,308	314,944	7,364
Court	256,691	261,748	259,768	1,980
Information technology	127,043	118,058	117,600	458
Mechanic shop	55,664	59,844	59,081	763
Main street program	32,007	39,658	38,024	1,634
Nondepartmental	35,500	224,875	236,571	(11,696) *
Total General Government Expenditures	1,952,692	2,108,791	2,101,950	6,841
Public safety:				
Police	2,113,280	2,000,615	1,981,348	19,267
Planning and community development	426,090	452,335	446,810	5,525
Fire marshal	48,934	51,374	48,163	3,211
Total Public Safety Expenditures	2,588,304	2,504,324	2,476,321	28,003
Highways and streets	465,052	385,463	376,749	8,714
Health and welfare	34,576	28,611	27,151	1,460
Culture and recreation	334,022	368,837	366,134	2,703
Capital outlay	173,295	17,695	17,619	76
Total Expenditures	5,547,941	5,413,721	5,365,924	47,797
Excess (Deficiency) of Revenues Over (Under) Expenditures	(461,765)	234,741	277,812	43,071

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, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 47,848	\$ 47,848	\$ 47,565	\$ (283)
Sale of capital assets	-	241,640	264,237	22,597
Total Other Financing Sources	<u>47,848</u>	<u>289,488</u>	<u>311,802</u>	<u>22,314</u>
Net Change in Fund Balance	<u>\$ (413,917)</u>	<u>\$ 524,229</u>	<u>589,614</u>	<u>\$ 65,385</u>
Beginning fund balance			<u>234,621</u>	
Ending Fund Balance			<u>\$ 824,235</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
SEALY ECONOMIC DEVELOPMENT CORPORATION
For the Year Ended September 30, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Sales taxes	\$ 690,000	\$ 855,105	\$ 855,110	\$ 5
Investment earnings	1,000	7,935	7,938	3
Total Revenues	691,000	863,040	863,048	8
<u>Expenditures</u>				
General government:				
General administration	109,464	112,924	112,889	35
Supplies	2,167	1,232	305	927
Professional services	9,000	3,500	3,074	426
Miscellaneous	194,119	48,884	48,121	763
Total Expenditures	314,750	166,540	164,389	2,151
Excess of Revenue Over Expenditures	376,250	696,500	698,659	2,159
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(375,386)	(931,318)	(931,035)	283
Total Other Financing (Uses)	(375,386)	(931,318)	(931,035)	283
Net Change in Fund Balance	\$ 864	\$ (234,818)	(232,376)	\$ 2,442
Beginning fund balance			1,608,636	
Ending Fund Balance			\$ 1,376,260	

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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, 2018

	Original Budget Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 15	\$ 15	\$ 30	\$ 15
Total Revenues	<u>15</u>	<u>15</u>	<u>30</u>	<u>15</u>
<u>Expenditures</u>				
General government:				
General administration	6,000	2,330	2,330	-
Total Expenditures	<u>6,000</u>	<u>2,330</u>	<u>2,330</u>	<u>-</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(5,985)</u>	<u>(2,315)</u>	<u>(2,300)</u>	<u>15</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	5,985	2,300	2,302	2
Total Other Financing Sources	<u>5,985</u>	<u>2,300</u>	<u>2,302</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (15)</u>	<u>2</u>	<u>\$ 17</u>
Beginning fund balance			<u>3</u>	
Ending Fund Balance			<u>\$ 5</u>	

CITY OF SEALY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2018

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 409,359	\$ 456,744	\$ 504,172	\$ 543,678
Interest (on the total pension liability)	828,558	893,711	911,239	958,108
Difference between expected and actual experience	(54,420)	(338,401)	(311,470)	196,601
Change of assumptions	-	90,196	-	-
Benefit payments, including refunds of employee contributions	(263,614)	(289,278)	(497,549)	(361,136)
Net Change in Total Pension Liability	919,883	812,972	606,392	1,337,251
Beginning total pension liability	11,763,677	12,683,560	13,496,532	14,102,924
Ending Total Pension Liability	\$ 12,683,560	\$ 13,496,532	\$ 14,102,924	\$ 15,440,175
Plan Fiduciary Net Position				
Contributions - employer	\$ 413,490	\$ 431,078	\$ 474,650	\$ 465,980
Contributions - employee	189,426	193,185	205,306	231,468
Net investment income	546,494	15,394	728,387	1,618,571
Benefit payments, including refunds of employee contributions	(263,614)	(289,278)	(497,549)	(361,136)
Administrative expense	(5,704)	(9,375)	(8,221)	(8,385)
Other	(469)	(464)	(443)	(424)
Net Change in Plan Fiduciary Net Position	879,623	340,540	902,130	1,946,074
Beginning plan fiduciary net position	9,551,122	10,430,745	10,771,285	11,673,415
Ending Plan Fiduciary Net Position	\$ 10,430,745	\$ 10,771,285	\$ 11,673,415	\$ 13,619,489
Net Pension Liability	\$ 2,252,815	\$ 2,725,247	\$ 2,429,509	\$ 1,820,686
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.24%	79.81%	82.77%	88.21%
Covered Payroll	\$ 2,706,088	\$ 2,759,784	\$ 2,932,939	\$ 3,162,756
Net Pension Liability as a Percentage of Covered Payroll	83.25%	98.75%	82.84%	57.57%

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

CITY OF SEALY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2018

	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 payroll	\$ 2,706,088	\$ 2,779,106	\$ 3,065,618	\$ 3,056,848
Contributions as a percentage of covered payroll	15.23%	15.53%	15.23%	15.06%

*Only five years of information is currently available. The City will build this schedule over the next five-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	28 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.

Fiscal Year*
2018

\$	440,063
----	---------

	440,063
\$	-

\$	3,037,842
----	-----------

14.49%

CITY OF SEALY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2018

	Measurement Year* <u>2017</u>
Total OPEB Liability	
Service cost	\$ 5,060
Interest (on the total OPEB liability)	4,342
Changes in assumptions	12,910
Benefit payments**	(633)
Net Change in Total OPEB Liability	<u>21,679</u>
Beginning total OPEB liability	<u>112,660</u>
Ending Total OPEB Liability	<u><u>\$ 134,339</u></u>
Covered Payroll	\$ 3,162,756
Total OPEB Liability as a Percentage of Covered Payroll	4.25%

*Only one year of information is currently available. The City will build this schedule over the next nine-year period.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation.
Discount rate	3.31%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - service retirees	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.
Mortality - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Changes in assumptions include the annual change in the municipal bond index rate.

There were no benefit changes during the year.

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***COMBINING STATEMENTS
AND SCHEDULES***

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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, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 1,583,152	\$ 1,617,337	\$ 1,617,340	\$ 3
Investment earnings	2,000	15,310	15,315	5
Total Revenues	<u>1,585,152</u>	<u>1,632,647</u>	<u>1,632,655</u>	<u>8</u>
<u>Expenditures</u>				
Debt service:				
Principal	845,000	845,000	845,000	-
Interest and fiscal agent fees	802,229	802,229	802,320	(91) *
Total Expenditures	<u>1,647,229</u>	<u>1,647,229</u>	<u>1,647,320</u>	<u>(91)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(62,077)</u>	<u>(14,582)</u>	<u>(14,665)</u>	<u>(83)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	<u>77,538</u>	<u>77,538</u>	<u>77,538</u>	<u>-</u>
Total Other Financing Sources	<u>77,538</u>	<u>77,538</u>	<u>77,538</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 15,461</u>	<u>\$ 62,956</u>	<u>62,873</u>	<u>\$ (83)</u>
Beginning fund balance			<u>419,301</u>	
Ending Fund Balance			<u>\$ 482,174</u>	

* Expenditures exceeded appropriations at the legal level of control.

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CITY OF SEALY, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2018

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 (Page 1 of 2)
September 30, 2018

		Special Revenue Funds			
		Hotel/Motel Occupancy Tax	Tax Increment Investment Zone Number Two	Chapter 59 Forfeited Property	Texas Capital Fund Grant
<u>Assets</u>					
Current assets:					
Cash and cash equivalents		\$ 276,421	\$ 1,625	\$ 28,160	\$ 3,500
Receivables, net		45,334	-	-	-
Total Assets		\$ 321,755	\$ 1,625	\$ 28,160	\$ 3,500
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Accounts payable		\$ 342	\$ -	\$ -	\$ -
Accrued liabilities		306	-	-	-
Due to other funds		-	-	86	-
Unearned revenue		-	-	-	3,500
Total Liabilities		648	-	86	3,500
<u>Fund balances:</u>					
Restricted:					
Hotel/motel occupancy tax		321,107	-	-	-
TIRZ		-	1,625	-	-
Forfeited property		-	-	28,074	-
Municipal court		-	-	-	-
Child safety		-	-	-	-
Main street program		-	-	-	-
Park land dedication		-	-	-	-
Unassigned		-	-	-	-
Total Fund Balances		321,107	1,625	28,074	-
Total Liabilities and Fund Balances		\$ 321,755	\$ 1,625	\$ 28,160	\$ 3,500

Special Revenue Funds

<u>Municipal Drainage</u>	<u>Municipal Court Technology</u>	<u>Judicial Efficiency</u>	<u>Municipal Court Building Security</u>	<u>Child Safety</u>	<u>Main Street Program</u>
\$ -	\$ 23,263	\$ 14,471	\$ 125,706	\$ 5,853	\$ 100
26,222	-	-	-	-	-
<u>\$ 26,222</u>	<u>\$ 23,263</u>	<u>\$ 14,471</u>	<u>\$ 125,706</u>	<u>\$ 5,853</u>	<u>\$ 100</u>
\$ -	\$ 45	\$ -	\$ -	\$ -	\$ -
48	-	-	-	-	-
77,252	-	-	270	-	-
-	-	-	-	-	-
<u>77,300</u>	<u>45</u>	<u>-</u>	<u>270</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	23,218	14,471	125,436	-	-
-	-	-	-	5,853	-
-	-	-	-	-	100
-	-	-	-	-	-
<u>(51,078)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(51,078)</u>	<u>23,218</u>	<u>14,471</u>	<u>125,436</u>	<u>5,853</u>	<u>100</u>
\$ 26,222	\$ 23,263	\$ 14,471	\$ 125,706	\$ 5,853	\$ 100

CITY OF SEALY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2018

	Special Revenue Funds		Capital Project Fund	Total Nonmajor Governmental Funds
	Park Land Dedication	Sealy Development Authority	Capital Projects	
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 4,424	\$ -	\$ -	\$ 483,523
Receivables, net	-	-	-	71,556
Total Assets	\$ 4,424	\$ -	\$ -	\$ 555,079
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 15,108	\$ 15,495
Accrued liabilities	-	-	-	354
Due to other funds	-	-	-	77,608
Unearned revenue	-	-	-	3,500
Total Liabilities	-	-	15,108	96,957
<u>Fund balances:</u>				
Restricted:				
Hotel/motel occupancy tax	-	-	-	321,107
TIRZ	-	-	-	1,625
Forfeited property	-	-	-	28,074
Municipal court	-	-	-	163,125
Child safety	-	-	-	5,853
Main street program	-	-	-	100
Park land dedication	4,424	-	-	4,424
Unassigned	-	-	(15,108)	(66,186)
Total Fund Balances	4,424	-	(15,108)	458,122
Total Liabilities and Fund Balances	\$ 4,424	\$ -	\$ -	\$ 555,079

CITY OF SEALY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
For the Year Ended September 30, 2018

	Special Revenue Funds			
	Hotel/Motel Occupancy Tax	Tax Increment Investment Zone Number Two	Chapter 59 Forfeited Property	Texas Capital Fund Grant
Revenues				
Property taxes	\$ -	\$ 108,868	\$ -	\$ -
Occupancy tax	218,868	-	-	-
Intergovernmental	-	-	-	-
Municipal drainage fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment earnings	1,173	24	25	-
Other revenue	512	-	11,411	-
Total Revenues	220,553	108,892	11,436	-
Expenditures				
Current:				
General government	93,594	18,656	-	-
Health and welfare	-	-	-	-
Public safety	-	-	4,838	-
Capital outlay	-	-	-	-
Total Expenditures	93,594	18,656	4,838	-
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	126,959	90,236	6,598	-
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer (out)	-	(91,116)	-	-
Total Other Financing Sources (Uses)	-	(91,116)	-	-
Net Change in Fund Balances	126,959	(880)	6,598	-
Beginning fund balances	194,148	2,505	21,476	-
Ending Fund Balances	\$ 321,107	\$ 1,625	\$ 28,074	\$ -

Special Revenue Funds

Municipal Drainage	Municipal Court Technology	Judicial Efficiency	Municipal Court Building Security	Child Safety	Main Street Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
17,535	-	-	-	-	-
133,961	-	-	-	-	-
-	16,285	3,874	12,213	450	-
85	29	18	139	7	-
-	-	-	-	-	100
<u>151,581</u>	<u>16,314</u>	<u>3,892</u>	<u>12,352</u>	<u>457</u>	<u>100</u>
-	23,250	5,905	3,158	-	-
731,293	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>731,293</u>	<u>23,250</u>	<u>5,905</u>	<u>3,158</u>	<u>-</u>	<u>-</u>
<u>(579,712)</u>	<u>(6,936)</u>	<u>(2,013)</u>	<u>9,194</u>	<u>457</u>	<u>100</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(579,712)	(6,936)	(2,013)	9,194	457	100
<u>528,634</u>	<u>30,154</u>	<u>16,484</u>	<u>116,242</u>	<u>5,396</u>	<u>-</u>
<u>\$ (51,078)</u>	<u>\$ 23,218</u>	<u>\$ 14,471</u>	<u>\$ 125,436</u>	<u>\$ 5,853</u>	<u>\$ 100</u>

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CITY OF SEALY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended September 30, 2018

	Special Revenue Funds		Capital Project Fund	Total Nonmajor Governmental Funds
	Park Land Dedication	Sealy Development Authority	Capital Projects	
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 108,868
Occupancy tax	-	-	-	218,868
Intergovernmental	-	-	-	17,535
Municipal drainage fee	-	-	-	133,961
Fines and forfeitures	-	-	-	32,822
Investment earnings	5	-	-	1,505
Other revenue	-	-	-	12,023
Total Revenues	<u>5</u>	<u>-</u>	<u>-</u>	<u>525,582</u>
Expenditures				
Current:				
General government	-	88,814	15,108	248,485
Health and welfare	-	-	-	731,293
Public safety	-	-	-	4,838
Capital outlay	330	-	-	330
Total Expenditures	<u>330</u>	<u>88,814</u>	<u>15,108</u>	<u>984,946</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(325)</u>	<u>(88,814)</u>	<u>(15,108)</u>	<u>(459,364)</u>
Other Financing Sources (Uses)				
Transfer in	-	88,814	-	88,814
Transfer (out)	-	-	-	(91,116)
Total Other Financing Sources (Uses)	<u>-</u>	<u>88,814</u>	<u>-</u>	<u>(2,302)</u>
Net Change in Fund Balances	<u>(325)</u>	<u>-</u>	<u>(15,108)</u>	<u>(461,666)</u>
Beginning fund balances	<u>4,749</u>	<u>-</u>	<u>-</u>	<u>919,788</u>
Ending Fund Balances	<u>\$ 4,424</u>	<u>\$ -</u>	<u>\$ (15,108)</u>	<u>\$ 458,122</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, 2018

		Hotel/Motel Occupancy Tax			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>					
Occupancy tax		\$ 140,000	\$ 218,860	\$ 218,868	\$ 8
Investment earnings		200	1,170	1,173	3
Other revenue		-	510	512	2
Total Revenues		<u>140,200</u>	<u>220,540</u>	<u>220,553</u>	<u>13</u>
<u>Expenditures</u>					
Current:					
Culture and recreation		<u>157,699</u>	<u>93,289</u>	<u>93,594</u>	<u>(305) *</u>
Total Expenditures		<u>157,699</u>	<u>93,289</u>	<u>93,594</u>	<u>(305)</u>
Net Change in Fund Balance		<u><u>\$ (17,499)</u></u>	<u><u>\$ 127,251</u></u>	126,959	<u><u>\$ (292)</u></u>
Beginning fund balance				<u>194,148</u>	
Ending Fund Balance				<u>\$ 321,107</u>	

* Expenditures exceeded appropriations at the legal level of control.

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, 2018

Chapter 59 Forfeited Property				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 40	\$ 40	\$ 25	\$ (15)
Other revenue	7,500	11,495	11,411	(84)
Total Revenues	<u>7,540</u>	<u>11,535</u>	<u>11,436</u>	<u>(99)</u>
<u>Expenditures</u>				
Current:				
Public safety	-	4,825	4,838	(13) *
Total Expenditures	<u>-</u>	<u>4,825</u>	<u>4,838</u>	<u>(13)</u>
Net Change in Fund Balance	<u>\$ 7,540</u>	<u>\$ 6,710</u>	6,598	<u>\$ (112)</u>
Beginning fund balance			21,476	
Ending Fund Balance			<u>\$ 28,074</u>	

* Expenditures exceeded appropriations at the legal level of control.

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, 2018

		Municipal Drainage			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>					
Fines and forfeitures		\$ 130,000	\$ 134,130	\$ 133,961	\$ (169)
Intergovernmental			17,530	17,535	5
Investment earnings		600	85	85	-
Total Revenues		<u>130,600</u>	<u>151,745</u>	<u>151,581</u>	<u>(164)</u>
<u>Expenditures</u>					
Current:					
Health and welfare		<u>225,200</u>	<u>731,575</u>	<u>731,293</u>	<u>282</u>
Total Expenditures		<u>225,200</u>	<u>731,575</u>	<u>731,293</u>	<u>282</u>
Net Change in Fund Balance		<u><u>\$ (94,600)</u></u>	<u><u>\$ (579,830)</u></u>	<u>(579,712)</u>	<u>\$ 118</u>
Beginning fund balance				<u>528,634</u>	
Ending Fund Balance				<u>\$ (51,078)</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, 2018

		Municipal Court Technology			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>					
	Fines and forfeitures	\$ 12,500	\$ 16,280	\$ 16,285	\$ 5
	Investment earnings	25	25	29	4
	Total Revenues	<u>12,525</u>	<u>16,305</u>	<u>16,314</u>	<u>9</u>
<u>Expenditures</u>					
Current:					
	General government	<u>20,167</u>	<u>24,012</u>	<u>23,250</u>	<u>762</u>
	Total Expenditures	<u>20,167</u>	<u>24,012</u>	<u>23,250</u>	<u>762</u>
	Net Change in Fund Balance	<u><u>\$ (7,642)</u></u>	<u><u>\$ (7,707)</u></u>	<u>(6,936)</u>	<u><u>\$ 771</u></u>
Beginning fund balance				<u>30,154</u>	
	Ending Fund Balance			<u>\$ 23,218</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, 2018

		Municipal Court Building Security			Variance with Final Budget Positive (Negative)
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	
<u>Revenues</u>					
	Fines and forfeitures	\$ 9,000	\$ 12,210	\$ 12,213	\$ 3
	Investment earnings	100	100	139	39
	Total Revenues	<u>9,100</u>	<u>12,310</u>	<u>12,352</u>	<u>42</u>
<u>Expenditures</u>					
Current:					
	General government	<u>18,250</u>	<u>3,410</u>	<u>3,158</u>	<u>252</u>
	Total Expenditures	<u>18,250</u>	<u>3,410</u>	<u>3,158</u>	<u>252</u>
	Net Change in Fund Balance	<u>\$ (9,150)</u>	<u>\$ 8,900</u>	<u>9,194</u>	<u>\$ 294</u>
Beginning fund balance				<u>116,242</u>	
	Ending Fund Balance			<u>\$ 125,436</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, 2018

		Judicial Efficiency			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>					
	Fines and forfeitures	\$ 3,000	\$ 3,870	\$ 3,874	\$ 4
	Investment earnings	25	25	18	\$ (7)
	Total Revenues	<u>3,025</u>	<u>3,895</u>	<u>3,892</u>	<u>(3)</u>
<u>Expenditures</u>					
Current:					
	General government	<u>6,970</u>	<u>6,970</u>	<u>5,905</u>	<u>1,065</u>
	Total Expenditures	<u>6,970</u>	<u>6,970</u>	<u>5,905</u>	<u>1,065</u>
	Net Change in Fund Balance	<u>\$ (3,945)</u>	<u>\$ (3,075)</u>	<u>(2,013)</u>	<u>\$ 1,062</u>
Beginning fund balance				<u>16,484</u>	
Ending Fund Balance				<u>\$ 14,471</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.

Contents	Page
Financial Trends	124
<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	134
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	142
<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	151
<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	155
<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			
	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$ 4,124,276	\$ 4,274,217	\$ 4,274,217	\$ 7,937,295
Restricted	960,492	706,412	706,412	2,850,640
Unrestricted	(1,762,021)	(746,217)	(746,217)	(5,039,321)
Total Governmental Activities Net Position	<u>\$ 3,322,747</u>	<u>\$ 4,234,412</u>	<u>\$ 4,234,412</u>	<u>\$ 5,748,614</u>
Business-Type Activities				
Net investment in capital assets	\$ 7,906,973	\$ 8,425,198	\$ 8,425,198	\$ 10,906,238
Unrestricted	1,576,656	2,008,396	2,008,396	2,239,827
Total Business-Type Activities Net Position	<u>\$ 9,483,629</u>	<u>\$ 10,433,594</u>	<u>\$ 10,433,594</u>	<u>\$ 13,146,065</u>
Primary Government				
Net investment in capital assets	\$ 9,789,023	\$ 10,489,223	\$ 10,489,223	\$ 14,994,017
Restricted	960,492	706,412	706,412	2,850,640
Unrestricted	2,056,861	3,472,371	3,472,371	1,050,022
Total Primary Government Net Position	<u>\$ 12,806,376</u>	<u>\$ 14,668,006</u>	<u>\$ 14,668,006</u>	<u>\$ 18,894,679</u>

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

Fiscal Year					
2013	2014 ⁽¹⁾	2015	2016	2017	2018
\$ 5,922,681	\$ 6,060,705	\$ 5,722,904	\$ 5,742,788	\$ 5,724,733	\$ 5,253,066
2,380,906	1,889,033	4,234,975	3,790,110	2,963,194	2,400,331
(1,699,132)	(1,724,419)	(1,105,908)	(4,058,146)	(3,909,394)	(10,520,519)
<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>	<u>\$ (2,867,122)</u>
\$ 10,541,614	\$ 10,516,142	\$ 11,012,307	\$ 11,086,756	\$ 11,391,103	\$ 19,904,213
2,356,734	1,550,524	1,121,869	1,772,344	2,012,545	2,439,901
<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>	<u>\$ 22,344,114</u>
\$ 18,997,159	\$ 16,576,847	\$ 16,735,211	\$ 15,666,550	\$ 15,240,540	\$ 17,075,207
2,380,906	1,889,033	4,234,975	3,790,110	2,963,194	2,400,331
(1,875,262)	(173,895)	15,961	(1,122,808)	(21,553)	1,454
<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>	<u>\$ 19,476,992</u>

CITY OF SEALY, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

		Fiscal Year			
		2009	2010	2011	2012
Expenses					
Governmental activities					
General government	\$	1,588,600	\$ 1,601,585	\$ 1,360,731	\$ 1,311,143
Public safety		1,720,773	1,861,790	1,959,212	2,044,627
Highways and streets		478,264	489,717	481,946	535,460
Health and welfare		58,013	69,197	61,255	64,023
Culture and recreation		352,881	393,980	416,820	461,511
Interest on long-term debt		196,919	254,990	399,494	441,096
Total Governmental Activities Expenses		<u>4,395,450</u>	<u>4,671,259</u>	<u>4,679,458</u>	<u>4,857,860</u>
Business-Type Activities					
Water and sewer		1,338,387	1,382,898	1,467,129	1,660,540
Gas		1,354,423	1,391,186	1,259,009	1,074,620
Solid waste		527,839	502,904	510,992	565,936
Total Business-Type Activities Expenses		<u>3,220,649</u>	<u>3,276,988</u>	<u>3,237,130</u>	<u>3,301,096</u>
Total Expenses	\$	<u>7,616,099</u>	<u>7,948,247</u>	<u>7,916,588</u>	<u>8,158,956</u>
Program Revenues					
Governmental activities					
Fees, fines, and charges for services					
General government	\$	18,475	\$ 9,356	\$ 30,550	\$ 18,661
Public safety		609,006	541,008	574,783	556,826
Highways and streets		136,315	122,483	123,263	144,978
Culture and recreation		25,080	21,215	23,455	22,355
Operating grants and contributions		359,621	14,325	610,567	193,125
Capital grants and contributions		-	1,466,333	761,602	617,964
Total Governmental Activities Program Revenues		<u>1,148,497</u>	<u>2,174,720</u>	<u>2,124,220</u>	<u>1,553,909</u>
Business-Type Activities					
Charges for services					
Water and sewer		1,661,905	1,669,459	2,041,847	1,800,084
Gas		1,460,170	1,594,494	1,448,262	1,059,888
Solid waste		480,164	522,018	524,378	545,797
Operating grants and contributions		-	-	-	-
Capital grants and contributions		-	337,039	306,653	43,347
Total Business-Type Activities Program Revenues		<u>3,602,239</u>	<u>4,123,010</u>	<u>4,321,140</u>	<u>3,449,116</u>
Total Program Revenues	\$	<u>4,750,736</u>	<u>6,297,730</u>	<u>6,445,360</u>	<u>5,003,025</u>
Net (Expense)/Revenue					
Governmental activities	\$	(3,246,953)	\$ (2,496,539)	\$ (2,555,238)	\$ (3,303,951)
Business-type activities		381,590	846,022	1,084,010	148,020
Total Net Expense	\$	<u>(2,865,363)</u>	<u>(1,650,517)</u>	<u>(1,471,228)</u>	<u>(3,155,931)</u>

Fiscal Year					
2013	2014 ⁽¹⁾	2015	2016	2017	2018
\$ 979,618	\$ 1,596,282	\$ 1,770,498	\$ 6,460,209	\$ 4,085,583	\$ 3,392,797
2,142,539	1,976,001	2,171,242	2,701,227	2,710,735	2,634,683
502,347	585,413	568,161	704,537	593,386	575,469
67,225	37,091	191,285	305,392	272,857	204,304
558,804	479,609	259,001	384,166	296,949	365,691
419,085	363,516	804,343	857,331	718,955	744,292
4,669,618	5,037,912	5,764,530	11,412,862	8,678,465	7,917,236
1,741,477	1,722,165	1,813,649	1,646,909	1,846,232	1,848,429
1,284,530	1,532,446	1,293,543	988,942	1,266,057	1,530,187
1,077,896	1,055,821	1,102,828	1,291,719	1,460,502	1,605,884
4,103,903	4,310,432	4,210,020	3,927,570	4,572,791	4,984,500
\$ 8,773,521	\$ 9,348,344	\$ 9,974,550	\$ 15,340,432	\$ 13,251,256	\$ 12,901,736
\$ 15,815	\$ 483,592	\$ 369,733	\$ 38,086	\$ 57,849	\$ 31,141
647,487	134,042	126,463	513,297	669,820	647,475
125,073	127,482	128,187	131,160	133,772	133,961
26,330	39,294	24,295	30,030	19,765	29,984
161,858	28,760	887	269,887	6,380	31,531
561,039	-	7,683	28,612	143,008	94,136
1,537,602	813,170	657,248	1,011,072	1,030,594	968,228
1,889,920	1,780,646	1,778,792	1,924,869	2,338,290	2,232,268
1,272,431	1,527,984	1,285,142	1,035,771	1,198,713	1,522,005
1,032,941	1,064,168	1,094,267	1,142,788	1,347,925	1,485,499
-	11,550	293,410	69,163	-	2,735
18,572	-	-	-	-	-
4,213,864	4,384,348	4,451,611	4,172,591	4,884,928	5,242,507
\$ 5,751,466	\$ 5,197,518	\$ 5,108,859	\$ 5,183,663	\$ 5,915,522	\$ 6,210,735
\$ (3,132,016)	\$ (4,224,742)	\$ (5,107,282)	\$ (10,401,790)	\$ (7,647,871)	\$ (6,949,008)
109,961	73,916	241,591	245,021	312,137	258,007
\$ (3,022,055)	\$ (4,150,826)	\$ (4,865,691)	\$ (10,156,769)	\$ (7,335,734)	\$ (6,691,001)

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

	Fiscal Year			
	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes	\$ 1,564,003	\$ 1,633,191	\$ 1,734,570	\$ 1,855,450
Sales taxes	1,278,865	1,215,629	1,165,311	1,198,030
Franchise fees	374,185	389,097	396,256	554,902
Hotel/motel occupancy taxes	178,677	168,123	165,825	214,035
Investment earnings	41,315	30,688	21,920	39,264
Other revenue	131,964	69,422	172,347	193,942
Gain (loss) on sale of capital assets	-	-	-	-
Transfers	44,146	(97,946)	309,082	(1,337,363)
Total Governmental Activities	3,613,155	3,408,204	3,965,311	2,718,260
Business-type activities				
Investment earnings	2,958	2,533	4,831	11,465
Miscellaneous revenue	18,354	3,464	4,895	54,434
Transfers	(44,146)	97,946	(309,082)	1,337,363
Total Business-Type Activities	(22,834)	103,943	(299,356)	1,403,262
Total Primary Government	\$ 3,590,321	\$ 3,512,147	\$ 3,665,955	\$ 4,121,522
Change in Net Position				
Governmental activities	\$ 366,202	\$ 911,665	\$ 1,410,073	\$ (585,691)
Business-type activities	358,756	949,965	784,654	1,551,282
Total Change in Net Position	\$ 724,958	\$ 1,861,630	\$ 2,194,727	\$ 965,591

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

Fiscal Year					
2013	2014 ⁽¹⁾	2015	2016	2017	2018
\$ 1,989,818	\$ 2,065,680	\$ 2,040,685	\$ 2,784,285	\$ 2,889,339	\$ 3,011,703
1,114,539	1,765,105	1,985,724	2,114,188	2,424,520	2,605,788
610,206	623,008	625,959	1,157,209	1,454,601	1,723,016
181,839	182,444	189,056	166,711	163,058	218,868
10,017	10,099	17,597	26,996	68,512	171,181
98,956	197,846	1,196,220	1,250,990	180,399	156,347
-	-	-	-	-	205,140
359,124	343,818	178,693	(475,808)	(228,777)	(8,676,498)
4,364,499	5,188,000	6,233,934	7,024,571	6,951,652	(584,455)
4,906	5,165	4,612	4,095	3,634	5,961
(3,463)	-	-	-	-	-
(359,124)	(343,818)	(178,693)	475,808	228,777	8,676,498
(357,681)	(338,653)	(174,081)	479,903	232,411	8,682,459
\$ 4,006,818	\$ 4,849,347	\$ 6,059,853	\$ 7,504,474	\$ 7,184,063	\$ 8,098,004
\$ 1,232,483	\$ 963,258	\$ 1,126,652	\$ (3,377,219)	\$ (696,219)	\$ (7,533,463)
(247,720)	(264,737)	67,510	724,924	544,548	8,940,466
\$ 984,763	\$ 698,521	\$ 1,194,162	\$ (2,652,295)	\$ (151,671)	\$ 1,407,003

CITY OF SEALY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

		Fiscal Year			
		2009	2010	2011	2012
General Fund					
Restricted		\$ -	\$ -	\$ -	\$ -
Nonspendable		-	-	-	-
Unassigned		848,792	633,723	581,453	680,905
Total General Fund		<u>\$ 848,792</u>	<u>\$ 633,723</u>	<u>\$ 581,453</u>	<u>\$ 680,905</u>
 All Other Governmental Funds					
Restricted		\$ 960,492	\$ 6,482,669	\$ 7,859,814	\$ 2,850,640
Nonspendable		-	-	-	-
Assigned		-	-	-	-
Unassigned		-	-	-	-
Total All Other Governmental Funds		<u>\$ 960,492</u>	<u>\$ 6,482,669</u>	<u>\$ 7,859,814</u>	<u>\$ 2,850,640</u>

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

Fiscal Year					
2013	2014 ⁽¹⁾	2015	2016	2017	2018
\$ -	\$ -	\$ 4,947	\$ 12,390	\$ 15,469	\$ 17,589
-	-	-	167	246	62
1,179,300	1,626,826	1,664,003	523,963	218,906	806,584
<u>\$ 1,179,300</u>	<u>\$ 1,626,826</u>	<u>\$ 1,668,950</u>	<u>\$ 536,520</u>	<u>\$ 234,621</u>	<u>\$ 824,235</u>
\$ 3,262,193	\$ 2,540,798	\$ 19,055,770	\$ 18,287,801	\$ 17,175,726	\$ 8,030,145
-	-	2,135,000	-	-	-
-	988,617	42	42	-	-
-	(11,215)	(4,499)	(86,394)	-	(66,186)
<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>	<u>\$ 7,963,959</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Property taxes	\$ 1,524,656	\$ 1,652,165	\$ 1,701,214	\$ 1,854,092
Sales taxes	1,278,865	1,215,629	1,165,311	1,198,030
Franchise fees and occupancy taxes	552,862	557,220	562,081	798,897
Licenses and permits	85,352	54,023	91,816	59,347
Fines and forfeitures	523,654	486,985	482,967	497,479
Charges for services	43,555	30,571	54,005	18,661
Intergovernmental	101,871	176,158	83,231	626,789
Investment earnings	41,315	30,688	21,920	39,264
Municipal drainage fees	136,315	122,483	123,263	144,978
Private contributions	-	-	100,811	104,863
Contributions from component unit	257,750	79,500	676,938	264,300
Other revenue	155,463	74,126	81,009	111,434
Total Revenues	4,701,658	4,479,548	5,144,566	5,718,134
Expenditures				
General government	1,489,656	1,349,267	1,317,841	1,286,729
Public safety	1,660,187	1,784,107	1,872,028	1,952,653
Highways and streets	363,294	348,839	318,269	334,540
Health and welfare	58,013	69,197	59,352	63,230
Culture and recreation	289,935	328,495	316,429	359,151
Capital outlay	718,610	496,887	938,544	5,734,030
Debt service				
Principal	590,000	563,077	628,915	681,237
Payment to bond escrow agent	-	-	-	-
Interest and fiscal charges	178,081	162,406	418,648	416,286
Debt issuance costs	-	177,795	39,047	-
Total Expenditures	5,347,776	5,280,070	5,909,073	10,827,856
Excess (Deficiency) of Revenues Over (Under) Expenditures	(646,118)	(800,522)	(764,507)	(5,109,722)
Other Financing Sources (Uses)				
Issuance of debt	151,726	6,150,000	1,780,300	-
Premium on debt	-	187,362	-	-
Bond (discount)	-	(150,000)	-	-
Proceeds from sale of capital assets	90	1,305	-	-
Transfers in	241,281	418,695	730,441	215,086
Transfers out	(197,134)	(499,732)	(421,359)	(15,086)
Total Other Financing Sources	195,963	6,107,630	2,089,382	200,000
Net Change in Fund Balances	\$ (450,155)	\$ 5,307,108	\$ 1,324,875	\$ (4,909,722)
Debt service as a percentage of noncapital expenditures	16.59%	18.88%	21.86%	21.55%

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

Fiscal Year					
2013	2014 ⁽¹⁾	2015	2016	2017	2018
\$ 1,996,879	\$ 2,125,112	\$ 2,044,723	\$ 2,772,206	\$ 2,871,275	\$ 2,996,159
1,114,539	2,118,796	1,954,569	2,083,033	2,393,365	2,574,633
792,045	805,452	815,015	1,323,920	1,617,659	1,941,884
63,088	66,999	81,117	97,546	187,028	114,214
556,494	483,592	45,346	415,751	482,792	533,261
15,815	67,043	369,733	38,086	57,849	31,141
6,308	28,760	887	269,887	149,388	125,667
10,017	10,099	17,597	26,996	68,512	171,181
125,073	127,482	128,187	131,160	133,772	133,961
-	-	-	-	-	-
260,550	-	-	-	-	-
130,152	237,140	1,220,515	1,275,795	200,164	186,331
5,070,960	6,070,475	6,677,689	8,434,380	8,161,804	8,808,432
882,552	1,615,282	1,738,531	6,404,091	3,991,106	3,549,762
2,026,918	1,955,592	2,073,693	2,671,587	2,739,373	2,481,159
296,703	375,228	307,863	433,980	360,931	376,749
67,225	37,091	88,859	146,122	260,397	758,444
406,200	343,132	302,453	388,413	309,857	366,134
792,390	301,673	410,164	856,840	180,667	7,709,322
712,988	714,800	536,010	810,000	825,000	845,000
-	-	-	1,001,984	-	-
389,069	367,962	628,610	834,898	822,095	802,320
-	-	192,284	38,984	-	-
5,574,045	5,710,760	6,278,467	13,586,899	9,489,426	16,888,890
(503,085)	359,715	399,222	(5,152,519)	(1,327,622)	(8,080,458)
-	-	14,380,000	1,030,000	-	-
-	-	1,096,015	-	-	-
-	-	-	-	-	-
-	-	-	5,225	-	264,237
404,880	1,139,855	1,167,876	1,112,912	361,366	216,219
(45,756)	(796,037)	(832,876)	(1,112,912)	(361,366)	(1,022,151)
359,124	343,818	15,811,015	1,035,225	-	(541,695)
\$ (143,961)	\$ 703,533	\$ 16,210,237	\$ (4,117,294)	\$ (1,327,622)	\$ (8,622,153)
23.05%	20.02%	19.85%	12.62%	18.19%	10.18%

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

	Fiscal Year			
	2009	2010	2011	2012
Residential property	\$ 208,123,724	\$ 214,597,869	\$ 247,138,727	\$ 250,695,960
Commercial property	382,075,652	408,547,744	362,855,812	375,566,159
Less: Tax exempt property	87,631,756	93,834,206	111,675,882	114,630,517
Total Taxable Assessed Valuation (1)	\$ 502,567,620	\$ 529,311,407	\$ 498,318,657	\$ 511,631,602
Total Direct Tax Rate	\$ 0.30129	\$ 0.30579	\$ 0.33579	\$ 0.35613

Source: Austin County Appraisal District

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 253,554,491	\$ 250,022,340	\$ 252,900,388	\$ 281,163,817	\$ 299,837,845	\$ 341,598,384
409,676,948	429,521,779	430,170,232	392,402,405	413,447,840	430,914,898
90,910,453	93,999,085	88,617,089	65,394,130	68,131,069	78,376,262
<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>	<u>\$ 694,137,020</u>
\$ 0.34145	\$ 0.35721	\$ 0.33665	\$ 0.45000	\$ 0.43737	\$ 0.42297

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

		Fiscal Year			
City of Sealy:		2009	2010	2011	2012
Operating tax rate		\$ 0.161990	\$ 0.172350	\$ 0.180280	\$ 0.180280
Debt service tax rate		0.139300	0.133440	0.155510	0.175850
Total Direct Rates		<u>\$ 0.301290</u>	<u>\$ 0.305790</u>	<u>\$ 0.335790</u>	<u>\$ 0.356130</u>
Austin County	\$	0.479600	\$ 0.499000	\$ 0.540000	\$ 0.537900
Sealy Independent School District		1.220000	1.233000	1.260000	1.260000
Austin County Emergency Services District #2		0.029500	0.030900	0.070000	0.069900
Total Direct and Overlapping Rates	\$	<u>2.030390</u>	<u>2.068690</u>	<u>2.205790</u>	<u>2.223930</u>
Total Assessed Valuation	\$	<u>502,567,620</u>	<u>529,311,407</u>	<u>498,318,657</u>	<u>511,631,602</u>

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

Source: Tax department records of the various governments.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 0.182260	\$ 0.192680	\$ 0.208670	\$ 0.186300	\$ 0.189620	\$ 0.190410
0.159190	0.164530	0.127980	0.263700	0.247750	0.232560
<u>\$ 0.341450</u>	<u>\$ 0.357210</u>	<u>\$ 0.336650</u>	<u>\$ 0.450000</u>	<u>\$ 0.437370</u>	<u>\$ 0.422970</u>
\$ 0.527700	\$ 0.528300	\$ 0.518300	\$ 0.544300	\$ 0.543500	\$ 0.547900
1.260000	1.260000	1.260000	1.260000	1.340000	1.390000
0.069100	0.100000	0.100000	0.100000	0.100000	0.100000
<u>\$ 2.198250</u>	<u>\$ 2.245510</u>	<u>\$ 2.214950</u>	<u>\$ 2.354300</u>	<u>\$ 2.420870</u>	<u>\$ 2.460870</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>	<u>\$ 694,137,020</u>

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CITY OF SEALY, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2018			2009		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
Wal-Mart Stores East US07036	\$ 110,294,690	1	15.89%	\$ 63,277,755	1	12.59%
Valerus Field Solutions	38,815,360	2	5.59%	-	-	-
Enterprise Crude Pipeline LLC	31,771,784	3	4.58%	-	-	-
Five Star Properties Sealy LLC	22,524,736	4	3.24%	-	-	-
International Paper Company	13,192,880	5	1.90%	14,409,000	4	2.87%
Blencor LLC	10,650,856	6	1.53%	-	-	-
Wal-Mart Real Estate Business	8,071,658	7	1.16%	9,088,554	5	1.81%
Maass Flange Corp.	7,961,270	8	1.15%	21,626,404	3	4.30%
Wal-Mart Stores East US07969	5,795,020	9	0.83%	6,796,445	6	1.35%
Wal-Mart Stores Texas LLC	4,235,533	10	0.61%	-	-	-
Armor Holdings, Inc.	-	-	-	62,279,440	2	12.39%
Western International Gas & Cylinder, Inc.	-	-	-	3,392,769	7	0.68%
Centerpoint Energy Houston	-	-	-	3,075,126	8	0.61%
DKH Edgewood Apartments LP	-	-	-	3,004,761	9	0.60%
Mark III Plant Construction	-	-	-	2,975,601	10	0.59%
Subtotal	253,313,787		36.49%	189,925,855		37.79%
Other taxpayers	440,823,233		63.51%	312,641,765		62.21%
Total ⁽¹⁾	\$ 694,137,020		100.00%	\$ 502,567,620		100.00%

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
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%
2018	2017	\$ 0.422970	\$ 2,935,991	\$ 2,885,157	98.27%

Source: Austin County Appraisal District

Collected in Subsequent Years		Total Collections to Date	
Amount Collected		Amount Collected	Percentage of Levy
\$ 19,746		\$ 1,512,351	99.88%
\$ 12,144		\$ 1,614,150	99.84%
\$ 18,481		\$ 1,669,793	99.83%
\$ 17,685		\$ 1,819,182	99.84%
\$ 19,440		\$ 1,950,680	99.85%
\$ 15,415		\$ 2,088,194	99.84%
\$ 11,954		\$ 1,996,996	99.78%
\$ 18,080		\$ 2,727,898	99.74%
\$ 23,216		\$ 2,813,366	99.62%
\$ -		\$ 2,885,157	98.27%

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

		Fiscal Year			
		2009	2010	2011	2012
Governmental Activities:					
General obligation bonds	\$	985,000	\$ 770,000	\$ 540,000	\$ 300,000
Certificates of obligation		2,080,000	8,050,000	9,495,000	9,260,000
Tax notes		785,000	640,000	490,000	335,000
Capital leases		151,726	128,649	215,035	163,797
Issuance discounts/premiums		-	37,404	37,282	37,445
Subtotal		<u>4,001,726</u>	<u>9,626,053</u>	<u>10,777,317</u>	<u>10,096,242</u>
Business-Type Activities:					
Capital leases		-	-	-	81,476
Subtotal		<u>-</u>	<u>-</u>	<u>-</u>	<u>81,476</u>
Total Primary Government	\$	<u><u>4,001,726</u></u>	<u><u>9,626,053</u></u>	<u><u>10,777,317</u></u>	<u><u>10,177,718</u></u>
Estimated Full Property Value	\$	590,199,376	\$ 623,145,613	\$ 609,994,539	\$ 626,262,119
Percentage of Full Property Value:					
Governmental activities		0.68%	1.54%	1.77%	1.61%
Business-type activities		-	-	-	0.01%
Population (1)		6,275	6,374	6,019	6,070
Debt Per Capita:					
Primary government	\$	638	\$ 1,510	\$ 1,791	\$ 1,677

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 (2009-2013, 2018); City Planning and Community Development Department (2014-2015); The Nielson Company (2016); Environics Analytics (2017)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 175,000	\$ 40,000	\$ -	\$ 845,000	\$ 660,000	\$ 470,000
8,890,000	8,535,000	22,475,000	20,865,000	20,225,000	19,570,000
170,000	-	-	-	-	-
110,809	56,010	-	-	-	-
37,605	37,393	1,074,907	1,016,406	957,905	899,404
9,383,414	8,668,403	23,549,907	22,726,406	21,842,905	20,939,404
140,702	110,948	80,244	48,557	15,857	-
140,702	110,948	80,244	48,557	15,857	-
\$ 9,524,116	\$ 8,779,351	\$ 23,630,151	\$ 22,774,963	\$ 21,858,762	\$ 20,939,404
\$ 663,231,439	\$ 679,544,119	\$ 714,105,392	\$ 711,771,139	\$ 753,232,170	\$ 811,633,810
1.41%	1.28%	3.30%	3.19%	2.90%	2.58%
0.02%	0.02%	0.01%	0.01%	0.00%	0.00%
6,146	7,151	7,151	6,846	7,059	7,335
\$ 1,550	\$ 1,228	\$ 3,304	\$ 3,327	\$ 3,097	\$ 2,855

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

	Fiscal Year			
	2009	2010	2011	2012
Estimated Actual Taxable Value of Property	\$ 502,567,620	\$ 529,311,407	\$ 498,318,657	\$ 511,631,602
General obligation bonds	\$ 985,000	\$ 770,000	\$ 540,000	\$ 300,000
Certificates of obligation	2,080,000	8,087,404	9,532,282	9,297,445
Less: amounts available in debt service fund	205,756	320,597	251,623	259,628
Total	\$ 2,859,244	\$ 8,536,807	\$ 9,820,659	\$ 9,337,817
Percentage of Estimated Actual Taxable Value of Property	0.57%	1.61%	1.97%	1.83%
Population (1)	6,275	6,374	6,019	6,070
Per Capita	\$ 456	\$ 1,339	\$ 1,632	\$ 1,538

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 (2009-2013, 2018); City Planning and Community Development Department (2014-2015); The Nielson Company (2016); Environics Analytics (2017)

Fiscal Year					
2013	2014	2014	2015	2017	2018
\$ 572,320,986	\$ 585,545,034	\$ 594,453,531	\$ 608,172,092	\$ 645,154,616	\$ 694,137,020
\$ 175,000	\$ 40,000	\$ -	\$ 845,000	\$ 660,000	\$ 470,000
8,927,605	8,572,393	23,549,907	21,881,406	21,182,905	20,469,404
295,730	323,136	356,181	383,540	419,301	482,174
<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>	<u>\$ 20,457,230</u>
1.54%	1.42%	3.90%	3.67%	3.32%	2.95%
6,146	7,151	7,151	6,846	7,059	7,335
\$ 1,433	\$ 1,159	\$ 3,243	\$ 3,264	\$ 3,035	\$ 2,789

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CITY OF SEALY, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2018

Government Unit	Debt Outstanding	Estimated Percentage Applicable*	Amount Applicable to Primary Government
Austin County	\$ 4,025,000	30.574%	\$ 1,230,604
Sealy Independent School District	\$ 54,935,000	69.926%	38,413,848
Subtotal, overlapping debt			39,644,452
City Direct Debt		100.000%	20,939,404
Total Direct and Overlapping Debt			<u><u>\$ 60,583,856</u></u>
Population (1)			7,335
Overlapping Debt Per Capita			<u><u>\$ 5,405</u></u>
Direct and Overlapping Debt Per Capita			<u><u>\$ 8,260</u></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			
	2009	2010	2011	2012
Legal debt limit ⁽¹⁾	\$ 6,784,663	\$ 7,145,704	\$ 6,727,302	\$ 6,907,027
Total net debt applicable to limit	562,325	376,271	737,329	779,284
Legal debt margin	<u>\$ 6,222,338</u>	<u>\$ 6,769,433</u>	<u>\$ 5,989,973</u>	<u>\$ 6,127,743</u>
Total net debt applicable to the limit as a percentage of legal debt limit	8.29%	5.27%	10.96%	11.28%
Legal Debt Margin Calculation				
Assessed value	\$ 502,567,623	\$ 529,311,407	\$ 498,318,657	\$ 511,631,602
Legal debt limit ⁽¹⁾	6,784,663	7,145,704	6,727,302	6,907,027
Net debt applicable to limit:				
General obligation bonds	246,691	245,653	254,419	257,519
Certificates of obligation	282,460	274,870	558,341	605,758
Tax anticipation notes	236,152	173,652	173,360	172,885
Fiscal agent and other fees	2,778	2,693	2,832	2,750
Less: amount set aside for repayment of general obligation debt	205,756	320,597	251,623	259,628
Total net debt applicable to limit	562,325	376,271	737,329	779,284
Legal debt margin	<u>\$ 6,222,338</u>	<u>\$ 6,769,433</u>	<u>\$ 5,989,973</u>	<u>\$ 6,127,743</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					
2013	2014	2015	2016	2017	2018
\$ 7,726,333	\$ 7,904,858	\$ 8,025,123	\$ 8,210,593	\$ 8,709,587	\$ 9,370,850
747,716	701,015	787,652	1,261,358	1,227,794	1,165,054
<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>	<u>\$ 8,205,796</u>
9.68%	8.87%	9.81%	15.36%	14.10%	12.43%
\$ 572,320,986	\$ 585,545,034	\$ 594,453,531	\$ 608,172,092	\$ 645,154,616	\$ 694,137,020
7,726,333	7,904,858	8,025,123	8,210,323	8,709,587	9,370,850
135,019	140,956	41,400	195,352	198,351	200,428
728,450	703,990	1,099,333	1,448,796	1,447,994	1,446,050
177,227	176,205	-	-	-	-
2,750	3,000	3,100	750	750	750
295,730	323,136	356,181	383,540	419,301	482,174
747,716	701,015	787,652	1,261,358	1,227,794	1,165,054
<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>	<u>\$ 8,205,796</u>

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CITY OF SEALY, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended Sept. 30	Population⁽¹⁾	Personal Income⁽²⁾	Per Capita Personal Income⁽²⁾	Median Age⁽³⁾	Public School Enrollment⁽⁴⁾	Unemployment Rate⁽⁵⁾
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	\$ 363,893	\$ 50,887	40.7	2,762	4.70%
2016	6,846	\$ 335,865	\$ 49,060	40.6	2,845	4.60%
2017	7,059	\$ 347,740	\$ 49,262	37.0	2,830	4.40%
2018	7,335	\$ 361,337	\$ 49,262	40.0	2,840	4.90%

Data sources:

(1) U.S. Census Bureau and Texas State Data Center, Office of State Demographer (2009-2013, 2018); 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) (2009-2016); 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	2018			2009		
	Percentage of Total			Percentage of Total		
	Employees ⁽¹⁾	Reported	Rank	Employees ⁽¹⁾	Reported	Rank
Wal-Mart Distribution Center	800	36.66%	1	672	15.97%	2
SNC-Lavalin	500	22.91%	2	-	-	
Sealy Independent School District	359	16.45%	3	365	8.67%	3
Wal-Mart Super Center	229	10.49%	4	278	6.61%	4
International Paper Company	102	4.67%	5	88	2.09%	5
Acme Brick Company	97	4.45%	6	68	1.62%	7
Gulf States Toyota	95	4.35%	7	80	1.90%	6
BAE Systems	N/A	N/A	-	2,600	61.79%	1
City of Sealy, Texas	N/A	N/A	-	61	1.45%	8
Rinker Materials	N/A	N/A	-	45	1.07%	9
Citizens State Bank	N/A	N/A	-	39	0.93%	10
	<u>2,182</u>	<u>100.00%</u>		<u>4,208</u>	<u>102.09%</u>	

Note: Only the top seven employers are available for 2018. 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Governmental Activities:</u>										
General government	19.00	16.00	15.00	15.50	11.50	13.40	14.75	21.50	22.00	21.00
Public safety										
Police										
Officers	18.00	17.00	17.00	17.00	18.00	19.00	19.00	18.00	21.00	20.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.00
Inspection	3.00	4.00	3.00	4.00	3.80	3.00	3.50	4.00	4.00	3.50
Fire marshal	0.50	-	-	-	0.20	0.10	0.50	0.50	0.50	0.50
Highways and streets	5.00	3.50	3.00	4.00	3.00	3.00	3.00	3.00	3.00	4.50
Health and welfare	1.00	1.00	1.00	1.00	1.00	0.50	1.00	0.00	0.50	0.50
Culture and recreation	1.00	2.50	2.00	1.00	2.00	2.00	2.00	2.00	3.00	2.50
<u>Business-Type Activities:</u>										
Water and sewer	7.20	9.30	8.70	8.50	11.10	11.25	9.43	5.00	4.00	5.50
Gas	3.30	4.20	5.10	3.00	5.20	5.25	4.82	3.00	2.00	5.50
Solid waste	2.00	1.50	1.20	0.50	1.20	0.50	0.50	-	-	-
Total City Positions	61.00	60.00	57.00	55.50	58.00	59.00	59.50	58.50	61.50	64.50

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			
	2009	2010	2011	2012
City of Sealy				
Population	6,275	6,374	6,019	6,070
Square miles	11	11	11	12
Budgeted full time employees	61	60	57	56
Function				
Police				
Physical arrests	375	232	201	288
Parking violations	1	2	3	4
Traffic violations	6,120	5,136	5,772	5,715
Inspections				
Number of permits issued	803	118	718	716
Inspections	806	526	971	982
Highways and Streets				
Street resurfacing (miles)	0.1	0.2	-	-
Culture and recreation				
Community center rentals	249	368	480	564
Park pavilion rentals	84	165	164	221
Water				
New connections	33	17	18	19
Service connections	2,001	2,021	2,046	2,044
Water main breaks	13	23	17	18
Average daily consumption (thousands of gallons)	757	850	850	856
Sewer				
New connections	10	15	20	8
Service connections	1,893	1,902	1,924	1,918
Average daily sewer treatment (thousands of gallons)	549	578	581	578
Gas				
New connections	14	17	10	12
Service connections	1,326	1,336	1,353	1,341
Gas main breaks	1	-	1	-
Average daily gas consumption (hundreds of cubic feet)				
Residential and commercial	1,633	2,158	1,738	2,211
Industrial	3,753	3,418	3,550	2,973

Source: Various City departments

Fiscal Year					
2013	2014	2015	2016	2017	2018
6,146	7,151	7,151	6,846	7,059	7,335
12	13	13	13	13	13
51	52	53	51	53	56
407	310	454	441	447	309
90	73	41	30	12	27
6,510	5,636	3,424	4,542	4,179	6,023
654	958	901	757	885	732
1,194	1,269	1,266	1,345	1,158	1,175
3.0	3.0	-	-	-	-
696	573	434	419	377	187
169	120	127	125	108	79
25	18	10	22	25	19
2,079	2,096	2,094	2,126	2,142	2,159
3	12	4	-	-	7
941	896	763	922	840	955
12	11	7	20	8	7
1,934	1,944	1,942	1,972	1,987	2,000
527	610	685	622	599	540
18	15	12	15	14	12
1,354	1,357	1,350	1,350	1,364	1,351
-	-	-	-	-	-
1,529	2,000	1,788	1,528	1,333	1,926
3,517	3,395	3,566	3,999	3,545	4,063

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

Function	Fiscal Year			
	2009	2010	2011	2012
Public safety				
Police				
Stations	1	1	1	1
Patrol units	8	7	7	7
Highways and streets				
Streets (miles)	62	62	62	62
Streetlights	549	549	551	550
Culture and recreation				
Park acreage	36	36	36	36
Parks	4	4	4	5
Pavilions	2	2	2	2
Community centers	2	2	2	2
Water				
Water mains (miles)	72	72	73	72
Fire hydrants	302	311	308	312
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	43	43	44

Source: Various City departments

Fiscal Year					
2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
7	7	7	7	7	7
64	64	64	64	64	64
558	630	630	630	630	630
36	52	53	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
333	332	336	338	338	338
3	3	3	3	3	3
2	3	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

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