



City of Sealy, Texas

Comprehensive Annual Financial Report

*For the Fiscal Year
Ended September 30, 2019*

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

CITY OF SEALY, TEXAS

**For the Year Ended
September 30, 2019**

**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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www.ci.sealy.tx.us

May 18, 2020

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, 2019.

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, 2019. 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 6,538, based on data provided by the U.S. Census Bureau. This illustrates a growth of 8.6 percent since the 2010 census. 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 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 the Sealy Economic Development Corporation, Public Improvement District Number One, Tax Increment Reinvestment Zone Number 2, and Sealy Development Authority. These are legally separate entities, which are reported as blended component units within the City of Sealy's financial statements. Additional information on these legally separate entities 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 2019, Austin County's unemployment rate had decreased to 3.4 percent, compared to the previous year's rate of 4.9 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 August 2017, Prasek's Hillje Smokehouse opened for business in Sealy. 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. In July 2015, the City had entered into a development agreement with Prasek's to assist in developing its 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 is to 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 20 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.

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 percent of the actual capital cost of constructing the wastewater pretreatment facility.

In 2019, China-based Hailiang Copper decided to locate its business in Sealy. The company purchased the former BAE Systems facility and will build a new 500,000-square-foot facility on the 200-acre site to produce copper water pipes, coils, refrigerating air conditioning pipes, insulation pipes, and other conduits. The company plans to make a \$165 million investment that includes fixed assets and equipment worth \$134 million and \$30 million in working capital. The company is expected to bring 250 jobs to Sealy, phased in over the next few years.

In September 2019, South Korean-based Remitite announced that it had purchased land next to the Hailiang property and plans to build a large manufacturing and research plant in Sealy. Remitite America, makers of adhesives and sealants for the oil and gas industry, plans to have an \$8.2 million investment in its facility and projects \$12 million per year in sales, eventually reaching \$102 million annually. The facility will ultimately employ 550 people.

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 fourteenth 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 18 percent of total operating expenditures, which illustrates an increase from the prior year rate of 15 percent. The unrestricted net position for all enterprise funds combined was at 33 percent of total operating expenses, which is a decrease from the previous year rate of 49 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) Number 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) Number 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.

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 near completion. In addition, the City has 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 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 are calculated based on established percentages of the gross revenues generated by the water and sewer, gas, and solid waste funds.

In August 2019, the City adopted a comprehensive financial management policy to establish and document a framework for effective fiscal decision-making, planning, and management. Some of the fiscal objectives addressed in the policy include budgeting and long-range financial planning, fund balance/working capital, debt management, grants, and internal controls.

Major Initiatives

The reconfiguration of all Interstate 10 frontage roads from the east of FM 3538 to the Brazos River is currently 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 will continue for three and a half years and cover a ten-mile stretch, widening the interstate from two lanes in each direction to three. This project had called for the City to acquire and transfer title to the properties fronting both sides of the Interstate through the City limits. To date, all titles have been acquired and transferred to complete the project.

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.

In 2015, City Council began discussions to construct a new wastewater treatment plant due to the size and aging infrastructure of the existing facility. After much deliberation, City Council authorized the construction of a new \$15.5 million wastewater treatment plant. The new plant is capable of treating up to two million gallons of wastewater per day. The new plant has been brought online, and service lines are switched over and connected. The old plant is in the process of being dismantled.

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 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, 2018. This was the 25th 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, 2018

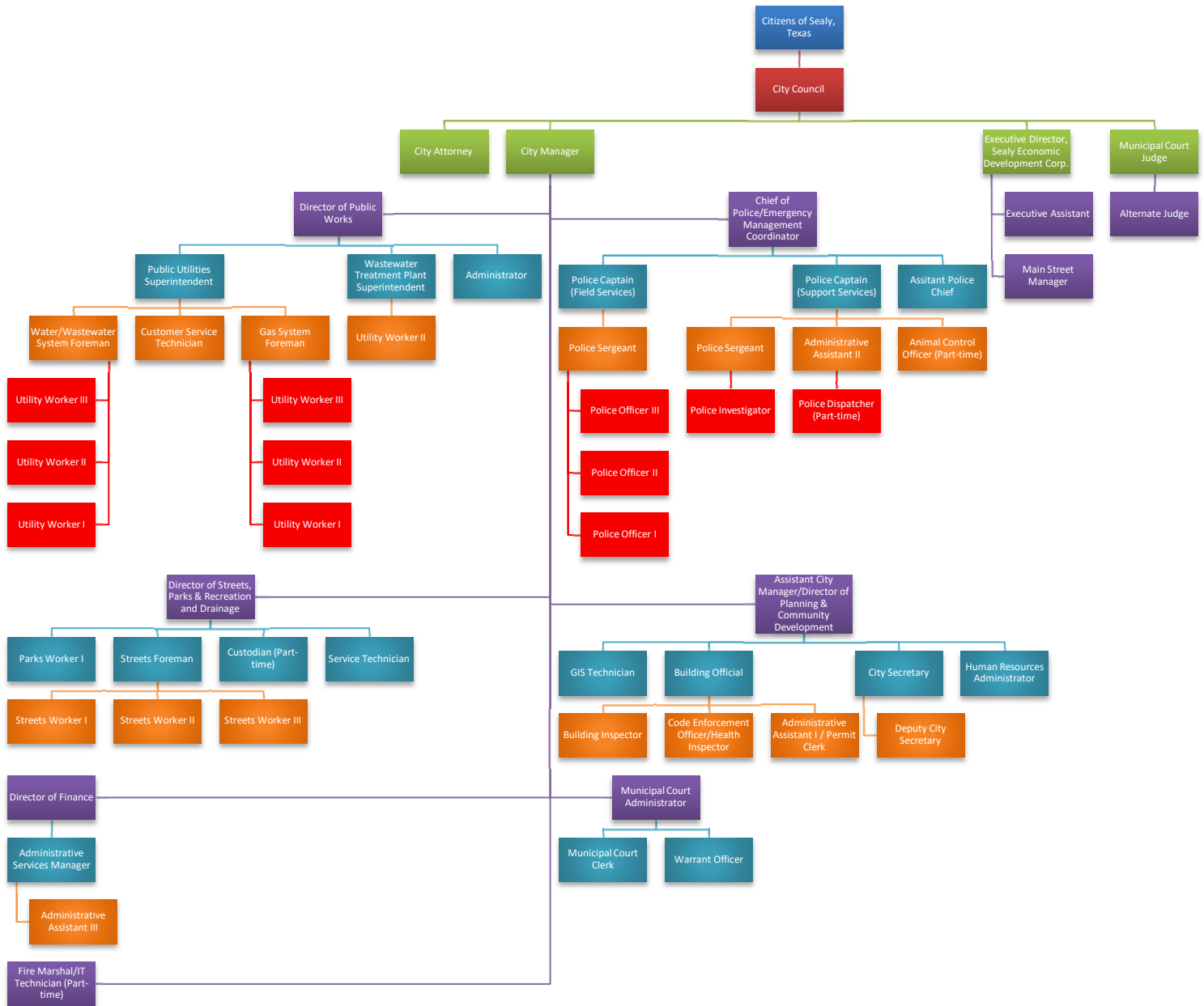
Christopher P. Morrell

Executive Director/CEO

CITY OF SEALY, TEXAS

ORGANIZATIONAL CHART

For the Year Ended September 30, 2019



CITY OF SEALY, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2019

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
Adam Burttschell	Council Member, Place 6
Appointed Officials	Position
Lloyd Merrell	City Manager
Warren Escovy	Assistant City Manager
John M. Campos	Municipal Court Judge
Tim Kirwin	City Attorney
Steven W. Kutra	Director of Finance
Brooke Knoll	City Secretary
Fawn Mackey	Municipal Court Administrator
Robert Worley	Sealy Economic Development Corporation Executive Director
Jay Reeves	Chief of Police
Mark Pulos	Director of Public Works
Lawrence Siska	Director of Streets, Parks, and Drainage

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sealy, Texas (the "City"), as of and for the year ended September 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, 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.

The logo for Belt Harris Pechacek, LLP features the firm's name in a stylized, cursive script font. The letters are dark blue or black, with a slight shadow effect. The 'B' and 'P' are particularly large and ornate.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
May 18, 2020

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

CITY OF SEALY, TEXAS

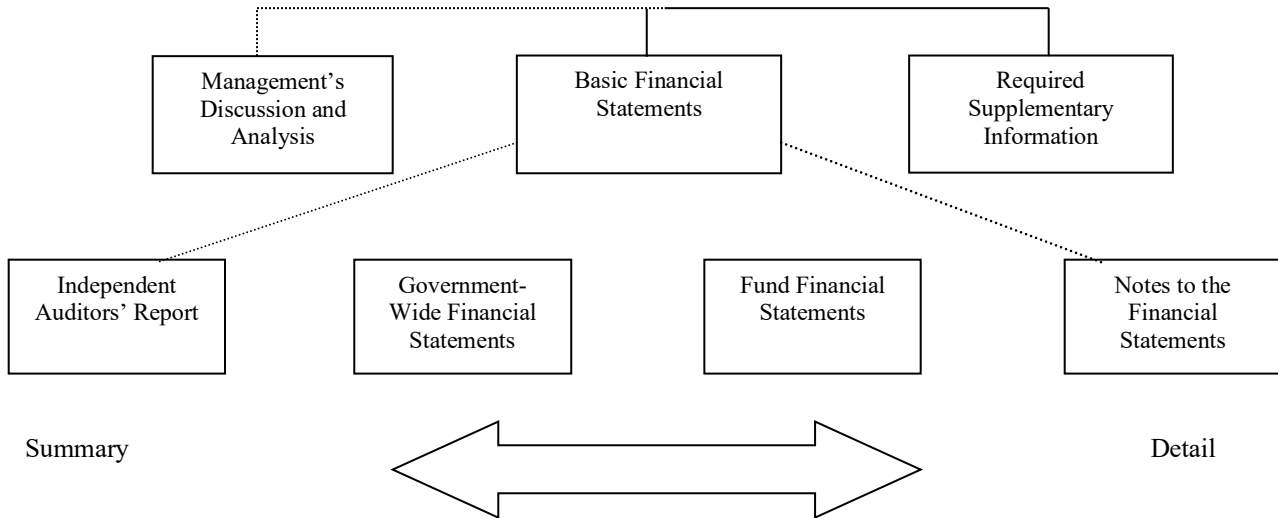
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2019

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, 2019. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City’s activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City’s financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



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

Government-Wide Statements

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

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

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

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 17 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, and 2015 CO's capital projects fund, which are considered to be major funds for reporting purposes. While the public improvement district number one fund did not meet the technical criteria to be reported as a major fund, the City has elected to present it as such.

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

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 \$20,584,182 as of September 30, 2019 for the primary government. This compares with \$19,476,992 from the prior fiscal year. The largest portion of the City's net position, 83 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, 2019

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2019			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 4,677,259	\$ 13,203,992	\$ -	\$ 17,881,251
Capital assets, net	11,539,501	27,649,176	-	39,188,677
Total Assets	16,216,760	40,853,168	-	57,069,928
Deferred charge on refunding	9,706	-	-	9,706
Deferred outflows - pensions	1,238,155	135,560	-	1,373,715
Deferred outflows - OPEB	8,140	928	-	9,068
Total Deferred Outflows of Resources	1,256,001	136,488	-	1,392,489
Long-term liabilities	23,625,551	11,873,528	-	35,499,079
Other liabilities	585,402	1,639,439	-	2,224,841
Total Liabilities	24,210,953	13,512,967	-	37,723,920
Deferred inflows - pensions	90,425	45,068		135,493
Deferred inflows - OPEB	16,895	1,927		18,822
Total Deferred Inflows of Resources	107,320	46,995	-	154,315
Net Position:				
Net investment in capital assets	4,724,105	25,518,217	(13,230,163)	17,012,159
Restricted	3,054,845	-	-	3,054,845
Unrestricted	(14,624,462)	1,911,477	13,230,163	517,178
Total Net Position	\$ (6,845,512)	27,429,694	\$ -	\$ 20,584,182

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

	2018			
	Governmental Activities	Business-Type Activities	Reconciliation	Total 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	1,681,904	528,680	-	2,210,584
Total Liabilities	24,788,860	1,173,828	-	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	(10,505,411)	2,424,793	8,082,072	1,454
Total Net Position	\$ (2,852,014)	\$ 22,329,006	\$ -	\$ 19,476,992

A portion of the primary government's net position, \$3,054,845, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$517,178.

The City's total net position increased by \$1,107,190 during the current fiscal year. This includes a decrease of \$3,993,498 in the governmental activities, which was a result of transfers out for capital contributions to business-type activities. The increase in business-type activities of \$5,100,688 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 \$13,230,163 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, 2019

Statement of Activities

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

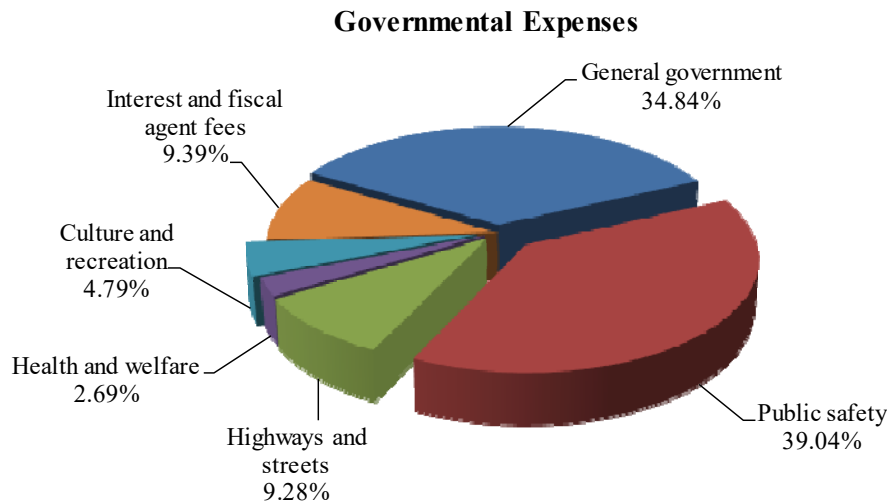
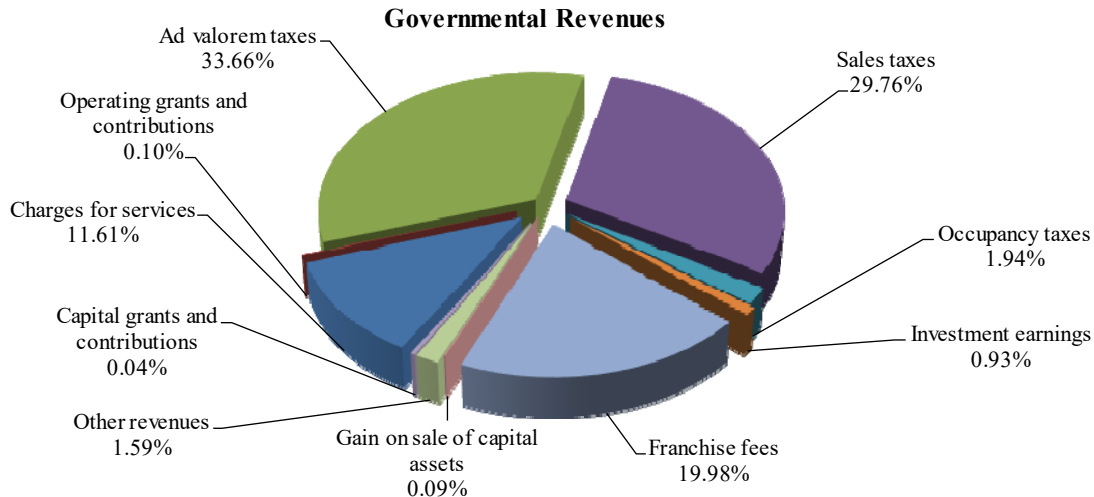
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 1,075,419	\$ 842,561	\$ 5,702,089	\$ 5,239,772	\$ 6,777,508	\$ 6,082,333
Operating grants and contributions	9,577	31,531	-	2,735	9,577	34,266
Capital grants and contributions	31,100	94,136	-	-	31,100	94,136
General revenues:						
Property taxes	3,117,121	3,011,703	-	-	3,117,121	3,011,703
Sales taxes	2,755,377	2,605,788	-	-	2,755,377	2,605,788
Franchise fees	1,849,750	1,723,016	-	-	1,849,750	1,723,016
Occupancy taxes	179,388	218,868	-	-	179,388	218,868
Investment earnings	86,193	171,181	235,335	5,961	321,528	177,142
Other revenues	147,221	156,347	-	-	147,221	156,347
Gain on sale of capital assets	8,342	205,140	9,160	-	17,502	205,140
Total Revenues	9,259,488	9,060,271	5,946,584	5,248,468	15,206,072	14,308,739
Expenses						
General government	2,669,563	3,392,797	-	-	2,669,563	3,392,797
Public safety	2,991,157	2,634,683	-	-	2,991,157	2,634,683
Highways and streets	710,709	575,469	-	-	710,709	575,469
Health and welfare	204,338	204,304	-	-	204,338	204,304
Culture and recreation	366,710	365,691	-	-	366,710	365,691
Interest and fiscal agent fees on long-term debt	719,056	744,292	-	-	719,056	744,292
Water and sewer	-	-	2,996,284	1,848,429	2,996,284	1,848,429
Gas	-	-	1,677,849	1,530,187	1,677,849	1,530,187
Solid waste	-	-	1,763,216	1,605,884	1,763,216	1,605,884
Total Expenses	7,661,533	7,917,236	6,437,349	4,984,500	14,098,882	12,901,736
Increase (Decrease) in Net Position Before Transfers	1,597,955	1,143,035	(490,765)	263,968	1,107,190	1,407,003
Transfers in (out)	(5,591,453)	(8,676,498)	5,591,453	8,676,498	-	-
Change in Net Position	(3,993,498)	(7,533,463)	5,100,688	8,940,466	1,107,190	1,407,003
Beginning net position	(2,852,014)	4,681,449	22,329,006	13,388,540	19,476,992	18,069,989
Ending Net Position	\$ (6,845,512)	\$ (2,852,014)	\$ 27,429,694	\$ 22,329,006	\$ 20,584,182	\$ 19,476,992

CITY OF SEALY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2019

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, 2019, revenues from governmental activities totaled \$9,259,488, which is an increase of \$199,217 from the prior year. This increase is primarily due to an increase in charges for services, property taxes, sales tax, and franchise fees. Charges for services increased compared to prior year as a result of an increase in revenue collected from fines and forfeitures. Property taxes increased due to an increase in the assessed values of properties. Sales tax revenue increased due to an increase in economic activity within the City. Franchise fees increased compared to prior year due to an increase in gross tax receipts collected.

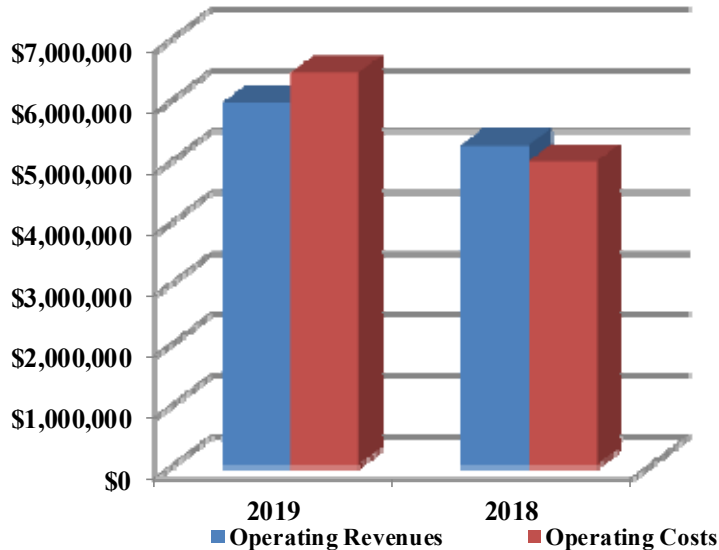
Governmental expenses decreased by \$255,703. This decrease is primarily due to a decrease in general government of \$723,234, which is in large part due to a decrease in contributions for state road improvements.

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

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

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

BUSINESS-TYPE ACTIVITIES
Revenue vs. Costs



Overall, business-type activity revenues increased by \$698,116 from the prior period primarily due to an increase in charges for services, mainly due to an increase in water and sewer and solid waste rates.

Business-type activity expenses increased by \$1,452,849 from the prior period. The increase is mainly due to an increase in payroll-related expenses and interest payments for the issuance of new debt.

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 \$4,083,182. Of this, \$47 is nonspendable, \$542,573 is restricted for debt service, \$2,433 is restricted for capital improvements, \$71,172 is restricted for municipal drainage, \$1,841,883 is restricted for economic development, \$352,300 is restricted for hotel/motel occupancy tax, \$5,117 is restricted for the Tax Increment Reinvestment Zone, \$30,197 is restricted for forfeited property, \$174,984 is restricted for municipal court, \$7,426 is restricted for child safety, \$3,434 is restricted for the Main Street program, \$4,432 is restricted for park land dedication, and \$21,327 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 \$1,075,160. Of this, \$47 is nonspendable, \$1,053,786 is unassigned and \$21,327 is restricted for PEG fees. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 17.8 percent of total general fund expenditures.

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

There was a decrease in the combined fund balance of \$4,720,120 from the prior year. The general fund fund balance increased by \$250,925, largely due to an increase in property tax, sales tax, franchise fee, and fine and forfeiture revenue. The debt service fund fund balance experienced an increase of \$60,399, 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 an increase of \$465,623, mainly due to a decrease in contributions to the water and sewer fund and gas fund for capital improvements. The public improvement district number one fund fund balance increased by \$2,428. The 2015 CO's capital projects fund fund balance decreased by \$5,647,398 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 increased by \$250,925. Actual revenues exceeded amended budgeted amounts by a net \$10,669 primarily due to greater than expected revenue from permits, licenses, and fees and other revenue.

Actual expenditures were less than budgeted amounts by \$10,598 for the fiscal year. The greatest positive variance was in planning and community development, as a result of less personnel expenditures than expected.

CAPITAL ASSETS

At the end of fiscal year 2019, the City's governmental and business-type activities had invested \$39,188,677 in a variety of capital assets and infrastructure (net of accumulated depreciation).

Major capital asset events during the year included the following:

- Dump truck for the streets department in the amount of \$101,411
- Completion of the Rexville Road tank rehabilitation project in the amount of \$305,716
- Street improvements in the amount of \$150,371
- Construction in progress for Main Street water main upgrade in the amount of \$313,522
- Construction in progress for wastewater treatment plant in the amount of \$7,435,371

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 \$29,755,000. Of this amount, \$380,000 was general obligation debt and \$29,375,000 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, 2019

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 the following percentages of the respective utilities' gross revenues:
 - Water: 26.11 percent
 - Sewer: 22.82 percent
 - Gas: 19.20 percent
 - Solid waste: 24.08 percent
- 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, 72 full-time employees, seven part-time employees, and five seasonal employees. A five 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 a new plotter for the planning and community development department; the replacement of the City hall network server; an extension of a public works structure; street paving improvements; drainage improvements; a new backhoe thumb for the streets department; additional improvements to the Sealy's Business and Professional Woman's Park walking trail; building improvements to Liedertafel Hall; and a skid steer for drainage work. 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.
- Proceeds from the issuance of certificates of obligation in late 2018 will fund remaining engineering and construction costs of the new wastewater treatment plant; 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; and revitalization, improvements, and repairs to Main Street.
- 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 \$35,000 for the acquisition of shade structures. In addition, the Corporation has agreed to provide the City with \$81,000 in assistance toward funding an economic development payment to a local industry. The Corporation has budgeted \$55,000 to fund improvement grants for businesses within the City's historic downtown district and \$753,250 in business incentives to new developments occurring in the City.
- Due to a lack of funding and removal of the director's position in the fiscal 2019 budget, the City's established Main Street program had been placed in probationary status under the statewide program. The

CITY OF SEALY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

2020 budget will reactivate the program by funding it as a department of the Corporation and by hiring a full-time Main Street director.

For the 2020 budget year, the City will implement new utility rate structures based upon a utility rate study issued in January 2019. The new rates should help ensure the financial stability of the utilities as enterprise funds and align the rates with best management practices. The study determined the revenue requirements for each utility to identify the amounts that should be recovered from rates in order to fully recover the costs of providing services. Annual capital spending on renewals and replacements of facilities to keep utilities in good working condition had also been reflected in the revenue requirements. These investments needed to be prioritized in order to prevent the facilities from aging, as aging systems suffer over time from deteriorating service and increased levels of emergency repairs. In addition, rate adjustments are to be gradually phased in over several years to lessen the immediate impact on customers.

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/>.

BASIC FINANCIAL STATEMENTS

CITY OF SEALY, TEXAS

STATEMENT OF NET POSITION

September 30, 2019

Primary Government

	Governmental Activities	Business-Type Activities	Reconciliation	Total
<u>Assets</u>				
Cash and equity in pooled cash and investments	\$ 3,449,441	\$ 2,183,694	\$ -	\$ 5,633,135
Restricted cash and cash equivalents	-	10,313,633	-	10,313,633
Receivables, net of allowances	971,325	945,155	-	1,916,480
Internal balances	256,446	(256,446)	-	-
Inventory	-	17,840	-	17,840
Prepaid items	47	116	-	163
Capital assets:				
Nondepreciable capital assets	1,512,603	16,687,735	-	18,200,338
Depreciable capital assets, net	10,026,898	10,961,441	-	20,988,339
Total Assets	16,216,760	40,853,168	-	57,069,928
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	9,706	-	-	9,706
Deferred outflows - pensions	1,238,155	135,560	-	1,373,715
Deferred outflows - OPEB	8,140	928	-	9,068
Total Deferred Outflows of Resources	1,256,001	136,488	-	1,392,489
<u>Liabilities</u>				
Accounts payable and accrued liabilities	514,775	1,366,021	-	1,880,796
Customer deposits	-	238,788	-	238,788
Accrued bond interest	59,457	34,630	-	94,087
Deposits	11,170	-	-	11,170
Noncurrent liabilities:				
Due within one year	1,288,313	344,068	-	1,632,381
Due in more than one year	22,337,238	11,529,460	-	33,866,698
Total Liabilities	24,210,953	13,512,967	-	37,723,920
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	90,425	45,068	-	135,493
Deferred outflows - OPEB	16,895	1,927	-	18,822
Total Deferred Inflows of Resources	107,320	46,995	-	154,315
<u>Net Position</u>				
Net investment in capital assets	4,724,105	25,518,217	(13,230,163)	17,012,159
Restricted for:				
Debt service	542,573	-	-	542,573
Municipal drainage	71,172	-	-	71,172
Economic development	1,841,883	-	-	1,841,883
Hotel/motel occupancy tax	352,300	-	-	352,300
Tax increment reinvestment zone	5,117	-	-	5,117
Forfeited property	30,197	-	-	30,197
Municipal court	174,984	-	-	174,984
Child safety	7,426	-	-	7,426
Main street program	3,434	-	-	3,434
Park land dedication	4,432	-	-	4,432
PEG fees	21,327	-	-	21,327
Unrestricted	(14,624,462)	1,911,477	13,230,163	517,178
Total Net Position	\$ (6,845,512)	\$ 27,429,694	\$ -	\$ 20,584,182

See Notes to Financial Statements.

CITY OF SEALY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,669,563	\$ 26,016	\$ 9,577	\$ -
Public safety	2,991,157	882,939	-	31,100
Highways and streets	710,709	134,694	-	-
Health and welfare	204,338	-	-	-
Culture and recreation	366,710	31,770	-	-
Interest on long-term debt	719,056	-	-	-
Total Governmental Activities	7,661,533	1,075,419	9,577	31,100
Business-Type Activities				
Water and sewer	2,996,284	2,462,686	-	-
Gas	1,677,849	1,506,610	-	-
Solid waste	1,763,216	1,732,793	-	-
Total Business-Type Activities	6,437,349	5,702,089	-	-
Total Primary Government	\$ 14,098,882	\$ 6,777,508	\$ 9,577	\$ 31,100

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
\$ (2,633,970)	\$ -	\$ (2,633,970)
(2,077,118)	-	(2,077,118)
(576,015)	-	(576,015)
(204,338)	-	(204,338)
(334,940)	-	(334,940)
(719,056)	-	(719,056)
<u>(6,545,437)</u>	<u>-</u>	<u>(6,545,437)</u>
-	(533,598)	(533,598)
-	(171,239)	(171,239)
-	(30,423)	(30,423)
<u>-</u>	<u>(735,260)</u>	<u>(735,260)</u>
<u>(6,545,437)</u>	<u>(735,260)</u>	<u>(7,280,697)</u>
3,117,121	-	3,117,121
2,755,377	-	2,755,377
1,849,750	-	1,849,750
179,388	-	179,388
86,193	235,335	321,528
147,221	-	147,221
8,342	9,160	17,502
<u>(5,591,453)</u>	<u>5,591,453</u>	<u>-</u>
<u>2,551,939</u>	<u>5,835,948</u>	<u>8,387,887</u>
(3,993,498)	5,100,688	1,107,190
<u>(2,852,014)</u>	<u>22,329,006</u>	<u>19,476,992</u>
<u>\$ (6,845,512)</u>	<u>\$ 27,429,694</u>	<u>\$ 20,584,182</u>

CITY OF SEALY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2019

	General	Debt Service	Sealy Economic Development Corporation	Public Improvement District Number One
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 533,332	\$ 542,573	\$ 1,753,018	\$ 7
Receivables, net	690,736	49,814	155,729	2,426
Due from other funds	308,124	-	-	-
Prepaid items	47	-	-	-
Total Assets	<u>\$ 1,532,239</u>	<u>\$ 592,387</u>	<u>\$ 1,908,747</u>	<u>\$ 2,433</u>
<u>Liabilities</u>				
Accounts payable	\$ 173,874	\$ -	\$ 8,951	\$ -
Salaries payable	67,547	-	3,086	-
Accrued liabilities	157,914	-	3,550	-
Deposits payable	11,170	-	-	-
Due to other funds	-	-	51,277	-
Total Liabilities	<u>410,505</u>	<u>-</u>	<u>66,864</u>	<u>-</u>
<u>Deferred Inflows of Resources:</u>				
Unavailable revenue - property taxes	<u>46,574</u>	<u>49,814</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	47	-	-	-
Restricted:				
Debt service	-	542,573	-	-
Capital improvement	-	-	-	2,433
Municipal drainage	-	-	-	-
Economic development	-	-	1,841,883	-
Hotel/motel occupancy tax	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Forfeited property	-	-	-	-
Municipal court	-	-	-	-
Child safety	-	-	-	-
Main street program	-	-	-	-
Park land dedication	-	-	-	-
PEG fees	21,327	-	-	-
Unassigned	1,053,786	-	-	-
Total Fund Balances	<u>1,075,160</u>	<u>542,573</u>	<u>1,841,883</u>	<u>2,433</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,532,239</u>	<u>\$ 592,387</u>	<u>\$ 1,908,747</u>	<u>\$ 2,433</u>

See Notes to Financial Statements.

2015 CO's Capital Projects	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 586,700	\$ 3,415,630
-	72,620	971,325
-	-	308,124
-	-	47
<u>\$ -</u>	<u>\$ 659,320</u>	<u>\$ 4,695,126</u>
\$ -	\$ 37,363	\$ 220,188
-	-	70,633
-	423	161,887
-	-	11,170
-	401	51,678
<u>-</u>	<u>38,187</u>	<u>515,556</u>
<u>-</u>	<u>-</u>	<u>96,388</u>
-	-	47
-	-	542,573
-	-	2,433
-	71,172	71,172
-	-	1,841,883
-	352,300	352,300
-	5,117	5,117
-	30,197	30,197
-	174,984	174,984
-	7,426	7,426
-	3,434	3,434
-	4,432	4,432
-	-	21,327
-	(27,929)	1,025,857
<u>-</u>	<u>621,133</u>	<u>4,083,182</u>
<u>\$ -</u>	<u>\$ 659,320</u>	<u>\$ 4,695,126</u>

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CITY OF SEALY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2019

Total fund balances - total governmental funds	\$	4,083,182
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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		1,512,603
Capital assets, net depreciable		10,026,898

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

Deferred charge on refunding		9,706
Net pension liability		(2,682,812)
Total OPEB liability		(108,804)
Deferred outflows - pensions		1,238,155
Deferred outflows - OPEB		8,140
Deferred inflows - pensions		(90,425)
Deferred inflows - OPEB		(16,895)

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

96,388

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.

(28,256)

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

Accrued interest payable		(59,457)
Noncurrent liabilities due in one year		(1,288,313)
Noncurrent liabilities due in more than one year		(19,545,622)

Net Position of Governmental Activities

\$ (6,845,512)

CITY OF SEALY, TEXAS

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

For the Year Ended September 30, 2019

	General	Debt Service	Sealy Economic Development Corporation	Public Improvement District Number One
<u>Revenues</u>				
Property taxes	\$ 1,375,946	\$ 1,614,961	\$ -	\$ -
Sales taxes	1,819,837	-	904,385	-
Franchise fees	1,849,750	-	-	-
Occupancy taxes	-	-	-	-
Municipal drainage fees	-	-	-	-
Permits, licenses, and fees	128,537	-	-	-
Property rentals	31,770	-	-	-
Fines and forfeitures	708,198	-	-	-
Charges for services	26,016	-	-	-
Investment earnings	5,454	12,403	19,989	63
Intergovernmental	9,000	-	-	-
Other revenue	75,927	-	6,590	49,482
Total Revenues	6,030,435	1,627,364	930,964	49,545
<u>Expenditures</u>				
Current:				
General government	1,835,864	-	260,109	49,538
Public safety	2,744,347	-	-	-
Highways and streets	497,487	-	-	-
Health and welfare	27,996	-	-	-
Culture and recreation	354,803	-	-	-
Capital outlay	451,624	-	-	-
Debt service:				
Principal	-	870,000	-	-
Interest and fiscal agent fees	-	777,928	-	-
Total Expenditures	5,912,121	1,647,928	260,109	49,538
Excess (Deficiency) of Revenues Over (Under) Expenditures	118,314	(20,564)	670,855	7
<u>Other Financing Sources (Uses)</u>				
Transfers in	124,269	80,963	-	2,421
Transfers (out)	-	-	(205,232)	-
Sale of capital assets	8,342	-	-	-
Total Other Financing Sources (Uses)	132,611	80,963	(205,232)	2,421
Net Change in Fund Balances	250,925	60,399	465,623	2,428
Beginning fund balances	824,235	482,174	1,376,260	5
Ending Fund Balances	\$ 1,075,160	\$ 542,573	\$ 1,841,883	\$ 2,433

See Notes to Financial Statements.

2015 CO's Capital Projects	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 127,882	\$ 3,118,789
-	-	2,724,222
-	-	1,849,750
-	179,388	179,388
-	134,694	134,694
-	-	128,537
-	-	31,770
-	46,204	754,402
-	-	26,016
45,248	3,036	86,193
-	4,077	13,077
-	15,222	147,221
<u>45,248</u>	<u>510,503</u>	<u>9,194,059</u>
101,193	347,146	2,593,850
-	12	2,744,359
-	-	497,487
-	13,021	41,017
-	-	354,803
6,269,619	-	6,721,243
-	-	870,000
-	-	777,928
<u>6,370,812</u>	<u>360,179</u>	<u>14,600,687</u>
<u>(6,325,564)</u>	<u>150,324</u>	<u>(5,406,628)</u>
678,166	102,579	988,398
-	(105,000)	(310,232)
-	-	8,342
<u>678,166</u>	<u>(2,421)</u>	<u>686,508</u>
(5,647,398)	147,903	(4,720,120)
<u>5,647,398</u>	<u>473,230</u>	<u>8,803,302</u>
<u>\$ -</u>	<u>\$ 621,133</u>	<u>\$ 4,083,182</u>

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, 2019

Net changes in fund balances - total governmental funds \$ (4,720,120)

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	514,089
Depreciation expense	(529,217)

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 issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. In addition, pension and other postemployment benefits (OPEB) expenses are the amortization of deferred items are accounted for in the Statement of Activities.

Principal payments	870,000
Additional deferred charge on refunding	(2,426)
Change in net pension liability	(1,433,106)
Change in total OPEB liability	25,535
Change in deferred outflows - pensions	1,167,095
Change in deferred outflows - OPEB	(3,265)
Change in deferred inflows - pensions	136,901
Change in deferred inflows - OPEB	(16,895)
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.	(1,668)
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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	(70,680)
Interest expense on bonds	2,797

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.	(22,194)
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Change in Net Position of Governmental Activities	\$ (3,993,498)
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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, 2019

Business-Type Activities - Enterprise Funds				
	Water and Sewer	Gas	Solid Waste	Total Enterprise Funds
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 1,613,865	\$ 569,829	\$ -	\$ 2,183,694
Restricted assets	10,313,633	-	-	10,313,633
Accounts receivable, net	464,359	173,266	307,530	945,155
Inventory	8,733	8,457	650	17,840
Prepaid item	116	-	-	116
Due from other funds	460,605	-	-	460,605
Total Current Assets	12,861,311	751,552	308,180	13,921,043
Noncurrent assets:				
Capital assets:				
Land	125,940	-	62,000	187,940
Construction in process	16,492,867	6,928	-	16,499,795
Buildings and improvements	219,801	-	10,710	230,511
Equipment	850,233	265,094	224,647	1,339,974
Distribution and collection systems	17,159,548	1,564,176	-	18,723,724
Less: accumulated depreciation	(8,333,405)	(764,006)	(235,357)	(9,332,768)
Total Capital Assets (Net)	26,514,984	1,072,192	62,000	27,649,176
Total Noncurrent Assets	26,514,984	1,072,192	62,000	27,649,176
Total Assets	\$ 39,376,295	\$ 1,823,744	\$ 370,180	\$ 41,570,219
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pensions	65,738	69,822	-	135,560
Deferred outflows - OPEB	420	508	-	928
Total Deferred Outflows of Resources	66,158	70,330	-	136,488

Internal Service Fund

Self-Insured

\$	33,811
	-
	-
	-
	-
	-
	<hr/>
	33,811

[illegible]

CITY OF SEALY, TEXAS
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2019

Business-Type Activities - Enterprise Funds				
	Water and Sewer	Gas	Solid Waste	Total Enterprise Funds
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 1,149,545	\$ 48,462	\$ 95,206	\$ 1,293,213
Accrued interest payable	34,630	-	-	34,630
Accrued liabilities	24,278	21,030	27,500	72,808
Customer deposits	124,573	114,215	-	238,788
Compensated absences	71,338	8,915	-	80,253
Bonds payable - current	263,815	-	-	263,815
Due to other funds	141,503	33,896	541,652	717,051
Total Current Liabilities	1,809,682	226,518	664,358	2,700,558
Noncurrent liabilities:				
Net pension liability	478,299	256,163	-	734,462
Total OPEB liability	5,619	6,793	-	12,412
Compensated absences	7,926	990	-	8,916
Bonds payable	10,773,670	-	-	10,773,670
Total Noncurrent Liabilities	11,265,514	263,946	-	11,529,460
Total Liabilities	13,075,196	490,464	664,358	14,230,018
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	33,415	11,653	-	45,068
Deferred inflows - OPEB	873	1,054	-	1,927
Total Deferred Inflows of Resources	34,288	12,707	-	46,995
<u>Net Position</u>				
Net investment in capital assets	24,384,025	1,072,192	62,000	25,518,217
Unrestricted	1,948,944	318,711	(356,178)	1,911,477
Total Net Position	\$ 26,332,969	\$ 1,390,903	\$ (294,178)	\$ 27,429,694

See Notes to Financial Statements.

**Internal
Service Fund**

**Self-
Insured**

\$ 62,067
-
-
-
-
-
-

62,067

-
-
-
-

-

62,067

-
-

-

-

(28,256)

\$ (28,256)

CITY OF SEALY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2019

	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	\$ 1,384,870	\$ -	\$ -	\$ 1,384,870
Sewer charges	1,006,619	-	-	1,006,619
Gas sales	-	1,494,408	-	1,494,408
Solid waste and landfill charges	-	-	1,732,793	1,732,793
Tap fees	29,852	10,297	-	40,149
Service charges	-	-	-	-
Other revenues	41,345	1,905	-	43,250
Total Operating Revenues	2,462,686	1,506,610	1,732,793	5,702,089
<u>Operating Expenses</u>				
Costs of sales and services	-	807,932	1,271,761	2,079,693
Personnel	585,200	416,415	-	1,001,615
Supplies	84,340	19,153	26	103,519
Maintenance	113,959	56,380	-	170,339
Claim payments and fees	-	-	-	-
Electricity	179,129	1,170	-	180,299
Gross receipts tax	730,901	298,720	483,543	1,513,164
Miscellaneous	215,553	36,039	7,886	259,478
Depreciation	481,493	42,040	-	523,533
Total Operating Expenses	2,390,575	1,677,849	1,763,216	5,831,640
Operating Income (Loss)	72,111	(171,239)	(30,423)	(129,551)
<u>Nonoperating Revenues (Expenses)</u>				
Investment earnings	232,268	3,067	-	235,335
Interest and fiscal agent fees	(605,709)	-	-	(605,709)
Gain on disposal of property	1,800	2,760	4,600	9,160
Total Nonoperating Revenues (Expenses)	(371,641)	5,827	4,600	(361,214)
Income (Loss) Before Capital Contributions and Transfers	(299,530)	(165,412)	(25,823)	(490,765)
<u>Capital Contributions and Transfers</u>				
Capital contributions	6,269,619	-	-	6,269,619
Transfers (out)	(678,166)	-	-	(678,166)
Total Capital Contributions and Transfers	5,591,453	-	-	5,591,453
Change in Net Position	5,291,923	(165,412)	(25,823)	5,100,688
Beginning net position	21,041,046	1,556,315	(268,355)	22,329,006
Ending Net Position	\$ 26,332,969	\$ 1,390,903	\$ (294,178)	\$ 27,429,694

See Notes to Financial Statements.

**Internal
Service Fund**

**Self-
Insured**

\$	-
	-
	-
	-
	-
	905,068
	-
	<hr/> 905,068

	-
	-
	-
	-
	927,262
	-
	-
	-
	-
	<hr/> 927,262
	<hr/> (22,194)

	-
	-
	-
	<hr/> -
	<hr/> -
	(22,194)

	-
	-
	<hr/> -
	<hr/> -
	(22,194)
	<hr/> (6,062)
\$	<hr/> <hr/> (28,256)

CITY OF SEALY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2019

	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	\$ 2,386,194	\$ 1,539,337	\$ 1,696,827	\$ 5,622,358
Payments to suppliers	620,805	(926,878)	(1,217,884)	(1,523,957)
Payments to employees	(511,438)	(381,113)	-	(892,551)
Payment for insurance claims	-	-	-	-
Payments to other funds for services provided	(730,901)	(298,720)	(483,543)	(1,513,164)
Net Cash Provided (Used) by Operating Activities	1,764,660	(67,374)	(4,600)	1,692,686
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfer to other funds	(678,166)	-	-	(678,166)
Net Cash (Used) by Noncapital Financing Activities	(678,166)	-	-	(678,166)
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(1,991,949)	(6,928)	-	(1,998,877)
Proceeds from debt issuance	11,201,300	-	-	11,201,300
Principal paid on capital debt	(140,000)	-	-	(140,000)
Interest and fiscal agent fees paid	(629,524)	-	-	(629,524)
Gain on disposal of property	1,800	2,760	4,600	9,160
Net Cash Provided (Used) by Capital and Related Financing Activities	8,441,627	(4,168)	4,600	8,442,059
<u>Cash Flows from Investing Activities</u>				
Proceeds from sale of investments	-	-	-	-
Interest received	232,268	3,067	-	235,335
Net Cash Provided by Investing Activities	232,268	3,067	-	235,335
Net Increase (Decrease) in Cash and Cash Equivalents	9,760,389	(68,475)	-	9,691,914
Beginning cash and cash equivalents	2,167,109	638,304	-	2,805,413
Ending Cash and Cash Equivalents				
Unrestricted cash and cash equivalents	1,613,865	569,829	-	2,183,694
Restricted cash and cash equivalents	10,313,633	-	-	10,313,633
Ending Cash and Cash Equivalents	\$ 11,927,498	\$ 569,829	\$ -	\$ 12,497,327

See Notes to Financial Statements.

**Internal
Service Fund**

**Self-
Insured**

\$ 905,068
-
-
(911,969)
-

(6,901)

-

-

-
-
-
-
-

-

-
-
-

(6,901)

40,712

33,811
-

\$ 33,811

CITY OF SEALY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2019

	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)	\$ 72,111	\$ (171,239)	\$ (30,423)	\$ (129,551)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	481,493	42,040	-	523,533
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Current Assets:				
Accounts receivable	(60,490)	30,822	(35,966)	(65,634)
Deferred outflows - pensions	35,020	(24,577)	-	10,443
Deferred outflows - OPEB	(420)	(508)	-	(928)
Due from other funds	(20,072)	-	-	(20,072)
Prepaid item	(116)	-	-	(116)
Increase (Decrease) in Current Liabilities:				
Accounts payable and accrued liabilities	1,126,737	(17,872)	(4,081)	1,104,784
Customer deposits	4,070	1,905	-	5,975
Compensated absences	10,115	4,886	-	15,001
Deferred inflows - pensions	(61,036)	(32,237)	-	(93,273)
Deferred inflows - OPEB	873	1,054	-	1,927
Net pension liability	83,591	79,891	-	163,482
Total OPEB liability	5,619	6,793	-	12,412
Due to other funds	87,165	11,668	65,870	164,703
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,764,660</u>	<u>\$ (67,374)</u>	<u>\$ (4,600)</u>	<u>\$ 1,692,686</u>
Noncash Investing, Capital, and Financing Activities:				
Capital contributions	<u>\$ 6,269,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,269,619</u>

See Notes to Financial Statements.

**Internal
Service Fund**

**Self-
Insured**

\$ (22,194)

-

-

-

-

-

-

15,293

-

-

-

-

-

-

-

\$ (6,901)

\$ -

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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.

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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 considered nonmajor funds for reporting purposes. The PID fund did not meet the technical requirements for reporting as a major fund; however, it is considered to be significant in presenting the overall operations of the City and, as such has been presented as a major fund. The primary source of revenue for the PID 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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

fund for reporting purposes. The primary source of revenue for the SEDC is sales tax, donations, and related interest earnings.

The *capital projects 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. 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.

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and cash equivalents."

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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

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. 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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- 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.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

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

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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.

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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 fund, which adopts a project length budget. 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 the capital project fund budget. Supplemental budget appropriations were made for the year ended September 30, 2019. Other special revenue funds have budgets for management purposes.

1. Expenditures in Excess of Appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations at the legal level of control as follows:

General fund		
General Government:		
City Hall	\$	848
Public Safety:		
Police	\$	167
Culture and Recreation:		
Parks and recreation	\$	2,549
Hotel/Motel Occupancy Tax fund		
Culture and recreation	\$	159

B. Deficit Fund Balances/Net Position

At September 30, 2019, the solid waste fund, a major enterprise fund, had a deficit net position of \$294,178. The City plans to increase rates to offset the deficit. The Texas capital fund grant fund, a nonmajor special revenue fund had a deficit fund balance of \$27,929. The City plans to transfer monies to offset the deficits.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2019, the City had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
TexPool	\$ 5,996,079	0.09
TexStar	5,995,170	0.08
Total Fair Value	\$ 11,991,249	
Portfolio weighted average maturity		0.09

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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, 2019, fair market values of pledged securities and FDIC coverage exceeded bank balances.

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

TexPool

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

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, 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.

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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.

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	\$ -	\$ -	\$ -	\$ -	\$ 27,652
Property taxes	46,574	49,814	-	-	-
Sales taxes	311,458	-	155,729	-	-
Hotel/motel taxes	-	-	-	-	45,106
Franchise fees	9,105	-	-	-	-
Special assessments	5,571	-	-	2,426	-
Other	323,599	-	-	-	-
Less allowance	(5,571)	-	-	-	(138)
Total	\$ 690,736	\$ 49,814	\$ 155,729	\$ 2,426	\$ 72,620

Proprietary Funds

	Water and Sewer	Gas	Solid Waste
Accounts	\$ 466,932	\$ 173,691	\$ 309,327
Less allowance	(2,573)	(425)	(1,797)
Total	\$ 464,359	\$ 173,266	\$ 307,530

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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	\$ 1,481,174	\$ -	\$ -	\$ 1,481,174
Construction in progress	-	31,429	-	31,429
Total capital assets not being depreciated	<u>1,481,174</u>	<u>31,429</u>	<u>-</u>	<u>1,512,603</u>
Other capital assets:				
Buildings	4,503,425	43,500		4,546,925
Improvements other than buildings	8,556,302	294,965	-	8,851,267
Intangibles	155,295	-	-	155,295
Machinery and equipment	2,506,122	144,195	(41,620)	2,608,697
Total other capital assets	<u>15,721,144</u>	<u>482,660</u>	<u>(41,620)</u>	<u>16,162,184</u>
Less accumulated depreciation for:				
Buildings	(1,426,188)	(100,775)	-	(1,526,963)
Improvements other than buildings	(2,193,009)	(256,817)	-	(2,449,826)
Intangibles	(119,883)	(6,014)	-	(125,897)
Machinery and equipment	(1,908,609)	(165,611)	41,620	(2,032,600)
Total accumulated depreciation	<u>(5,647,689)</u>	<u>(529,217)</u>	<u>41,620</u>	<u>(6,135,286)</u>
Other capital assets, net	<u>10,073,455</u>	<u>(46,557)</u>	<u>-</u>	<u>10,026,898</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,554,629</u>	<u>\$ (15,128)</u>	<u>\$ -</u>	<u>11,539,501</u>
		Less associated debt		(6,825,102)
		Plus Deferred charge on refunding		9,706
		Net Investment in Capital Assets		<u>\$ 4,724,105</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 16,170
Public safety	149,298
Highways and streets	199,200
Culture and recreation	163,321
Health and welfare	1,228
Total Governmental Activities Depreciation Expense	<u>\$ 529,217</u>

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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	8,563,799	7,962,780	(26,784)	16,499,795
Total capital assets not being depreciated	<u>8,751,739</u>	<u>7,962,780</u>	<u>(26,784)</u>	<u>16,687,735</u>
Other capital assets:				
Buildings and improvements	230,511	-	-	230,511
Distribution and collection systems	18,391,224	332,500	-	18,723,724
Machinery and equipment	1,436,418	-	(96,444)	1,339,974
Total other capital assets	<u>20,058,153</u>	<u>332,500</u>	<u>(96,444)</u>	<u>20,294,209</u>
Less accumulated depreciation for:				
Buildings and improvements	(277,470)	(67,062)	-	(344,532)
Distribution and collection systems	(7,364,062)	(410,308)	-	(7,774,370)
Machinery and equipment	(1,264,147)	(46,163)	96,444	(1,213,866)
Total accumulated depreciation	<u>(8,905,679)</u>	<u>(523,533)</u>	<u>96,444</u>	<u>(9,332,768)</u>
Other capital assets, net	<u>11,152,474</u>	<u>(191,033)</u>	<u>-</u>	<u>10,961,441</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,904,213</u>	<u>\$ 7,771,747</u>	<u>\$ (26,784)</u>	<u>\$ 27,649,176</u>
			Less associated debt	(11,037,485)
			Plus unspent bond proceeds	8,906,526
			Net Investment in Capital Assets	<u>\$ 25,518,217</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 481,493
Gas	42,040
Total Business-Type Activities Depreciation Expense	<u>\$ 523,533</u>

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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, 2019. 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:					
Certificates of obligation	\$ 19,570,000	\$ -	\$ 780,000	\$ 18,790,000	\$ 815,000
General obligation refunding bonds from direct borrowings/placements	470,000	-	90,000	380,000	90,000
Total bonds, notes, and other payables	<u>20,040,000</u>	<u>-</u>	<u>870,000</u>	<u>19,170,000</u>	<u>905,000</u>
Other liabilities:					
Premium on bonds	899,404	-	58,501	840,903	58,501
Sales tax payable	493,285	-	31,155	462,130	-
Net pension liability	1,249,706	1,433,106	-	2,682,812	-
Total OPEB liability	134,339	-	25,535	108,804	-
Compensated absences	290,222	176,068	105,388	360,902	324,812
Total other liabilities	<u>3,066,956</u>	<u>1,609,174</u>	<u>220,579</u>	<u>4,455,551</u>	<u>383,313</u>
Total Governmental Activities	<u>\$ 23,106,956</u>	<u>\$ 1,609,174</u>	<u>\$ 1,090,579</u>	<u>\$ 23,625,551</u>	<u>\$ 1,288,313</u>
Long-term debt due in more than one year				<u>\$ 22,337,238</u>	
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Bonds payables:					
Certificates of obligation	\$ -	\$ 10,725,000	\$ 140,000	\$ 10,585,000	\$ 240,000
Other liabilities:					
Premium on bonds	-	476,300	23,815	452,485	23,815
Net pension liability	570,980	163,482	-	734,462	-
Total OPEB liability	-	12,412	-	12,412	-
Compensated absences	74,168	44,978	29,977	89,169	80,253
Total Business-Type Activities	<u>\$ 645,148</u>	<u>\$ 11,422,172</u>	<u>\$ 193,792</u>	<u>\$ 11,873,528</u>	<u>\$ 344,068</u>
Long-term debt due in more than one year				<u>\$ 11,529,460</u>	
Debt associated with governmental capital assets				\$ 6,825,102	
Debt associated with business-type capital assets				24,223,285	
Total debt associated with capital assets				<u>\$ 31,048,387</u>	*

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, 2019

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

<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
<u>Governmental Activities</u>		
General Obligation Refunding Bonds		
Series 2016	1.58%	\$ 380,000
Total General Obligation Bonds		380,000
 Certificates of Obligation		
Series 2010*	3.00-4.25%	4,355,000
Series 2011	3.84%	1,375,000
Series 2015	2.00-4.00%	13,060,000
Total Certificates of Obligation		18,790,000
 Total Governmental Activities Long-Term Debt		 \$ 19,170,000

* 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.

<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
<u>Business-Type Activities</u>		
Certificates of Obligation		
Series 2018	2.00-5.00%	\$ 10,585,000
Total Certificates of Obligation		10,585,000
 Total Business-Type Activities Long-Term Debt		 \$ 10,585,000

During fiscal year 2019, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates") in the amount of \$10,725,000. The City has attributed 9.1% to be paid from property tax revenue and 90.9% to paid from water and sewer revenue. Proceeds from 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 waste water system, revitalization, improvements, and repairs to Main Street, and to pay the cost of issuance of the Certificates.

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The annual debt service requirement for governmental activities are as follows:

Year Ending Sep. 30	Governmental Activities		
	Principal	Interest	Total
2020	\$ 815,000	\$ 738,681	\$ 1,553,681
2021	845,000	706,297	1,551,297
2022	875,000	672,713	1,547,713
2023	910,000	637,937	1,547,937
2024	1,055,000	601,769	1,656,769
2025-2029	5,945,000	2,350,992	8,295,992
2030-2034	6,830,000	1,138,800	7,968,800
2035	1,515,000	60,600	1,575,600
Total	\$ 18,790,000	\$ 6,907,789	\$ 25,697,789

The annual debt service requirements for direct borrowings/placements are as follows:

Year Ending Sep. 30	Governmental Activities		
	Principal	Interest	Total
2020	\$ 90,000	\$ 6,004	\$ 96,004
2021	95,000	4,582	99,582
2022	95,000	3,081	98,081
2023	100,000	1,580	101,580
Total	\$ 380,000	\$ 15,247	\$ 293,667

The annual debt service requirements for business-type activities are as follows:

Year Ending Sep. 30	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 240,000	\$ 434,669	\$ 674,669
2021	380,000	422,669	802,669
2022	400,000	403,669	803,669
2023	420,000	383,669	803,669
2024	445,000	362,669	807,669
2025-2029	2,575,000	1,457,093	4,032,093
2030-2034	3,175,000	856,831	4,031,831
2035-2038	2,950,000	269,188	3,219,188
Total	\$ 10,585,000	\$ 4,590,457	\$ 15,175,457

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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 August 26, 2017, the City entered into an agreement with Enterprise FM Trust to lease fleet vehicles for the police, buildings, streets, parks, water, sewer, and gas departments. The term of the agreement is dependent on the date vehicles are delivered to the City. Future annual lease payments as of September 30, 2019 are:

Year Ended Sept. 30	Total
2020	\$ 111,543
2021	111,543
2022	90,511
2023	54,518
2024	9,789
Total	\$ 377,904

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 \$462,130.

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, 2019

E. Interfund Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Sealy economic development corporation	\$ 51,277
General	Water and sewer	141,503
General	Solid waste	81,047
General	Gas	33,896
General	Nonmajor	401
Water and sewer	Solid waste	460,605
		<u>\$ 768,729</u>

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

F. Interfund Transfers

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
General	Sealy economic development corporation	\$ 124,269
Debt service	Sealy economic development corporation	80,963
Nonmajor	Nonmajor	102,579
Public improvement district number one	Nonmajor	2,421
2015 CO's capital projects	Water and sewer	678,166
		<u>\$ 988,398</u>

Amounts transferred between general, SEDC, PID, debt service, 2015 CO's capital projects, and nonmajor governmental funds were for various governmental expenditures and debt payments.

G. Fund Equity

As of September 30, 2019, \$564,907 of the City's total fund balance is restricted by enabling legislation.

H. Prior Period Adjustment

Beginning net position and fund balance have been restated to reclassify activity that was in the 2018 CO's capital project fund within nonmajor funds and governmental activities to the water and sewer fund and business-type activities.

	<u>Nonmajor Funds</u>	<u>Governmental Activities</u>	<u>Water and Sewer</u>	<u>Business-Type Activities</u>
Prior year ending fund balance/net position as reported	\$ 458,122	\$ (2,867,122)	\$ 21,056,154	\$ 22,344,114
Reclassification of 2018 CO's capital projects fund	15,108	15,108	(15,108)	(15,108)
Restated Beginning Fund Balance/Net Position	<u>\$ 473,230</u>	<u>\$ (2,852,014)</u>	<u>\$ 21,041,046</u>	<u>\$ 22,329,006</u>

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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:

	<u>2019</u>	<u>2018</u>
Beginning claims payable	\$ 46,774	\$ -
Claims incurred	927,262	566,892
Claims paid	<u>(911,969)</u>	<u>(520,118)</u>
Ending Claims Payable	<u><u>\$ 62,067</u></u>	<u><u>\$ 46,774</u></u>

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 887 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 of Texas. The TMRS Act places the general administration and management of TMRS with a six-

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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:

	2019	2018
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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to, but not yet receiving, benefits	48
Active employees	57
Total	134

Contributions

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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 14.11 percent and 14.42 percent in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$471,711 which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018 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, 2018 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 (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
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	\$ 532,076	\$ -	\$ 532,076
Interest	1,045,717	-	1,045,717
Difference between expected and actual experience	263,291	-	263,291
Contributions - employer	-	443,500	(443,500)
Contributions - employee	-	217,555	(217,555)
Net investment income	-	(408,262)	408,262
Benefit payments, including refunds of employee contributions	(428,212)	(428,212)	-
Administrative expense	-	(7,885)	7,885
Other changes	-	(412)	412
Net Changes	1,412,872	(183,716)	1,596,588
Balance at December 31, 2017	15,440,175	13,619,489	1,820,686
Balance at December 31, 2018	\$ 16,853,047	\$ 13,435,773	\$ 3,417,274

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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	\$ 6,087,474	\$ 3,417,274	\$ 1,263,220

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2019, the City recognized net pension expense of \$698,815.

At September 30, 2019, 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	\$ 294,194	\$ 135,493
Changes in actuarial assumptions	11,422	-
Difference between projected and actual investment earnings	706,114	-
Contributions subsequent to the measurement date	361,985	-
Total	\$ 1,373,715	\$ 135,493

\$361,985 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, 2020. 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
2020	\$ 253,630
2021	192,872
2022	164,220
2023	265,515
Total	\$ 876,237

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

D. Other Postemployment Benefits

TMRS – Supplemental Death Benefits

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, 2018 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to, but not yet receiving, benefits	12
Active employees	<u>57</u>
Total	<u><u>87</u></u>

Total OPEB Liability

The City's total OPEB liability of \$121,216 was measured as of December 31, 2018 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, 2019

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 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	3.71%*
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, 2018.

The actuarial assumptions used in the December 31, 2018 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	\$ 5,905
Interest	4,529
Difference between expected and actual experience	(11,786)
Changes of assumptions	(10,839)
Benefit payments*	(932)
Net Changes	(13,123)
Beginning balance	134,339
Ending Balance	\$ 121,216

* 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.

The discount rate increased from 3.31 percent to 3.71 percent as of December 31, 2018. 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, 2019

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 (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's Total OPEB Liability	\$ 150,875	\$ 121,216	\$ 98,956

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$8,801. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 8,571	\$ 9,017
Difference between expected and actual experience	-	9,805
Contributions subsequent to the measurement date	497	-
Total	\$ 9,068	\$ 18,822

\$497 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, 2020.

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
2020	\$ (1,633)
2021	(1,633)
2022	(1,633)
2023	(1,743)
2024	(3,609)
Total	\$ (10,251)

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

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

Agreement, the Developer will develop a tract of land off of Interstate 10 for commercial and retail uses, which would in turn increase the property tax base, generate sales tax revenues, and create additional employment opportunities for the City. Under the Agreement, the City would be responsible for remitting to the Developer annual grant payments of sales taxes collected from 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, 2019.

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, 2019.

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, 2019.

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 rebate specified percentages of the property taxes it collects on the real property, improvements, and

CITY OF SEALY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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 recognize \$80,704 in expenditures related to this Agreement during the fiscal year ended September 30, 2019.

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 related 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, 2019, the total amount of tax increments collected in TIRZ #2 was \$64,695 for the City and \$63,187 for the County; the Developer was reimbursed \$105,000.

F. Subsequent Events

In November 2019 the City entered into a property tax abatement agreement (the “Agreement”) with Hailiang Copper Texas, Inc., a Texas Corporation (“Hailiang”) as authorized by Chapter 380 of the Texas Local Government Code. Hailiang has acquired approximately 196 acres of land for the development and construction of a new copper tubing manufacturing facility. This proposed development will result in new economic development in the City, including creating new jobs, increasing property values and ad valorem taxes with the City, and increasing sales and use tax revenues for the City and the SEDC. As part of the Agreement, Hailiang is to employ 250 new full-time workers by the later of four years from the date the City issues to Hailiang a Certificate of Occupancy for the project, or December 31, 2023. In addition, Hailiang agrees that it will make at least a \$165,000,000 fixed asset and/or capital investments in two phases. Phase one shall consist of at least a \$120,000,000 fixed asset and/or capital investment by December 31, 2021. Phase two shall consist of at least an additional \$45,000,000 fixed assets and/or capital investments by December 31, 2023. Hailiang also agrees to purchase \$800,000 in taxable items for its use in conjunction with the construction, maintenance, expansion or other taxable purchases associated with the development of the copper tubing manufacturing facility during the term of the Agreement. In return the City will reimburse Hailiang with a percentage of the City’s ad valorem property tax received from Hailiang for tax years 2021 to 2027. The Agreement provides for recapture in the event of a material breach.

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, 2019

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Taxes:				
Property	\$ 1,391,990	\$ 1,375,597	\$ 1,375,946	\$ 349
Sales	1,886,839	1,819,837	1,819,837	-
Franchise fees	1,801,294	1,849,749	1,849,750	1
Permits, licenses, and fees	215,127	120,834	128,537	7,703
Property rentals	38,980	32,095	31,770	(325)
Charges for services	20,800	26,082	26,016	(66)
Fines	482,100	708,624	708,198	(426)
Investment earnings	3,233	5,454	5,454	-
Intergovernmental	-	9,000	9,000	-
Other revenue	39,050	72,494	75,927	3,433
Total Revenues	5,879,413	6,019,766	6,030,435	10,669
<u>Expenditures</u>				
General government:				
City Council	41,490	48,415	47,214	1,201
City Manager	223,035	272,406	271,778	628
City Hall	199,547	179,275	180,123	(848) *
Finance	474,876	460,038	458,820	1,218
City Secretary	302,982	291,478	290,901	577
Court	277,364	264,005	262,882	1,123
Information technology	130,188	129,864	129,860	4
Mechanic shop	67,449	67,449	65,582	1,867
Nondepartmental	35,600	128,705	128,704	1
Total General Government Expenditures	1,752,531	1,841,635	1,835,864	5,771
Public safety:				
Police	2,199,503	2,202,152	2,202,319	(167) *
Planning and community development	483,159	508,563	504,170	4,393
Fire marshal	50,398	40,829	37,858	2,971
Total Public Safety Expenditures	2,733,060	2,751,544	2,744,347	7,197
Highways and streets	545,723	496,141	497,487	(1,346)
Health and welfare	33,317	29,516	27,996	1,520
Culture and recreation:				
Parks and recreation	335,056	291,412	293,961	(2,549) *
Swimming pool	119,000	60,845	60,842	3
Total Culture and Recreation Expenditures	454,056	352,257	354,803	(2,546)
Capital outlay	309,768	451,626	451,624	2
Total Expenditures	5,828,455	5,922,719	5,912,121	10,598
Excess of Revenues Over Expenditures	50,958	97,047	118,314	21,267

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, 2019

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 70,268	\$ 47,848	\$ 124,269	\$ 76,421
Sale of capital assets	-	8,342	8,342	-
Total Other Financing Sources	70,268	56,190	132,611	76,421
Net Change in Fund Balance	<u>\$ 121,226</u>	<u>\$ 153,237</u>	250,925	<u>\$ 97,688</u>
Beginning fund balance			<u>824,235</u>	
Ending Fund Balance			<u>\$ 1,075,160</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.

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, 2019

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Sales taxes	\$ 938,950	\$ 904,385	\$ 904,385	\$ -
Investment earnings	1,000	19,989	19,989	-
Miscellaneous	-	6,590	6,590	-
Total Revenues	<u>939,950</u>	<u>930,964</u>	<u>930,964</u>	<u>-</u>
<u>Expenditures</u>				
General government:				
General administration	112,330	127,251	126,914	337
Supplies	3,584	22,368	22,513	(145)
Professional services	9,000	43,173	43,017	156
Miscellaneous	189,073	67,579	67,665	(86)
Total Expenditures	<u>313,987</u>	<u>260,371</u>	<u>260,109</u>	<u>262</u>
Excess of Revenue Over Expenditures	<u>625,963</u>	<u>670,593</u>	<u>670,855</u>	<u>262</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(651,231)	(205,233)	(205,232)	1
Total Other Financing (Uses)	<u>(651,231)</u>	<u>(205,233)</u>	<u>(205,232)</u>	<u>1</u>
Net Change in Fund Balance	<u>\$ (25,268)</u>	<u>\$ 465,360</u>	<u>465,623</u>	<u>\$ 263</u>
Beginning fund balance			<u>1,376,260</u>	
Ending Fund Balance			<u><u>\$ 1,841,883</u></u>	

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, 2019

	Original Budget Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive Negative
<u>Revenues</u>				
Investment earnings	\$ 34	\$ 34	\$ 63	\$ 29
Other revenue	-	-	49,482	49,482
Total Revenues	<u>34</u>	<u>34</u>	<u>49,545</u>	<u>49,511</u>
<u>Expenditures</u>				
General government:				
General administration	2,500	2,500	49,538	(47,038)
Total Expenditures	<u>2,500</u>	<u>2,500</u>	<u>49,538</u>	<u>(47,038)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(2,466)</u>	<u>(2,466)</u>	<u>7</u>	<u>2,473</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	2,500	2,500	2,421	(79)
Total Other Financing Sources	<u>2,500</u>	<u>2,500</u>	<u>2,421</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 34</u>	<u>\$ 34</u>	<u>2,428</u>	<u>\$ 2,394</u>
Beginning fund balance			<u>5</u>	
Ending Fund Balance			<u>\$ 2,433</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, 2019

	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 five years of information is currently available. The City will build this schedule over the next five-year period.

Measurement
Year*
2018

\$	532,076
	1,045,717

263,291

-

(428,212)
1,412,872

15,440,175

\$	16,853,047
----	------------

\$	443,500
	217,555
	(408,262)

(428,212)

(7,885)

(412)
(183,716)

13,619,489

\$	13,435,773
----	------------

\$	3,417,274
----	-----------

79.72%

\$	3,107,922
----	-----------

109.95%

CITY OF SEALY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2019

	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)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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 six years of information is currently available. The City will build this schedule over the next four-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	27 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.5% 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		2019	
\$	440,063	\$	471,711
	440,063		471,711
\$	-	\$	-
\$	3,037,842	\$	3,253,380
	14.49%		14.50%

CITY OF SEALY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2019

	Measurement Year*	
	2017	2018
Total OPEB Liability		
Service cost	\$ 5,060	\$ 5,905
Interest (on the total OPEB liability)	4,342	4,529
Difference between expected and actual experience	-	(11,786)
Changes in assumptions	12,910	(10,839)
Benefit payments**	(633)	(932)
Net Change in Total OPEB Liability	21,679	(13,123)
Beginning total OPEB liability	112,660	134,339
Ending Total OPEB Liability	\$ 134,339	\$ 121,216
Covered Payroll	\$ 3,162,756	\$ 3,107,922
Total OPEB Liability as a Percentage of Covered Payroll	4.25%	3.90%

*Only two years of information is currently available. The City will build this schedule over the next eight-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	3.5% to 10.5% including inflation.
Discount rate	3.71%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 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, 2018.

There were no benefit changes during the year.

The only change of assumptions was the annual change in the municipal bond index rate. The discount rate used in the development of the total OPEB liability was 3.71% as of December 31, 2018 compared to 3.31% as of December 31, 2017.

***COMBINING STATEMENTS
AND SCHEDULES***

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

For the Year Ended September 30, 2019

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 1,561,527	\$ 1,614,962	\$ 1,614,961	\$ (1)
Investment earnings	13,000	12,404	12,403	(1)
Total Revenues	<u>1,574,527</u>	<u>1,627,366</u>	<u>1,627,364</u>	<u>(2)</u>
<u>Expenditures</u>				
Debt service:				
Principal	870,000	870,000	870,000	-
Interest and fiscal agent fees	<u>777,858</u>	<u>777,929</u>	<u>777,928</u>	<u>1</u>
Total Expenditures	<u>1,647,858</u>	<u>1,647,929</u>	<u>1,647,928</u>	<u>1</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(73,331)</u>	<u>(20,563)</u>	<u>(20,564)</u>	<u>(1)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	<u>80,963</u>	<u>80,963</u>	<u>80,963</u>	<u>-</u>
Total Other Financing Sources	<u>80,963</u>	<u>80,963</u>	<u>80,963</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 7,632</u>	<u>\$ 60,400</u>	<u>60,399</u>	<u>\$ (1)</u>
Beginning fund balance			<u>482,174</u>	
Ending Fund Balance			<u>\$ 542,573</u>	

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CITY OF SEALY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2019

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.

CITY OF SEALY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
September 30, 2019

	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	\$ 311,548	\$ 5,117	\$ 30,283	\$ 3,500
Receivables, net	45,106	-	-	-
Total Assets	\$ 356,654	\$ 5,117	\$ 30,283	\$ 3,500
<u>Liabilities</u>				
Accounts payable	\$ 4,030	\$ -	\$ -	\$ 31,429
Accrued liabilities	324	-	-	-
Due to other funds	-	-	86	-
Total Liabilities	4,354	-	86	31,429
<u>Fund balance:</u>				
Restricted:				
Municipal drainage	-	-	-	-
Hotel/motel occupancy tax	352,300	-	-	-
Tax increment reinvestment zone	-	5,117	-	-
Forfeited property	-	-	30,197	-
Municipal court	-	-	-	-
Child safety	-	-	-	-
Main street program	-	-	-	-
Park land dedication	-	-	-	-
Unassigned	-	-	-	(27,929)
Total Fund Balances	352,300	5,117	30,197	(27,929)
Total Liabilities and Fund Balances	\$ 356,654	\$ 5,117	\$ 30,283	\$ 3,500

Special Revenue Funds

Municipal Drainage	Municipal Court Technology	Judicial Efficiency	Municipal Court Building Security	Child Safety	Main Street Program
\$ 43,757	\$ 23,577	\$ 15,442	\$ 138,184	\$ 7,426	\$ 3,434
27,514	-	-	-	-	-
<u>\$ 71,271</u>	<u>\$ 23,577</u>	<u>\$ 15,442</u>	<u>\$ 138,184</u>	<u>\$ 7,426</u>	<u>\$ 3,434</u>
\$ -	\$ 1,506	\$ 398	\$ -	\$ -	\$ -
99	-	-	-	-	-
-	-	-	315	-	-
<u>99</u>	<u>1,506</u>	<u>398</u>	<u>315</u>	<u>-</u>	<u>-</u>
71,172	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	22,071	15,044	137,869	-	-
-	-	-	-	7,426	-
-	-	-	-	-	3,434
-	-	-	-	-	-
-	-	-	-	-	-
<u>71,172</u>	<u>22,071</u>	<u>15,044</u>	<u>137,869</u>	<u>7,426</u>	<u>3,434</u>
<u>\$ 71,271</u>	<u>\$ 23,577</u>	<u>\$ 15,442</u>	<u>\$ 138,184</u>	<u>\$ 7,426</u>	<u>\$ 3,434</u>

CITY OF SEALY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2019

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Park Land</u>	<u>Sealy</u>	<u>Nonmajor</u>
	<u>Dedication</u>	<u>Development</u>	<u>Governmental</u>
		<u>Authority</u>	<u>Funds</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 4,432	\$ -	\$ 586,700
Receivables, net	-	-	72,620
Total Assets	\$ 4,432	\$ -	\$ 659,320
<u>Liabilities</u>			
Accounts payable	\$ -	\$ -	\$ 37,363
Accrued liabilities	-	-	423
Due to other funds	-	-	401
Total Liabilities	-	-	38,187
<u>Fund balance</u>			
Restricted:			
Municipal drainage	-	-	71,172
Hotel/motel occupancy tax	-	-	352,300
Tax increment reinvestment zone	-	-	5,117
Forfeited property	-	-	30,197
Municipal court	-	-	174,984
Child safety	-	-	7,426
Main street program	-	-	3,434
Park land dedication	4,432	-	4,432
Unassigned	-	-	(27,929)
Total Fund Balances	4,432	-	621,133
Total Liabilities and Fund Balances	\$ 4,432	\$ -	\$ 659,320

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, 2019

	Special Revenue Funds			
	Hotel/Motel Occupancy Tax	Tax Increment Investment Zone Number Two	Chapter 59 Forfeited Property	Texas Capital Fund Grant
Revenues				
Property taxes	\$ -	\$ 127,882	\$ -	\$ -
Occupancy tax	179,388	-	-	-
Intergovernmental	-	-	-	3,500
Municipal drainage fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment earnings	2,638	18	52	-
Other revenue	391	-	2,083	-
Total Revenues	<u>182,417</u>	<u>127,900</u>	<u>2,135</u>	<u>3,500</u>
Expenditures				
Current:				
General government	151,224	19,408	-	31,429
Health and welfare	-	-	-	-
Public safety	-	-	12	-
Total Expenditures	<u>151,224</u>	<u>19,408</u>	<u>12</u>	<u>31,429</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>31,193</u>	<u>108,492</u>	<u>2,123</u>	<u>(27,929)</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer (out)	-	(105,000)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(105,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	31,193	3,492	2,123	(27,929)
Beginning fund balances	<u>321,107</u>	<u>1,625</u>	<u>28,074</u>	<u>-</u>
Ending Fund Balances	<u>\$ 352,300</u>	<u>\$ 5,117</u>	<u>\$ 30,197</u>	<u>\$ (27,929)</u>

Special Revenue Funds

Municipal Drainage	Municipal Court Technology	Judicial Efficiency	Municipal Court Building Security	Child Safety	Main Street Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
577	-	-	-	-	-
134,694	-	-	-	-	-
-	22,308	5,604	16,731	1,561	-
-	41	27	240	12	-
-	-	-	-	-	12,748
<u>135,271</u>	<u>22,349</u>	<u>5,631</u>	<u>16,971</u>	<u>1,573</u>	<u>12,748</u>
-	23,496	5,058	4,538	-	9,414
13,021	-	-	-	-	-
-	-	-	-	-	-
<u>13,021</u>	<u>23,496</u>	<u>5,058</u>	<u>4,538</u>	<u>-</u>	<u>9,414</u>
<u>122,250</u>	<u>(1,147)</u>	<u>573</u>	<u>12,433</u>	<u>1,573</u>	<u>3,334</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
122,250	(1,147)	573	12,433	1,573	3,334
(51,078)	23,218	14,471	125,436	5,853	100
<u>\$ 71,172</u>	<u>\$ 22,071</u>	<u>\$ 15,044</u>	<u>\$ 137,869</u>	<u>\$ 7,426</u>	<u>\$ 3,434</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, 2019

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Park Land</u>	<u>Sealy</u>	<u>Nonmajor</u>
	<u>Dedication</u>	<u>Development</u>	<u>Governmental</u>
		<u>Authority</u>	<u>Funds</u>
<u>Revenues</u>			
Property taxes	\$ -	\$ -	\$ 127,882
Occupancy tax	-	-	179,388
Intergovernmental	-	-	4,077
Municipal drainage fee	-	-	134,694
Fines and forfeitures	-	-	46,204
Investment earnings	8	-	3,036
Other revenue	-	-	15,222
Total Revenues	<u>8</u>	<u>-</u>	<u>510,503</u>
<u>Expenditures</u>			
Current:			
General government	-	102,579	347,146
Health and welfare	-	-	13,021
Public safety	-	-	12
Total Expenditures	<u>-</u>	<u>102,579</u>	<u>360,179</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>8</u>	<u>(102,579)</u>	<u>150,324</u>
<u>Other Financing Sources (Uses)</u>			
Transfer in	-	102,579	102,579
Transfer (out)	-	-	(105,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>102,579</u>	<u>(2,421)</u>
Net Change in Fund Balances	<u>8</u>	<u>-</u>	<u>147,903</u>
Beginning fund balances	<u>4,424</u>	<u>-</u>	<u>473,230</u>
Ending Fund Balances	<u>\$ 4,432</u>	<u>\$ -</u>	<u>\$ 621,133</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, 2019

		Hotel/Motel Occupancy Tax			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>					
Occupancy tax		\$ 210,000	\$ 179,388	\$ 179,388	\$ -
Investment earnings		1,000	2,638	2,638	-
Other revenue		-	391	391	-
	Total Revenues	<u>211,000</u>	<u>182,417</u>	<u>182,417</u>	<u>-</u>
<u>Expenditures</u>					
Current:					
Culture and recreation		<u>150,975</u>	<u>151,065</u>	<u>151,224</u>	<u>(159) *</u>
	Total Expenditures	<u>150,975</u>	<u>151,065</u>	<u>151,224</u>	<u>(159)</u>
	Net Change in Fund Balance	<u>\$ 60,025</u>	<u>\$ 31,352</u>	31,193	<u>\$ (159)</u>
Beginning fund balance				<u>321,107</u>	
	Ending Fund Balance			<u>\$ 352,300</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, 2019

Chapter 59 Forfeited Property			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts
			Variance with Final Budget Positive (Negative)
Revenues			
Investment earnings	\$ 12	\$ 53	\$ 52
Other revenue	8,575	2,083	2,083
Total Revenues	<u>8,587</u>	<u>2,136</u>	<u>2,135</u>
Expenditures			
Current:			
Public safety	-	12	12
Total Expenditures	<u>-</u>	<u>12</u>	<u>12</u>
Net Change in Fund Balance	<u>\$ 8,587</u>	<u>\$ 2,124</u>	<u>2,123</u>
Beginning fund balance			<u>28,074</u>
Ending Fund Balance			<u>\$ 30,197</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, 2019

Municipal Drainage				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Municipal drainage fees	\$ 135,477	\$ 134,692	\$ 134,694	\$ 2
Intergovernmental	-	577	577	-
Investment earnings	170	-	-	-
Total Revenues	<u>135,647</u>	<u>135,269</u>	<u>135,271</u>	<u>2</u>
<u>Expenditures</u>				
Current:				
Health and welfare	26,000	13,022	13,021	1
Total Expenditures	<u>26,000</u>	<u>13,022</u>	<u>13,021</u>	<u>1</u>
Net Change in Fund Balance	<u>\$ 109,647</u>	<u>\$ 122,247</u>	122,250	<u>\$ 3</u>
Beginning fund balance			(51,078)	
Ending Fund Balance			<u>\$ 71,172</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, 2019

Municipal Court Technology				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 16,600	\$ 22,308	\$ 22,308	\$ -
Investment earnings	23	41	41	-
Total Revenues	<u>16,623</u>	<u>22,349</u>	<u>22,349</u>	<u>-</u>
<u>Expenditures</u>				
Current:				
General government	<u>26,957</u>	<u>23,497</u>	<u>23,496</u>	<u>1</u>
Total Expenditures	<u>26,957</u>	<u>23,497</u>	<u>23,496</u>	<u>1</u>
Net Change in Fund Balance	<u><u>\$ (10,334)</u></u>	<u><u>\$ (1,148)</u></u>	<u>(1,147)</u>	<u><u>\$ 1</u></u>
Beginning fund balance			<u>23,218</u>	
Ending Fund Balance			<u><u>\$ 22,071</u></u>	

CITY OF SEALY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2019

		Municipal Court Building Security			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>					
	Fines and forfeitures	\$ 12,450	\$ 16,731	\$ 16,731	\$ -
	Investment earnings	100	239	240	1
	Total Revenues	<u>12,550</u>	<u>16,970</u>	<u>16,971</u>	<u>1</u>
<u>Expenditures</u>					
Current:					
	General government	<u>23,000</u>	<u>4,538</u>	<u>4,538</u>	<u>-</u>
	Total Expenditures	<u>23,000</u>	<u>4,538</u>	<u>4,538</u>	<u>-</u>
	Net Change in Fund Balance	<u><u>\$ (10,450)</u></u>	<u><u>\$ 12,432</u></u>	12,433	<u><u>\$ 1</u></u>
Beginning fund balance				<u>125,436</u>	
Ending Fund Balance				<u>\$ 137,869</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, 2019

		Judicial Efficiency			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>					
	Fines and forfeitures	\$ 3,876	\$ 5,604	\$ 5,604	\$ -
	Investment earnings	27	27	27	\$ -
	Total Revenues	<u>3,903</u>	<u>5,631</u>	<u>5,631</u>	<u>-</u>
<u>Expenditures</u>					
Current:					
	General government	<u>6,050</u>	<u>5,058</u>	<u>5,058</u>	<u>-</u>
	Total Expenditures	<u>6,050</u>	<u>5,058</u>	<u>5,058</u>	<u>-</u>
	Net Change in Fund Balance	<u>\$ (2,147)</u>	<u>\$ 573</u>	573	<u>\$ -</u>
Beginning fund balance				<u>14,471</u>	
	Ending Fund Balance			<u>\$ 15,044</u>	

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.

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Financial Trends	122
<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	132
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	140
<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	149
<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>	
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<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			
	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	\$ 4,274,217	\$ 5,483,183	\$ 7,937,295	\$ 5,922,681
Restricted	706,412	888,184	2,850,640	2,380,906
Unrestricted	(746,217)	(726,882)	(5,039,321)	(1,699,132)
Total Governmental Activities Net Position	<u>\$ 4,234,412</u>	<u>\$ 5,644,485</u>	<u>\$ 5,748,614</u>	<u>\$ 6,604,455</u>
Business-Type Activities				
Net investment in capital assets	\$ 8,425,198	\$ 9,087,667	\$ 10,906,238	\$ 10,541,614
Unrestricted	2,008,396	2,130,581	2,239,827	2,356,734
Total Business-Type Activities Net Position	<u>\$ 10,433,594</u>	<u>\$ 11,218,248</u>	<u>\$ 13,146,065</u>	<u>\$ 12,898,348</u>
Primary Government				
Net investment in capital assets	\$ 10,489,223	\$ 12,821,738	\$ 14,994,017	\$ 18,997,159
Restricted	706,412	888,184	2,850,640	2,380,906
Unrestricted	3,472,371	3,152,811	1,050,022	(1,875,262)
Total Primary Government Net Position	<u>\$ 14,668,006</u>	<u>\$ 16,862,733</u>	<u>\$ 18,894,679</u>	<u>\$ 19,502,803</u>

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

Fiscal Year					
2014 ⁽¹⁾	2015	2016	2017	2018	2019
\$ 6,060,705	\$ 5,722,904	\$ 5,742,788	\$ 5,724,733	\$ 5,253,066	\$ 4,724,105
1,889,033	4,234,975	3,790,110	2,963,194	2,400,331	3,054,845
(1,724,419)	(1,105,908)	(4,058,146)	(3,909,394)	(10,520,519)	(14,624,462)
<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>	<u>\$ (6,845,512)</u>
\$ 10,516,142	\$ 11,012,307	\$ 11,086,756	\$ 11,391,103	\$ 19,904,213	\$ 25,518,217
1,550,524	1,121,869	1,772,344	2,012,545	2,439,901	1,911,477
<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>	<u>\$ 27,429,694</u>
\$ 16,576,847	\$ 16,735,211	\$ 15,666,550	\$ 15,240,540	\$ 17,075,207	\$ 17,012,159
1,889,033	4,234,975	3,790,110	2,963,194	2,400,331	3,054,845
(173,895)	15,961	(1,122,808)	(21,553)	1,454	517,178
<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>	<u>\$ 20,584,182</u>

CITY OF SEALY, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental activities				
General government	\$ 1,601,585	\$ 1,360,731	\$ 1,311,143	\$ 979,618
Public safety	1,861,790	1,959,212	2,044,627	2,142,539
Highways and streets	489,717	481,946	535,460	502,347
Health and welfare	69,197	61,255	64,023	67,225
Culture and recreation	393,980	416,820	461,511	558,804
Interest on long-term debt	254,990	399,494	441,096	419,085
Total Governmental Activities Expenses	4,671,259	4,679,458	4,857,860	4,669,618
Business-Type Activities				
Water and sewer	1,382,898	1,467,129	1,660,540	1,741,477
Gas	1,391,186	1,259,009	1,074,620	1,284,530
Solid waste	502,904	510,992	565,936	1,077,896
Total Business-Type Activities Expenses	3,276,988	3,237,130	3,301,096	4,103,903
Total Expenses	\$ 7,948,247	\$ 7,916,588	\$ 8,158,956	\$ 8,773,521
Program Revenues				
Governmental activities				
Fees, fines, and charges for services				
General government	\$ 9,356	\$ 30,550	\$ 18,661	\$ 15,815
Public safety	541,008	574,783	556,826	647,487
Highways and streets	122,483	123,263	144,978	125,073
Culture and recreation	21,215	23,455	22,355	26,330
Operating grants and contributions	14,325	610,567	193,125	161,858
Capital grants and contributions	1,466,333	761,602	617,964	561,039
Total Governmental Activities Program Revenues	2,174,720	2,124,220	1,553,909	1,537,602
Business-Type Activities				
Charges for services				
Water and sewer	1,669,459	2,041,847	1,800,084	1,889,920
Gas	1,594,494	1,448,262	1,059,888	1,272,431
Solid waste	522,018	524,378	545,797	1,032,941
Operating grants and contributions	-	-	-	-
Capital grants and contributions	337,039	306,653	43,347	18,572
Total Business-Type Activities Program Revenues	4,123,010	4,321,140	3,449,116	4,213,864
Total Program Revenues	\$ 6,297,730	\$ 6,445,360	\$ 5,003,025	\$ 5,751,466
Net (Expense)/Revenue				
Governmental activities	\$ (2,496,539)	\$ (2,555,238)	\$ (3,303,951)	\$ (3,132,016)
Business-type activities	846,022	1,084,010	148,020	109,961
Total Net Expense	\$ (1,650,517)	\$ (1,471,228)	\$ (3,155,931)	\$ (3,022,055)

Fiscal Year					
2014 ⁽¹⁾	2015	2016	2017	2018	2019
\$ 1,596,282	\$ 1,770,498	\$ 6,460,209	\$ 4,085,583	\$ 3,392,797	\$ 2,669,563
1,976,001	2,171,242	2,701,227	2,710,735	2,634,683	2,991,157
585,413	568,161	704,537	593,386	575,469	710,709
37,091	191,285	305,392	272,857	204,304	204,338
479,609	259,001	384,166	296,949	365,691	366,710
363,516	804,343	857,331	718,955	744,292	719,056
<u>5,037,912</u>	<u>5,764,530</u>	<u>11,412,862</u>	<u>8,678,465</u>	<u>7,917,236</u>	<u>7,661,533</u>
1,722,165	1,813,649	1,646,909	1,846,232	1,848,429	2,996,284
1,532,446	1,293,543	988,942	1,266,057	1,530,187	1,677,849
1,055,821	1,102,828	1,291,719	1,460,502	1,605,884	1,763,216
<u>4,310,432</u>	<u>4,210,020</u>	<u>3,927,570</u>	<u>4,572,791</u>	<u>4,984,500</u>	<u>6,437,349</u>
<u>\$ 9,348,344</u>	<u>\$ 9,974,550</u>	<u>\$ 15,340,432</u>	<u>\$ 13,251,256</u>	<u>\$ 12,901,736</u>	<u>\$ 14,098,882</u>
\$ 483,592	\$ 369,733	\$ 38,086	\$ 57,849	\$ 31,141	\$ 26,016
134,042	126,463	513,297	669,820	647,475	882,939
127,482	128,187	131,160	133,772	133,961	134,694
39,294	24,295	30,030	19,765	29,984	31,770
28,760	887	269,887	6,380	31,531	9,577
-	7,683	28,612	143,008	94,136	31,100
<u>813,170</u>	<u>657,248</u>	<u>1,011,072</u>	<u>1,030,594</u>	<u>968,228</u>	<u>1,116,096</u>
1,780,646	1,778,792	1,924,869	2,338,290	2,232,268	2,462,686
1,527,984	1,285,142	1,035,771	1,198,713	1,522,005	1,506,610
1,064,168	1,094,267	1,142,788	1,347,925	1,485,499	1,732,793
11,550	293,410	69,163	-	2,735	-
-	-	-	-	-	-
<u>4,384,348</u>	<u>4,451,611</u>	<u>4,172,591</u>	<u>4,884,928</u>	<u>5,242,507</u>	<u>5,702,089</u>
<u>\$ 5,197,518</u>	<u>\$ 5,108,859</u>	<u>\$ 5,183,663</u>	<u>\$ 5,915,522</u>	<u>\$ 6,210,735</u>	<u>\$ 6,818,185</u>
\$ (4,224,742)	\$ (5,107,282)	\$ (10,401,790)	\$ (7,647,871)	\$ (6,949,008)	\$ (6,545,437)
73,916	241,591	245,021	312,137	258,007	(735,260)
<u>\$ (4,150,826)</u>	<u>\$ (4,865,691)</u>	<u>\$ (10,156,769)</u>	<u>\$ (7,335,734)</u>	<u>\$ (6,691,001)</u>	<u>\$ (7,280,697)</u>

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

	Fiscal Year			
	2010	2011	2012	2013
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes	\$ 1,633,191	\$ 1,734,570	\$ 1,855,450	\$ 1,989,818
Sales taxes	1,215,629	1,165,311	1,198,030	1,114,539
Franchise fees	389,097	396,256	554,902	610,206
Hotel/motel occupancy taxes	168,123	165,825	214,035	181,839
Investment earnings	30,688	21,920	39,264	10,017
Other revenue	69,422	172,347	193,942	98,956
Gain (loss) on sale of capital assets	-	-	-	-
Transfers	(97,946)	309,082	(1,337,363)	359,124
Total Governmental Activities	<u>3,408,204</u>	<u>3,965,311</u>	<u>2,718,260</u>	<u>4,364,499</u>
Business-type activities				
Investment earnings	2,533	4,831	11,465	4,906
Miscellaneous revenue	3,464	4,895	54,434	(3,463)
Gain (loss) on sale of capital assets	-	-	-	-
Transfers	97,946	(309,082)	1,337,363	(359,124)
Total Business-Type Activities	<u>103,943</u>	<u>(299,356)</u>	<u>1,403,262</u>	<u>(357,681)</u>
Total Primary Government	<u>\$ 3,512,147</u>	<u>\$ 3,665,955</u>	<u>\$ 4,121,522</u>	<u>\$ 4,006,818</u>
Change in Net Position				
Governmental activities	\$ 911,665	\$ 1,410,073	\$ (585,691)	\$ 1,232,483
Business-type activities	949,965	784,654	1,551,282	(247,720)
Total Change in Net Position	<u>\$ 1,861,630</u>	<u>\$ 2,194,727</u>	<u>\$ 965,591</u>	<u>\$ 984,763</u>

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

Fiscal Year					
2014 ⁽¹⁾	2015	2016	2017	2018	2019
\$ 2,065,680	\$ 2,040,685	\$ 2,784,285	\$ 2,889,339	\$ 3,011,703	\$ 3,117,121
1,765,105	1,985,724	2,114,188	2,424,520	2,605,788	2,755,377
623,008	625,959	1,157,209	1,454,601	1,723,016	1,849,750
182,444	189,056	166,711	163,058	218,868	179,388
10,099	17,597	26,996	68,512	171,181	86,193
197,846	1,196,220	1,250,990	180,399	156,347	147,221
-	-	-	-	205,140	8,342
343,818	178,693	(475,808)	(228,777)	(8,676,498)	(5,591,453)
5,188,000	6,233,934	7,024,571	6,951,652	(584,455)	2,551,939
5,165	4,612	4,095	3,634	5,961	235,335
-	-	-	-	-	-
-	-	-	-	-	9,160
(343,818)	(178,693)	475,808	228,777	8,676,498	5,591,453
(338,653)	(174,081)	479,903	232,411	8,682,459	5,835,948
\$ 4,849,347	\$ 6,059,853	\$ 7,504,474	\$ 7,184,063	\$ 8,098,004	\$ 8,387,887
\$ 963,258	\$ 1,126,652	\$ (3,377,219)	\$ (696,219)	\$ (7,533,463)	\$ (3,993,498)
(264,737)	67,510	724,924	544,548	8,940,466	5,100,688
\$ 698,521	\$ 1,194,162	\$ (2,652,295)	\$ (151,671)	\$ 1,407,003	\$ 1,107,190

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

		Fiscal Year			
		2010	2011	2012	2013
General Fund					
Restricted		\$ -	\$ -	\$ -	\$ -
Nonspendable		-	-	-	-
Unassigned		633,723	581,453	680,905	1,179,300
Total General Fund		<u>\$ 633,723</u>	<u>\$ 581,453</u>	<u>\$ 680,905</u>	<u>\$ 1,179,300</u>
All Other Governmental Funds					
Restricted		\$ 6,482,669	\$ 7,859,814	\$ 2,850,640	\$ 3,262,193
Nonspendable		-	-	-	-
Assigned		-	-	-	-
Unassigned		-	-	-	-
Total All Other Governmental Funds		<u>\$ 6,482,669</u>	<u>\$ 7,859,814</u>	<u>\$ 2,850,640</u>	<u>\$ 3,262,193</u>

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

Fiscal Year					
2014 ⁽¹⁾	2015	2016	2017	2018	2019
\$ -	\$ 4,947	\$ 12,390	\$ 15,469	\$ 17,589	\$ 21,327
-	-	167	246	62	47
1,626,826	1,664,003	523,963	218,906	806,584	1,053,786
<u>\$ 1,626,826</u>	<u>\$ 1,668,950</u>	<u>\$ 536,520</u>	<u>\$ 234,621</u>	<u>\$ 824,235</u>	<u>\$ 1,075,160</u>
\$ 2,540,798	\$ 19,055,770	\$ 18,287,801	\$ 17,175,726	\$ 8,030,145	\$ 3,035,951
-	2,135,000	-	-	-	-
988,617	42	42	-	-	-
(11,215)	(4,499)	(86,394)	-	(66,186)	(27,929)
<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>	<u>\$ 3,008,022</u>

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

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Property taxes	\$ 1,652,165	\$ 1,701,214	\$ 1,854,092	\$ 1,996,879
Sales taxes	1,215,629	1,165,311	1,198,030	1,114,539
Franchise fees and occupancy taxes	557,220	562,081	798,897	792,045
Licenses and permits	54,023	91,816	59,347	63,088
Fines and forfeitures	486,985	482,967	497,479	556,494
Charges for services	30,571	54,005	18,661	15,815
Intergovernmental	176,158	83,231	626,789	6,308
Investment earnings	30,688	21,920	39,264	10,017
Municipal drainage fees	122,483	123,263	144,978	125,073
Private contributions	-	100,811	104,863	-
Contributions from component unit	79,500	676,938	264,300	260,550
Other revenue	74,126	81,009	111,434	130,152
Total Revenues	4,479,548	5,144,566	5,718,134	5,070,960
Expenditures				
General government	1,349,267	1,317,841	1,286,729	882,552
Public safety	1,784,107	1,872,028	1,952,653	2,026,918
Highways and streets	348,839	318,269	334,540	296,703
Health and welfare	69,197	59,352	63,230	67,225
Culture and recreation	328,495	316,429	359,151	406,200
Capital outlay	496,887	938,544	5,734,030	792,390
Debt service				
Principal	563,077	628,915	681,237	712,988
Payment to bond escrow agent	-	-	-	-
Interest and fiscal charges	162,406	418,648	416,286	389,069
Debt issuance costs	177,795	39,047	-	-
Total Expenditures	5,280,070	5,909,073	10,827,856	5,574,045
Excess (Deficiency) of Revenues Over (Under) Expenditures	(800,522)	(764,507)	(5,109,722)	(503,085)
Other Financing Sources (Uses)				
Issuance of debt	6,150,000	1,780,300	-	-
Premium on debt	187,362	-	-	-
Bond (discount)	(150,000)	-	-	-
Proceeds from sale of capital assets	1,305	-	-	-
Transfers in	418,695	730,441	215,086	404,880
Transfers out	(499,732)	(421,359)	(15,086)	(45,756)
Total Other Financing Sources (Uses)	6,107,630	2,089,382	200,000	359,124
Net Change in Fund Balances	\$ 5,307,108	\$ 1,324,875	\$ (4,909,722)	\$ (143,961)
Debt service as a percentage of noncapital expenditures	18.88%	21.86%	21.55%	23.05%

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

Fiscal Year					
2014 ⁽¹⁾	2015	2016	2017	2018	2019
\$ 2,125,112	\$ 2,044,723	\$ 2,772,206	\$ 2,871,275	\$ 2,996,159	\$ 3,118,789
2,118,796	1,954,569	2,083,033	2,393,365	2,574,633	2,724,222
805,452	815,015	1,323,920	1,617,659	1,941,884	2,029,138
66,999	81,117	97,546	187,028	114,214	128,537
483,592	45,346	415,751	482,792	533,261	754,402
67,043	369,733	38,086	57,849	31,141	26,016
28,760	887	269,887	149,388	125,667	13,077
10,099	17,597	26,996	68,512	171,181	86,193
127,482	128,187	131,160	133,772	133,961	134,694
-	-	-	-	-	-
-	-	-	-	-	-
237,140	1,220,515	1,275,795	200,164	186,331	178,991
6,070,475	6,677,689	8,434,380	8,161,804	8,808,432	9,194,059
1,615,282	1,738,531	6,404,091	3,991,106	3,549,762	2,593,850
1,955,592	2,073,693	2,671,587	2,739,373	2,481,159	2,744,359
375,228	307,863	433,980	360,931	376,749	497,487
37,091	88,859	146,122	260,397	758,444	41,017
343,132	302,453	388,413	309,857	366,134	354,803
301,673	410,164	856,840	180,667	7,709,322	6,721,243
714,800	536,010	810,000	825,000	845,000	870,000
-	-	1,001,984	-	-	-
367,962	628,610	834,898	822,095	802,320	777,928
-	192,284	38,984	-	-	-
5,710,760	6,278,467	13,586,899	9,489,426	16,888,890	14,600,687
359,715	399,222	(5,152,519)	(1,327,622)	(8,080,458)	(5,406,628)
-	14,380,000	1,030,000	-	-	-
-	1,096,015	-	-	-	-
-	-	-	-	-	-
-	-	5,225	-	264,237	8,342
1,139,855	1,167,876	1,112,912	361,366	216,219	988,398
(796,037)	(832,876)	(1,112,912)	(361,366)	(1,022,151)	(310,232)
343,818	15,811,015	1,035,225	-	(541,695)	686,508
\$ 703,533	\$ 16,210,237	\$ (4,117,294)	\$ (1,327,622)	\$ (8,622,153)	\$ (4,720,120)
20.02%	19.85%	12.62%	18.19%	10.18%	11.70%

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

	Fiscal Year			
	2010	2011	2012	2013
Residential property	\$ 214,597,869	\$ 247,138,727	\$ 250,695,960	\$ 253,554,491
Commercial property	408,547,744	362,855,812	375,566,159	409,676,948
Less: Tax exempt property	93,834,206	111,675,882	114,630,517	90,910,453
Total Taxable Assessed Valuation (1)	\$ 529,311,407	\$ 498,318,657	\$ 511,631,602	\$ 572,320,986
Total direct tax rate	\$ 0.30579	\$ 0.33579	\$ 0.35613	\$ 0.34145

Source: Austin County Appraisal District

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

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 250,022,340	\$ 252,900,388	\$ 281,163,817	\$ 299,837,845	\$ 341,598,384	\$ 356,498,073
429,521,779	430,170,232	392,402,405	413,447,840	430,914,898	515,204,114
93,999,085	88,617,089	65,394,130	68,131,069	78,376,262	87,723,479
<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>	<u>\$ 783,978,708</u>
\$ 0.35721	\$ 0.33665	\$ 0.45000	\$ 0.43737	\$ 0.42297	\$ 0.38663

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

		Fiscal Year			
		2010	2011	2012	2013
City of Sealy:					
Operating tax rate		\$ 0.172350	\$ 0.180280	\$ 0.180280	\$ 0.182260
Debt service tax rate		0.133440	0.155510	0.175850	0.159190
Total Direct Rates		\$ 0.305790	\$ 0.335790	\$ 0.356130	\$ 0.341450
Austin County		\$ 0.499000	\$ 0.540000	\$ 0.537900	\$ 0.527700
Sealy Independent School District		1.233000	1.260000	1.260000	1.260000
Austin County Emergency Services					
District #2		0.030900	0.070000	0.069900	0.069100
Total Direct and Overlapping Rates		\$ 2.068690	\$ 2.205790	\$ 2.223930	\$ 2.198250
Total Assessed Valuation		\$ 529,311,407	\$ 498,318,657	\$ 511,631,602	\$ 572,320,986

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

Source: Tax department records of the various governments.

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 0.192680	\$ 0.208670	\$ 0.186300	\$ 0.189620	\$ 0.190410	\$ 0.182090
0.164530	0.127980	0.263700	0.247750	0.232560	0.204540
\$ 0.357210	\$ 0.336650	\$ 0.450000	\$ 0.437370	\$ 0.422970	\$ 0.386630
\$ 0.528300	\$ 0.518300	\$ 0.544300	\$ 0.543500	\$ 0.547900	\$ 0.547900
1.260000	1.260000	1.260000	1.340000	1.390000	1.390000
0.100000	0.100000	0.100000	0.100000	0.100000	0.100000
\$ 2.245510	\$ 2.214950	\$ 2.354300	\$ 2.420870	\$ 2.460870	\$ 2.424530
\$ 585,545,034	\$ 594,453,531	\$ 608,172,092	\$ 645,154,616	\$ 694,137,020	\$ 783,978,708

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CITY OF SEALY, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2019			2010		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
Wal-Mart Stores East US07036	\$ 111,355,310	1	14.20%	\$ 74,170,644	1	14.01%
Enterprise Crude Pipeline LLC	61,397,039	2	7.83%	-	-	-
Valerus Field Solutions	51,615,110	3	6.58%	-	-	-
Five Star Properties Sealy LLC	22,765,346	4	2.90%	-	-	-
International Paper Company	13,620,160	5	1.74%	17,926,021	3	3.39%
Sika Corporation	13,116,250	6	1.67%	-	-	-
Blencor LLC	11,979,335	7	1.53%	-	-	-
Maass Flange Corp.	9,843,960	8	1.26%	15,512,484	4	2.93%
Prasek Family Limited Partnership	8,294,937	9	1.06%	-	-	-
Wal-Mart Real Estate Business	7,833,532	10	1.00%	9,194,486	5	1.74%
Wal-Mart Stores East US07969	-	-	-	6,742,004	6	1.27%
BAE Systems	-	-	-	69,379,296	2	13.11%
Paraga Ltd.	-	-	-	3,591,393	7	0.68%
Sealy J V	-	-	-	3,135,900	8	0.59%
Centerpoint Energy Houston	-	-	-	2,992,206	9	0.57%
DKH Edgewood Apartments LP	-	-	-	2,857,816	10	0.54%
Subtotal	311,820,979		39.77%	205,502,250		38.82%
Other taxpayers	472,157,729		60.23%	323,809,157		61.18%
Total ⁽¹⁾	\$ 783,978,708		100.00%	\$ 529,311,407		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
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%
2019	2018	\$ 0.386630	\$ 3,030,309	\$ 2,998,115	98.94%

Source: Austin County Appraisal District

Collected in Subsequent Years		Total Collections to Date	
Amount		Amount	Percentage of
Collected		Collected	Levy
\$ 12,279		\$ 1,614,285	99.85%
\$ 18,600		\$ 1,669,912	99.84%
\$ 17,861		\$ 1,819,358	99.85%
\$ 19,646		\$ 1,950,886	99.86%
\$ 15,616		\$ 2,088,395	99.85%
\$ 12,322		\$ 1,997,364	99.80%
\$ 18,834		\$ 2,728,652	99.77%
\$ 25,649		\$ 2,815,799	99.71%
\$ 27,786		\$ 2,885,157	98.27%
\$ -		\$ 2,998,115	98.94%

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

		Fiscal Year			
		2010	2011	2012	2013
Governmental Activities:					
General obligation bonds	\$	770,000	\$ 540,000	\$ 300,000	\$ 175,000
Certificates of obligation		8,050,000	9,495,000	9,260,000	8,890,000
Tax notes		640,000	490,000	335,000	170,000
Capital leases		128,649	215,035	163,797	110,809
Issuance discounts/premiums		37,404	37,282	37,445	37,605
Subtotal		<u>9,626,053</u>	<u>10,777,317</u>	<u>10,096,242</u>	<u>9,383,414</u>
Business-Type Activities:					
Certificates of obligation		-	-	-	-
Capital leases		-	-	81,476	140,702
Issuance discounts/premiums		-	-	-	-
Subtotal		<u>-</u>	<u>-</u>	<u>81,476</u>	<u>140,702</u>
Total Primary Government	\$	<u><u>9,626,053</u></u>	<u><u>10,777,317</u></u>	<u><u>10,177,718</u></u>	<u><u>9,524,116</u></u>
Estimated Full Property Value	\$	623,145,613	609,994,539	626,262,119	663,231,439
Percentage of Full Property Value:					
Governmental activities		1.54%	1.77%	1.61%	1.41%
Business-type activities		-	-	0.01%	0.02%
Population (1)		6,374	6,019	6,179	6,183
Debt Per Capita:					
Primary government	\$	1,510	\$ 1,791	\$ 1,647	\$ 1,540

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

(1) Data sources: U.S. Census Bureau

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 40,000	\$ -	\$ 845,000	\$ 660,000	\$ 470,000	\$ 380,000
8,535,000	22,475,000	20,865,000	20,225,000	19,570,000	18,790,000
-	-	-	-	-	-
56,010	-	-	-	-	-
37,393	1,074,907	1,016,406	957,905	899,404	840,903
8,668,403	23,549,907	22,726,406	21,842,905	20,939,404	20,010,903
-	-	-	-	-	10,585,000
110,948	80,244	48,557	15,857	-	-
-	-	-	-	-	452,485
110,948	80,244	48,557	15,857	-	11,037,485
\$ 8,779,351	\$ 23,630,151	\$ 22,774,963	\$ 21,858,762	\$ 20,939,404	\$ 31,048,388
\$ 679,544,119	\$ 714,105,392	\$ 711,771,139	\$ 753,232,170	\$ 811,633,810	\$ 911,924,459
1.28%	3.30%	3.19%	2.90%	2.58%	2.19%
0.02%	0.01%	0.01%	0.00%	0.00%	1.21%
6,215	6,293	6,413	6,460	6,482	6,538
\$ 1,413	\$ 3,755	\$ 3,551	\$ 3,384	\$ 3,230	\$ 4,749

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

	Fiscal Year			
	2010	2011	2012	2013
Estimated Actual Taxable Value of Property	\$ 529,311,407	\$ 498,318,657	\$ 511,631,602	\$ 572,320,986
General obligation bonds	\$ 770,000	\$ 540,000	\$ 300,000	\$ 175,000
Certificates of obligation	8,087,404	9,532,282	9,297,445	8,927,605
Less: amounts available in debt service fund	320,597	251,623	259,628	295,730
Total	\$ 8,536,807	\$ 9,820,659	\$ 9,337,817	\$ 8,806,875
Percentage of Estimated Actual Taxable Value of Property	1.61%	1.97%	1.83%	1.54%
Population (1)	6,374	6,019	6,179	6,183
Per Capita	\$ 1,339	\$ 1,632	\$ 1,511	\$ 1,424

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

(1) Data sources: U.S. Census Bureau

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 585,545,034	\$ 594,453,531	\$ 608,172,092	\$ 645,154,616	\$ 645,154,616	\$ 783,978,708	
\$ 40,000	\$ -	\$ 845,000	\$ 660,000	\$ 470,000	\$ 380,000	
8,572,393	23,549,907	21,881,406	21,182,905	20,469,404	19,630,903	
323,136	356,181	383,540	419,301	482,174	542,573	
<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>	<u>\$ 19,468,330</u>	
1.42%	3.90%	3.67%	3.32%	3.17%	2.48%	
6,215	6,293	6,413	6,460	6,482	6,538	
\$ 1,334	\$ 3,686	\$ 3,484	\$ 3,316	\$ 3,156	\$ 2,978	

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CITY OF SEALY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2019

Government Unit	Debt Outstanding	Estimated Percentage Applicable*	Amount Applicable to Primary Government
Austin County	\$ 12,590,000	30.574%	\$ 3,849,267
Sealy Independent School District	\$ 52,980,000	69.926%	37,046,795
Subtotal, overlapping debt			40,896,061
City Direct Debt		100.000%	20,010,903
Total Direct and Overlapping Debt			<u><u>\$ 60,906,964</u></u>
Population (1)			6,538
Overlapping Debt Per Capita			<u><u>\$ 6,255</u></u>
Direct and Overlapping Debt Per Capita			<u><u>\$ 9,316</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: U.S. Census Bureau

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

	Fiscal Year			
	2010	2011	2012	2013
Legal debt limit ⁽¹⁾	\$ 7,145,704	\$ 6,727,302	\$ 6,907,027	\$ 7,726,333
Total net debt applicable to limit	376,271	737,329	779,284	747,716
Legal debt margin	<u>\$ 6,769,433</u>	<u>\$ 5,989,973</u>	<u>\$ 6,127,743</u>	<u>\$ 6,978,617</u>
Total net debt applicable to the limit as a percentage of legal debt limit	5.27%	10.96%	11.28%	9.68%
Legal Debt Margin Calculation				
Assessed value	\$ 529,311,407	\$ 498,318,657	\$ 511,631,602	\$ 572,320,986
Legal debt limit ⁽¹⁾	7,145,704	6,727,302	6,907,027	7,726,333
Net debt applicable to limit:				
General obligation bonds	245,653	254,419	257,519	135,019
Certificates of obligation	274,870	558,341	605,758	728,450
Tax anticipation notes	173,652	173,360	172,885	177,227
Fiscal agent and other fees	2,693	2,832	2,750	2,750
Less: amount set aside for repayment of general obligation debt	<u>320,597</u>	<u>251,623</u>	<u>259,628</u>	<u>295,730</u>
Total net debt applicable to limit	<u>376,271</u>	<u>737,329</u>	<u>779,284</u>	<u>747,716</u>
Legal debt margin	<u>\$ 6,769,433</u>	<u>\$ 5,989,973</u>	<u>\$ 6,127,743</u>	<u>\$ 6,978,617</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					
2014	2015	2016	2017	2018	2019
\$ 7,904,858	\$ 8,025,123	\$ 8,210,593	\$ 8,709,587	\$ 9,370,850	\$ 10,583,713
701,015	787,652	1,261,358	1,227,794	1,227,927	1,105,284
<u>\$ 7,203,843</u>	<u>\$ 7,237,471</u>	<u>\$ 6,949,235</u>	<u>\$ 7,481,793</u>	<u>\$ 8,142,923</u>	<u>\$ 9,478,429</u>
8.87%	9.81%	15.36%	14.10%	13.10%	10.44%
\$ 585,545,034	\$ 594,453,531	\$ 608,172,092	\$ 645,154,616	\$ 694,137,020	\$ 783,978,708
7,904,858	8,025,123	8,210,323	8,709,587	9,370,850	10,583,713
140,956	41,400	195,352	198,351	200,428	97,426
703,990	1,099,333	1,448,796	1,447,994	1,446,050	1,549,681
176,205	-	-	-	-	-
3,000	3,100	750	750	750	750
323,136	356,181	383,540	419,301	419,301	542,573
701,015	787,652	1,261,358	1,227,794	1,227,927	1,105,284
<u>\$ 7,203,843</u>	<u>\$ 7,237,471</u>	<u>\$ 6,948,965</u>	<u>\$ 7,481,793</u>	<u>\$ 8,142,923</u>	<u>\$ 9,478,429</u>

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⁾
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	6,179	\$ 266,686	\$ 43,160	40.6	2,646	7.10%
2013	6,183	\$ 269,270	\$ 43,550	40.6	2,650	6.00%
2014	6,215	\$ 290,495	\$ 46,741	40.6	2,752	5.80%
2015	6,293	\$ 320,232	\$ 50,887	40.7	2,762	4.70%
2016	6,413	\$ 314,622	\$ 49,060	40.6	2,845	4.60%
2017	6,460	\$ 318,233	\$ 49,262	37.0	2,830	4.40%
2018	6,482	\$ 328,650	\$ 50,702	40.0	2,840	4.90%
2019	6,538	\$ 331,490	\$ 50,702	40.7	2,991	3.40%

Data sources:

- (1) U.S. Census Bureau
- (2) U.S. Department of Commerce, Bureau of Economic Analysis (statistics for Austin County)
- (3) U.S. Census Bureau, American Community Survey 3-Year Estimates (statistics for Austin County) (2008-2016, 2018-2019); 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.

CITY OF SEALY, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2019			2010		
	Percentage of Total			Percentage of Total		
	Employees ⁽¹⁾	Reported	Rank	Employees ⁽¹⁾	Reported	Rank
Wal-Mart Distribution Center	800	36.66%	1	609	19.97%	2
SNC-Lavalin	500	22.91%	2	-	-	
Sealy Independent School District	359	16.45%	3	365	11.97%	3
Wal-Mart Super Center	229	10.49%	4	259	8.49%	4
International Paper Company	102	4.67%	5	97	3.18%	5
Acme Brick Company	97	4.45%	6	73	2.39%	7
Gulf States Toyota	95	4.35%	7	85	2.79%	6
BAE Systems	N/A	N/A	-	1,400	45.92%	1
City of Sealy, Texas	N/A	N/A	-	60	1.97%	9
Rinker Materials	N/A	N/A	-	62	2.03%	8
Citizens State Bank	N/A	N/A	-	39	1.28%	10
	<u>2,182</u>	<u>100.00%</u>		<u>3,049</u>	<u>100.00%</u>	

Note: Only the top seven employers are available for 2019. 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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Governmental Activities:</u>										
General government	16.00	15.00	15.50	11.50	13.40	14.75	21.50	22.00	21.00	22.00
Public safety										
Police										
Officers	17.00	17.00	17.00	18.00	19.00	19.00	18.00	21.00	20.00	21.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.00	2.00
Inspection	4.00	3.00	4.00	3.80	3.00	3.50	4.00	4.00	3.50	3.50
Fire marshal	-	-	-	0.20	0.10	0.50	0.50	0.50	0.50	0.50
Highways and streets	3.50	3.00	4.00	3.00	3.00	3.00	3.00	3.00	4.50	5.50
Health and welfare	1.00	1.00	1.00	1.00	0.50	1.00	0.00	0.50	0.50	0.50
Culture and recreation	2.50	2.00	1.00	2.00	2.00	2.00	2.00	3.00	2.50	2.50
<u>Business-Type Activities:</u>										
Water and sewer	9.30	8.70	8.50	11.10	11.25	9.43	5.00	4.00	5.50	8.00
Gas	4.20	5.10	3.00	5.20	5.25	4.82	3.00	2.00	5.50	5.00
Solid waste	1.50	1.20	0.50	1.20	0.50	0.50	-	-	-	-
Total City Positions	60.00	57.00	55.50	58.00	59.00	59.50	58.50	61.50	64.50	70.50

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			
	2010	2011	2012	2013
City of Sealy				
Population	6,374	6,019	6,179	6,183
Square miles	11	11	12	12
Budgeted full time employees	60	57	56	51
Function				
Police				
Physical arrests	232	201	288	407
Parking violations	2	3	4	90
Traffic violations	5,136	5,772	5,715	6,510
Inspections				
Number of permits issued	118	718	716	654
Inspections	526	971	982	1,194
Highways and Streets				
Street resurfacing (miles)	0.2	-	-	3.0
Culture and recreation				
Community center rentals	368	480	564	696
Park pavilion rentals	165	164	221	169
Water				
New connections	17	18	19	25
Service connections	2,021	2,046	2,044	2,079
Water main breaks	23	17	18	3
Average daily consumption (thousands of gallons)	850	850	856	941
Sewer				
New connections	15	20	8	12
Service connections	1,902	1,924	1,918	1,934
Average daily sewer treatment (thousands of gallons)	578	581	578	527
Gas				
New connections	17	10	12	18
Service connections	1,336	1,353	1,341	1,354
Gas main breaks	-	1	-	-
Average daily gas consumption (hundreds of cubic feet)				
Residential and commercial	2,158	1,738	2,211	1,529
Industrial	3,418	3,550	2,973	3,517

Source: Various City departments

Fiscal Year					
2014	2015	2016	2017	2018	2019
6,215	6,293	6,413	6,460	6,482	6,538
13	13	13	13	13	13
52	53	51	53	56	63
310	454	441	447	309	506
73	41	30	12	27	18
5,636	3,424	4,542	4,179	6,023	8,498
958	901	757	885	732	1,390
1,269	1,266	1,345	1,158	1,175	1,360
3.0	-	-	-	-	1.5
573	434	419	377	187	205
120	127	125	108	79	94
18	10	22	25	19	21
2,096	2,094	2,126	2,142	2,159	2,183
12	4	-	-	7	13
896	763	922	840	955	847
11	7	20	8	7	18
1,944	1,942	1,972	1,987	2,000	2,016
610	685	622	599	540	590
15	12	15	14	12	15
1,357	1,350	1,350	1,364	1,351	1,364
-	-	-	-	-	-
2,000	1,788	1,528	1,333	1,926	1,106
3,395	3,566	3,999	3,545	4,063	4,000

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

	Fiscal Year			
	2010	2011	2012	2013
Function				
Public safety				
Police				
Stations	1	1	1	1
Patrol units	7	7	7	7
Highways and streets				
Streets (miles)	62	62	62	64
Streetlights	549	551	550	558
Culture and recreation				
Park acreage	36	36	36	36
Parks	4	4	5	5
Pavilions	2	2	2	2
Community centers	2	2	2	2
Water				
Water mains (miles)	72	73	72	72
Fire hydrants	311	308	312	333
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)	43	43	44	44

Source: Various City departments

Fiscal Year					
2014	2015	2016	2017	2018	2019
1 7	1 7	1 7	1 7	1 7	1 8
64 630	64 630	64 630	64 630	64 630	64 661
52 5 2 2	53 5 2 2	53 5 2 2	53 5 2 2	53 5 2 2	53 5 2 2
72 332 3 3	72 336 3 3	72 338 3 3	72 338 3 3	72 338 3 3	72 338 3 3
3,384	3,384	3,384	3,384	3,384	3,384
46 1	46 1	46 1	46 1	46 1	46 1
975	975	975	975	975	975
44	44	44	44	44	47



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